



K L O N D E X   M I N E S   L T D

T H E   U N D E R G R O U N D   G O L D   C O M P A N Y

TSX:KDX

NYSE MKT:KLDX

**6<sup>TH</sup> ANNUAL PRECIOUS METALS SUMMIT**

**BEAVER CREEK, CO**

**SEPTEMBER, 2016**

PRODUCING



# CAUTIONARY NOTES



## Cautionary Note Regarding Forward-looking Information

This presentation contains certain information that may constitute forward-looking information under applicable Canadian and U.S. securities legislation, including but not limited to information about current expectations on the timing, extent and success of exploration, development and metallurgical sampling activities, the timing and success of mining operations, the optimization of mine plans, milling activity at Klondex's mineral projects, the Company's intention and ability to monetize mineralized material, expected timing of the completion of the Hollister and Aurora acquisition, expected synergies resulting from the integration of Hollister and Aurora, timing relating to the filing of a technical report for True North and for future updates as to the mineral resource and mineral reserve estimates at True North, project development and related permitting, the financial condition of Klondex and the ability of Klondex to maintain and draw on the credit facility and the ability of Klondex to meet production and cost targets. This forward-looking information entails various risks and uncertainties that are based on current expectations, and actual results may differ materially from those contained in such information. These uncertainties and risks include, but are not limited to, the strength of the global economy; the price of gold; operational, funding and liquidity risks; the degree to which mineral resource estimates are reflective of actual mineral resources; the degree to which factors which would make a mineral deposit commercially viable are present; the risks and hazards associated with underground operations; and the ability of Klondex to fund its substantial capital requirements and operations. Risks and uncertainties about the Company's business are more fully discussed in the Company's disclosure materials filed with the securities regulatory authorities in Canada and the U.S. and available at [www.sedar.com](http://www.sedar.com) and [www.SEC.gov](http://www.SEC.gov), respectively. Readers are urged to read these materials. Klondex assumes no obligation to update any forward-looking information or to update the reasons why actual results could differ from such information unless required by law.

## U.S. Cautionary Note Regarding the Use of Mining Terms

This presentation has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. All resource and reserve estimates included in this presentation have been prepared in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These standards differ significantly from the mineral reserve disclosure requirements of the U.S. Securities and Exchange Commission (the "SEC") set out in Industry Guide 7. In particular, the SEC's Industry Guide 7 applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. This presentation also uses the terms "resources", "measured resources", "indicated resources" and "inferred resources". United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Mineral resources that are not mineral reserves do not have demonstrated economic viability. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. Consequently, reserve and resource information contained in this presentation is not comparable to similar information that would generally be disclosed by U.S. companies in accordance with the rules of the SEC.

## Qualified Person

Brian Morris, Vice President, Exploration of Klondex Mines is a "qualified person" as defined by National Instrument 43-101 – Standards of Disclosure for Mineral Projects (NI 43-101) and has reviewed and is responsible for the technical information contained in this presentation.



# COMPELLING VALUE PROPOSITION



<b>GROWING PRODUCER IN NORTH AMERICA</b>	<ul style="list-style-type: none"> <li>Flagship assets in Nevada: <b>Fire Creek</b> and <b>Midas</b></li> <li>Growth potential in Manitoba, Canada: <b>True North</b></li> <li>Recently announced agreement to acquire the <b>Hollister Mine</b> and <b>Aurora Mine</b> and Mill</li> </ul>
<b>HIGH GRADE OPERATIONS; STRONG FCF GENERATION</b>	<ul style="list-style-type: none"> <li>One of the lowest cost producers in the industry</li> <li>Operate two of the <b>highest grade</b> mines in North America; increases to four with <b>True North</b> and <b>Hollister</b></li> </ul>
<b>SIGNIFICANT EXPLORATION POTENTIAL</b>	<ul style="list-style-type: none"> <li><b>Fire Creek</b> – High grade mineralization in both new and existing veins</li> <li><b>Midas</b> – Significant mineralization discovered to the West and South of main workings</li> <li><b>True North</b> – Significant exploration and project development work in process; <b>first gold pour</b></li> <li>Consolidation of <b>large land package</b> within the NNR once <b>Hollister</b> closes</li> </ul>
<b>BALANCE SHEET STRENGTH</b>	<ul style="list-style-type: none"> <li>Significant liquidity, ~\$92 million as of June 30, 2016</li> </ul>
<b>MANAGEMENT TRACK RECORD</b>	<ul style="list-style-type: none"> <li>Outstanding safety record</li> <li>Significant experience in <b>narrow vein underground mining</b></li> <li>Proven trend of delivering on commitments</li> </ul>
<b>HOLLISTER ACQUISITION OPPORTUNITY</b>	<ul style="list-style-type: none"> <li>Fully permitted, high grade underground operation with infrastructure in place</li> <li>Lower risk due to management's intimate knowledge of assets</li> <li>Significant <b>synergies</b> with <b>Midas Mill</b> –consolidates three projects in Northern Nevada</li> <li>Additional upside potential with <b>Aurora mine</b> and milling complex</li> </ul>

\*See "Non-IFRS Performance Measures" at the end of the presentation.



# EXECUTIVE MANAGEMENT TEAM

## TRACK RECORD OF EXECUTION



### **Paul André Huet, A.Sc.T.**

#### **President, CEO and Director**

29 years of mining experience within North America, focused on underground narrow vein gold and silver mining



### **Mike Doolin**

#### **Chief Operating Officer**

28 years with extensive experience in metallurgy, design and permitting of narrow vein and open pit mining projects



### **Barry Dahl**

#### **Chief Financial Officer**

29 years of accounting experience in mining, construction and manufacturing



### **John Seaberg**

#### **SVP Investor Relations and Corporate Development**

23 years metals and mining experience with major mining companies in North America focusing on investor relations and corporate development



### **Brian Morris**

#### **VP Exploration**

28 years experience providing exploration and geological support to major producing assets in Nevada, including Midas and Hollister



### **John Antwi**

#### **SVP Strategic Development**

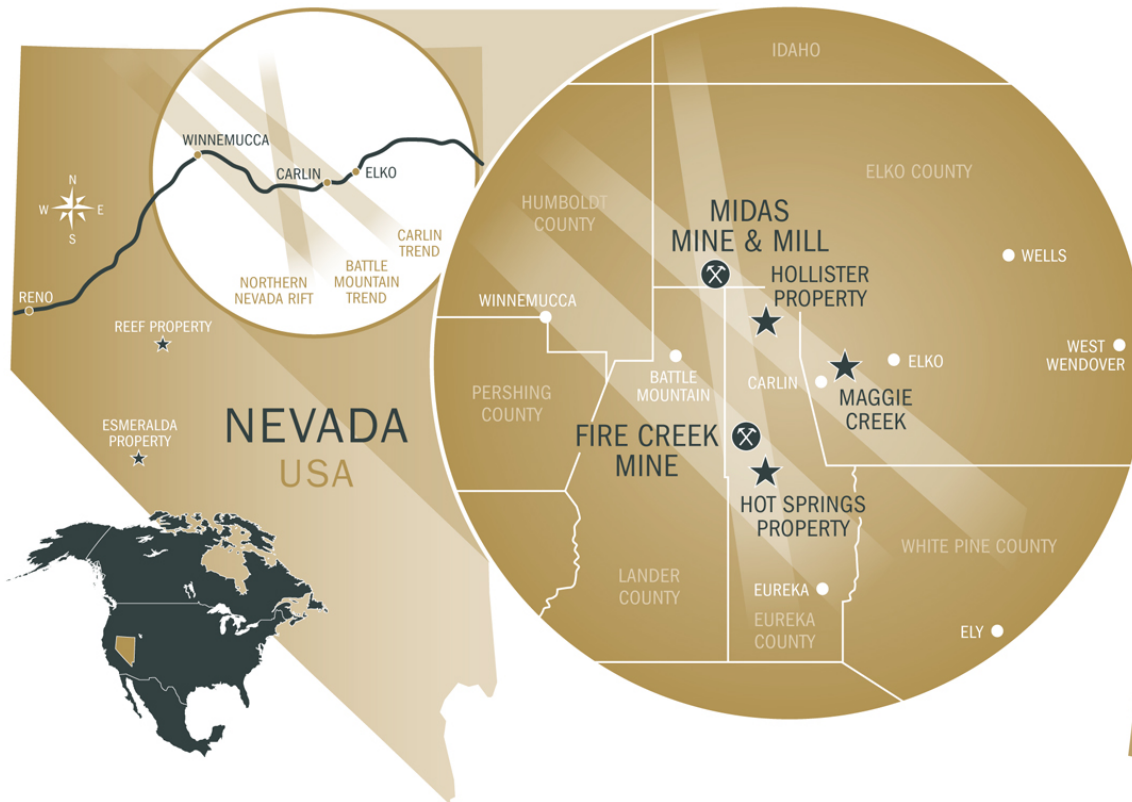
25 years of mining industry experience; most recently served as the Regional Director for Business Development for Newmont Mining Corp. in North America





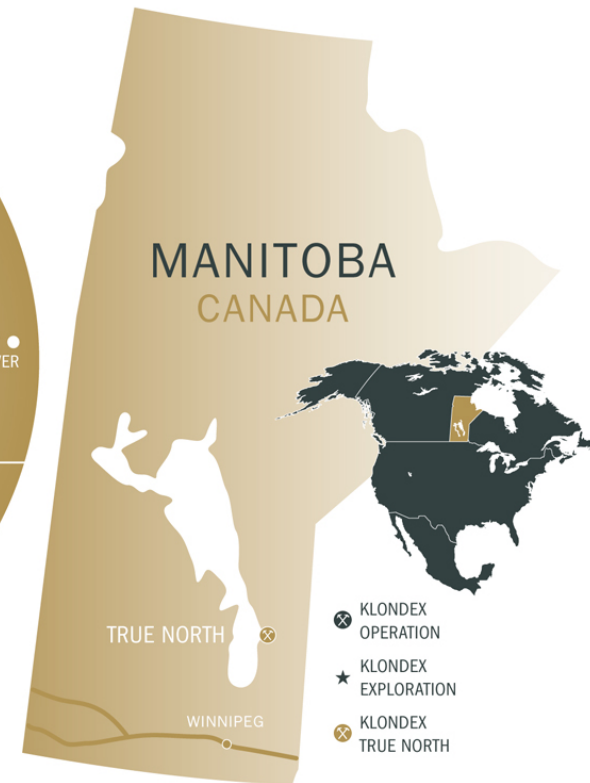
# GAINING SCALE IN NORTH AMERICA

## GROWING PRODUCTION PROFILE, STRONG UPSIDE POTENTIAL



**Two Flagship Assets in Nevada;**  
*Hollister acquisition pending*

**Consolidating in Northern Nevada: three mines servicing one central mill**



**Working to Duplicate Our Success Story in Canada**



# 2016 OPERATIONAL GUIDANCE



	2016 PROPOSED		<ul style="list-style-type: none"><li>On track to be operational by Q3 2016, guided by 2016 production of 45% - 50% and 50% - 55%</li></ul>
	Low	High	
FIRE CREEK			
GEO Production	97,000	100,000	
Cash Costs per GEO <sup>(1)</sup>	\$450	\$500	
Revised CAPEX (\$M)	\$35	\$37	
MIDAS			
GEO Production	48,000	50,000	
Cash Costs per GEO <sup>(1)</sup>	\$850	\$900	
Revised CAPEX (\$M)	\$20	\$23	
TOTAL KLONDEX <sup>1</sup>			H1 ACTUAL
GEO Production	145,000	150,000	71,592
Cash Costs per GEO <sup>(1)</sup>	\$600	\$650	\$636
Revised CAPEX (\$M)	\$55	\$60	\$29
AISC per Au oz <sup>(1)</sup>	\$850	\$900	\$1,014
Revised All-in Cost per Au oz <sup>(1)</sup>	\$1,025	\$1,075	\$1,137

- On track to achieve full year operational guidance
- 2016 production:  
45% - 50% in H1  
50% - 55% in H2

All figures above exclude True North. 2016 True North Production expected to be 8,000 – 12,000 Au oz

<sup>(1)</sup>See “Non-IFRS Performance Measures” at the end of the presentation.



# TRUE NORTH

## OUR NEXT PRODUCING ASSET



- Acquired in January 2016 for US\$32M
- Fully permitted operation located in Manitoba, Canada
- 2,500 tpd gold mill, ~220 pieces of mobile equipment
- M&I Mineral Resources of 294k Au oz at 0.21 opt Au; Inferred Mineral Resources of 460k Au oz at 0.17 opt Au<sup>(1)</sup>
- ~C\$375M of mine and mill capital spent since 2007 including extensive underground resources
- Tailings Reprocessing Project successfully producing gold today



<sup>(1)</sup> See press release dated September 12, 2016



# TRUE NORTH FOCUS! FOCUS! FOCUS!

## PROGRESS TO DATE



- No Lost Time Accidents since acquired
- Shaft repair project complete, 100% of the guides replaced
- Track repair 100% completed
- Mill has undergone major repairs
- Completed silling at Cohiba; drilling and blasting long-hole stopes
- Now mining at the 710 zone
- Mineral Reserve and Mineral Resource estimates complete<sup>(1)</sup>
- Recovering gold from tailings
- Positive production decision made<sup>(1)</sup>
- Cohiba & True North ore to be processed in Q4



Before Klondex



Now

<sup>(1)</sup> See press release dated September 12, 2016



# TRUE NORTH

## PRELIMINARY ESTIMATED ANNUAL OPERATING PARAMETERS



Metric	Low	High
Mill Throughput (tpd)	600	1,000
Initial Annual Production (Au oz)	45,000	65,000
AISC (C\$/Au oz)	\$950	\$1,050
Capex (C\$M)	\$15	\$25

- Detailed mine plan in process – will be included in Technical Report expected to be filed in October 2016
- Exploration definition drilling ongoing



Coarse gold on shaker table



# TRUE NORTH OPPORTUNITY

## TAILINGS REPROCESSING PROJECT



### Background Summary

- Klondex saw potential in the tailings stored in the impoundment facility
- Prior operator's 2014 drilling results indicated an average grade of .043 oz/t or 1.47g/t
- Results compelled Klondex to design a system to re-process the tailings

### Sequence of Events

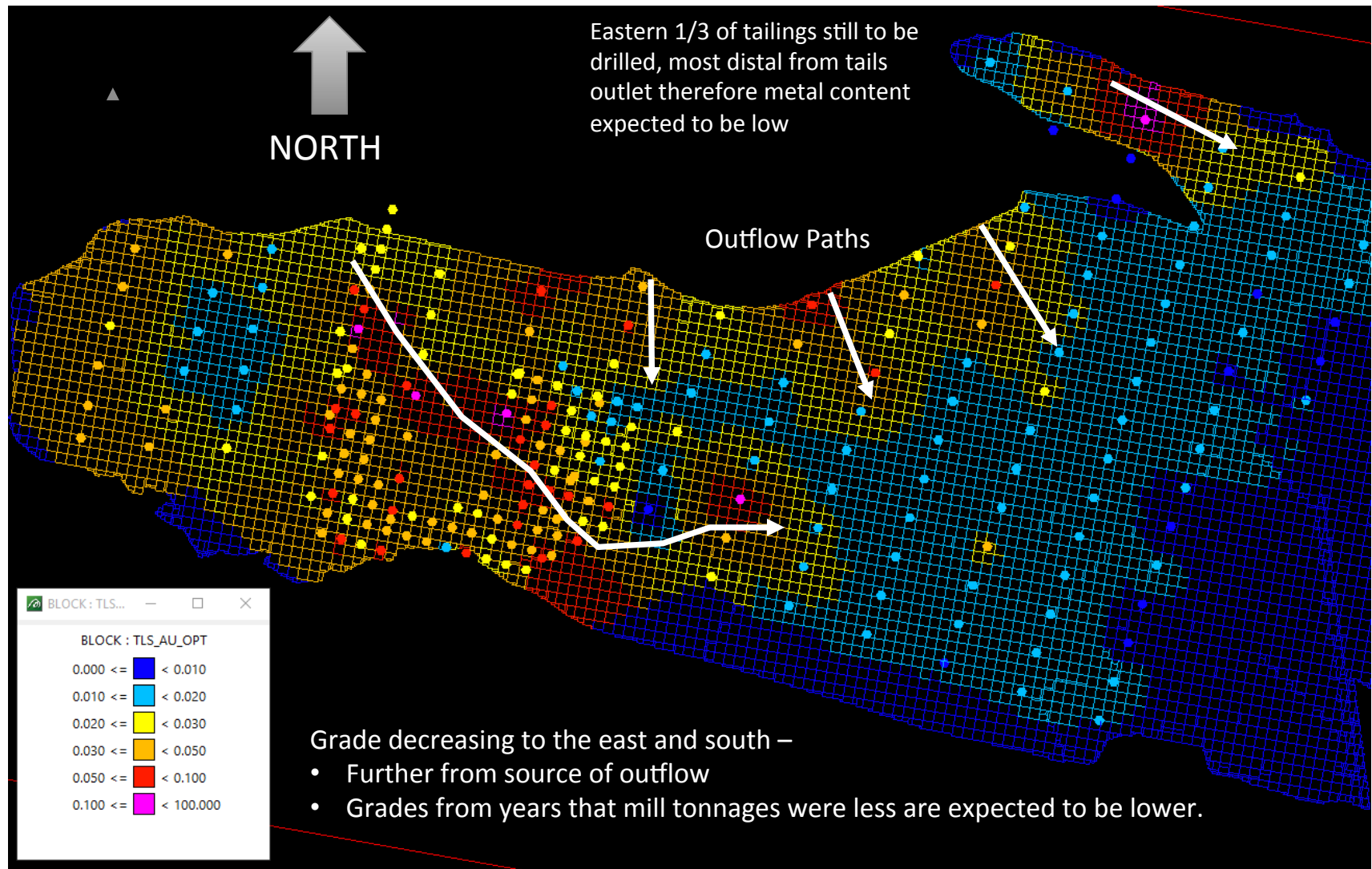
- April 14, 2016 – initial design meeting between Klondex and Toyo pumps
- May 2016 – confirmation that gold in tailings could be recovered
- June 2016 – began testing system
- June 2016 – system was commissioned
- July 2016 – first gold pour!





# TRUE NORTH

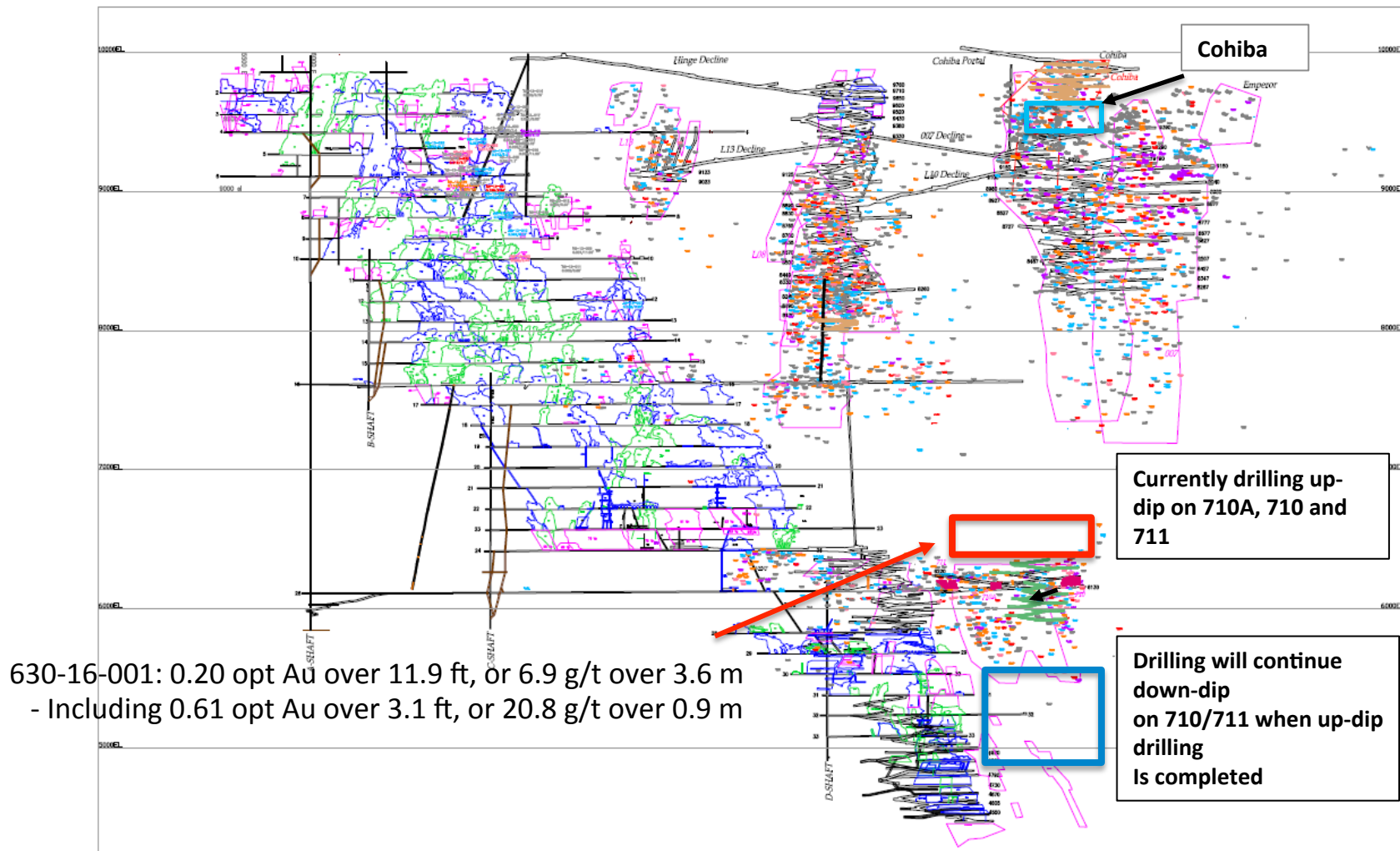
## POTENTIAL FOR SIGNIFICANT RECOVERABLE GOLD IN TAILS





# TRUE NORTH

## EXPLORATION OVERVIEW





# HOLLISTER/AURORA ACQUISITION

## OVERVIEW



### Transaction Overview

- Purchase price of \$63M cash, \$17M debt (or cash), plus shares and warrants
- Transaction expected to close in Q3 2016.

### Hollister

- A high-grade, fully permitted (EIS in hand) underground gold mine ~19 miles from the Midas mill
  - Historical production from 2007 - 2012 of ~425,000 GEOs at an average grade of ~1.0 opt
- High grade underground potential
- Significant exploration potential
- Klondex management has extensive experience and knowledge of the asset

### Aurora (formerly known as Esmeralda)

- Fully permitted mine and ~350 tpd milling complex with new, unused tailings facility
- Existing mill provides toll milling opportunity
- Significant exploration potential; property has produced in excess of 1.5M Au oz

### Meaningful Physical Assets

- Underground mining equipment, lab in Lovelock, WMC office, core logging facility, house, and parking lot (meaningful synergies – all being leased today)



# HOLLISTER/AURORA ACQUISITION

POTENTIAL SYNERGIES OF ~\$15M ANNUALLY



## Shorter Trucking Distance to Mill – Lower Transportation Costs

- Hollister to Aurora mill (~277 miles @ ~\$100/t) vs Midas mill (~19 miles @ ~\$10/t). Realizable saving of ~\$90/t

## Lower Milling Costs

- Aurora milling cost (~US\$96/t) vs Midas mill cost (~US\$46/t); Realizable saving of ~\$50/t

## Reduced G&A Costs

- Will share G&A associated with established Midas and Fire Creek operations

## Lower Power Costs

- \$17M spent on completing power line; expected to reduce power costs to ~\$0.07/kWh from ~\$0.66/kWh; Realizable saving of ~\$50/t

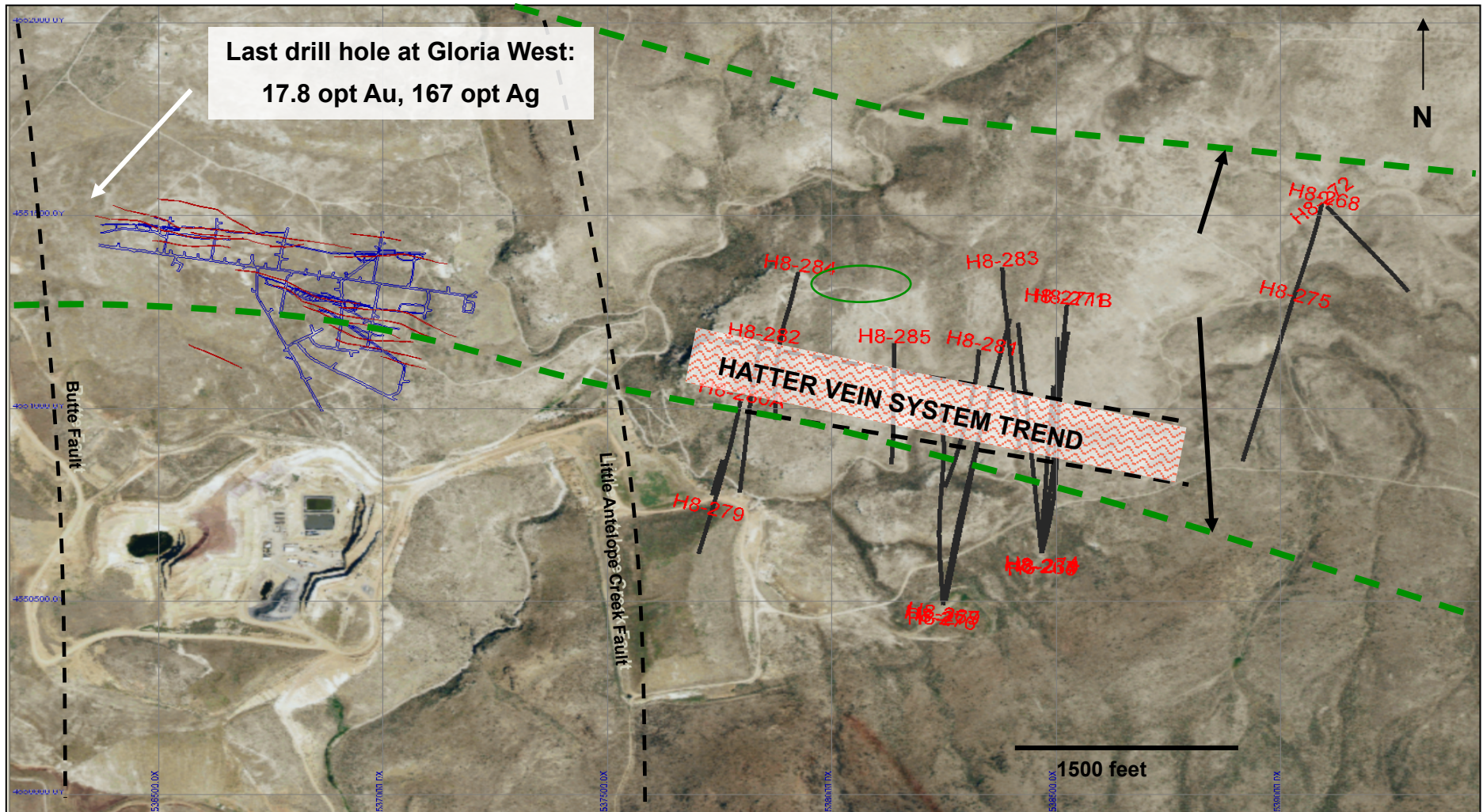


# HOLLISTER/AURORA ACQUISITION

## HATTER GRABEN VEIN SYSTEM



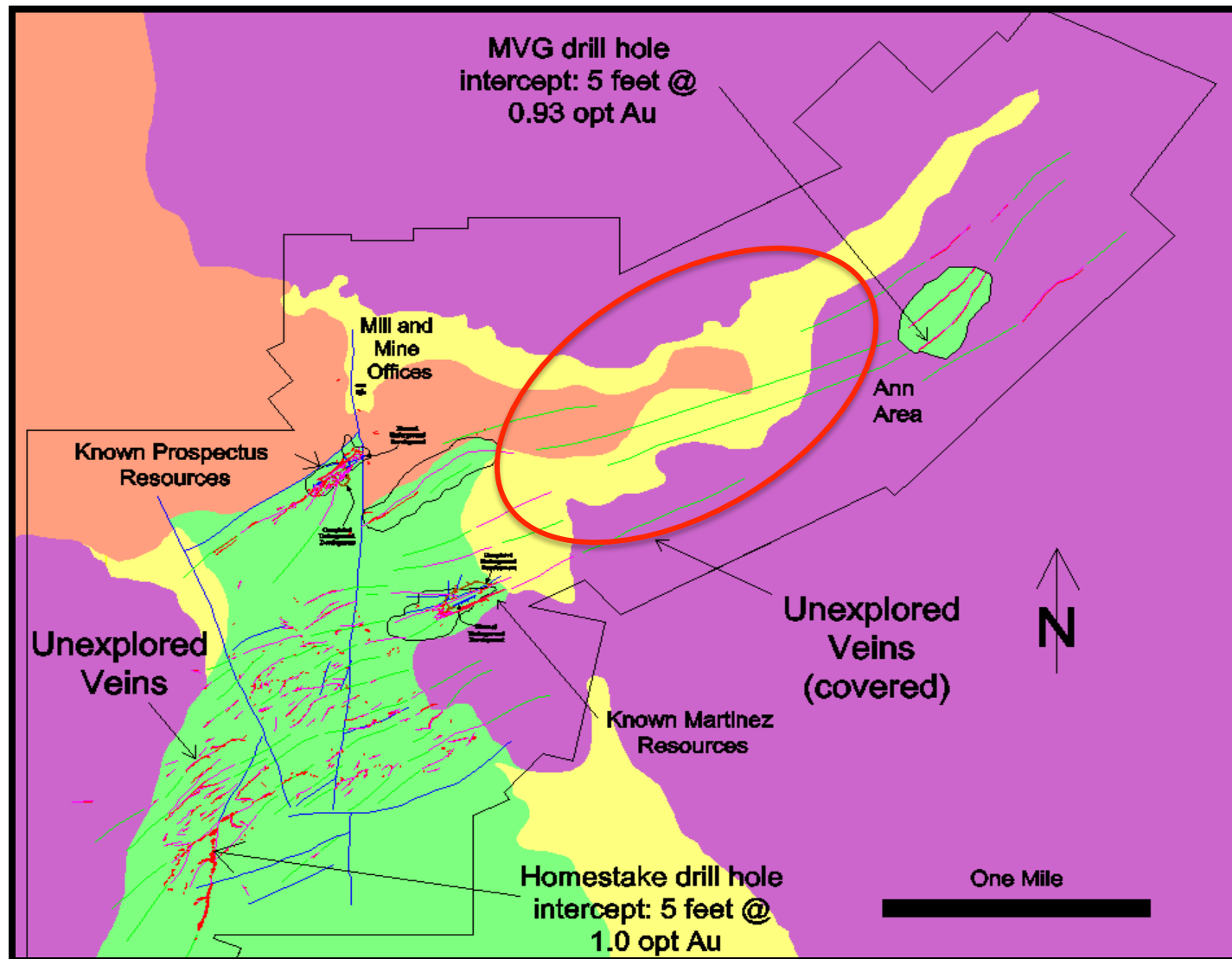
Currently ~3,000 ft of strike, and vertical extension of ~1,400 ft





# HOLLISTER/AURORA ACQUISITION

## AURORA EXPLORATION UPSIDE POTENTIAL





# IT'S ABOUT EXECUTION!



## Milestones Achieved Year to Date

- ✓ No Lost Time Accidents
- ✓ Acquired the True North mine and mill in Manitoba, Canada
- ✓ Secured \$25 million revolving credit facility
- ✓ Signed Definitive Purchase Agreement to acquire Hollister and Aurora
- ✓ Mineral Reserve and Resource update complete for all properties
- ✓ Positive production decision made at True North; first gold pour from Tailing Reprocessing Project
- ✓ Operational Execution – well-positioned to deliver on our annual operating guidance

## Additional Objectives

- ❑ Closing of the Hollister acquisition – expected Q3 2016
- ❑ Advance district exploration at Fire Creek and Midas
- ❑ Mineral Reserve and Resource update at True North – Q1 2017
- ❑ Work towards filling the Midas Mill to full capacity



# KLONDEX MINES LTD

THE UNDERGROUND GOLD COMPANY

TSX:KDX

NYSE MKT:KLDX

For More Information

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Corporate Development

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# PRODUCING

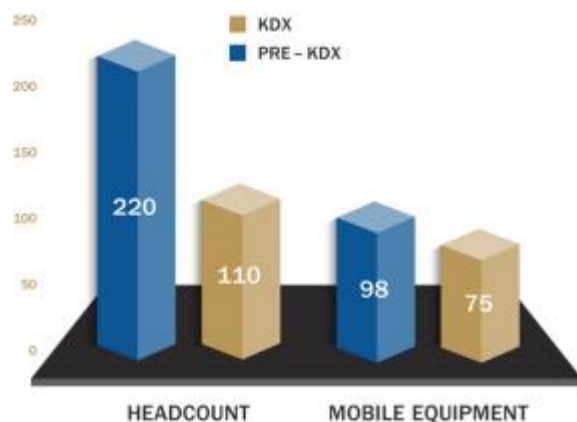


# TRACK RECORD OF OPERATIONAL EXCELLENCE

## MIDAS POST-ACQUISITION IMPROVEMENTS



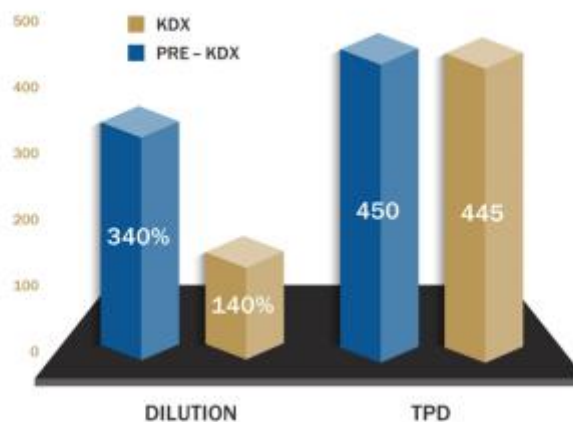
### IMPROVING EFFICIENCIES



- Reduced workforce by 50%
- Transferred 25% of the equipment for use at Fire Creek – reduced 2014 capex by ~\$7 million

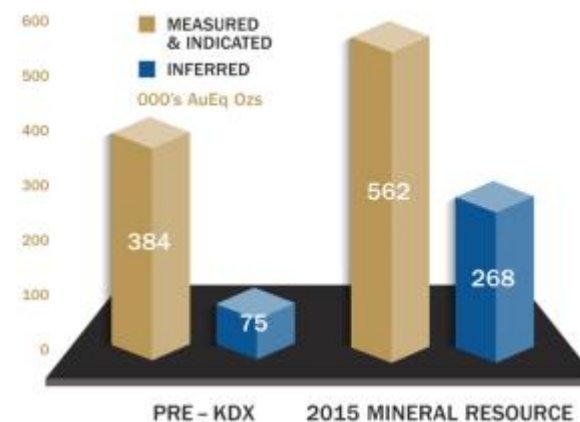


### REDUCING DILUTION RATES



- 2 yard scoops, from 4 yard scoops
- Jumbo's replaced by handheld drills
- 6-8' wide ore drifts, down from 12'
- Apply cut and fill mining from raises in appropriate locations

### INCREASING MINERAL RESOURCES



- Increased resource, doubled grade to the mill
- Pre-KDX AuEq grade: 0.15 opt vs. 2015 head grade 0.30 opt

Note: Please see the press release dated September 16, 2015 and the technical report titled "Preliminary Feasibility Study for the Midas Mine, Elko County, Nevada", as amended and re-filed April 2, 2015 (effective date of January 31, 2014) on SEDAR for details regarding the mineral resources disclosed herein, including details regarding the key assumptions, parameters and methods used to estimate the mineral resources.



# SELECTED FINANCIAL DATA

## SOLID FINANCIAL RESULTS (UNAUDITED)



	Q2 2016	Q2 2015
Income from Operations	\$15.2M	\$10.3 M
Net Income	\$7.1 M	\$3.9 M
Net Income Per Share (basic)	\$0.05	\$0.03
Average Realized Gold Price (US\$/oz)	\$1,266	\$1,213
Average Realized Silver Price (US\$/oz)	\$16.78	\$16.58
Production Cash Cost per GEO sold	\$595	\$605
AISC per gold ounce sold <sup>(1)</sup>	\$968	\$599
All-in Costs per gold ounce sold <sup>(1)</sup>	\$1,083	\$1,000
Capital Expenditures <sup>(2)</sup>	\$21.9 M	\$21.9 M

- Q2 financial results as compared to Q1 reflect the benefit of access to higher grade zones at Midas and additional working faces at Fire Creek

<sup>(1)</sup> Excludes True North. See "Non-IFRS Performance Measures" at the end of the presentation

<sup>(2)</sup> Includes \$5.8 million of capex at True North.

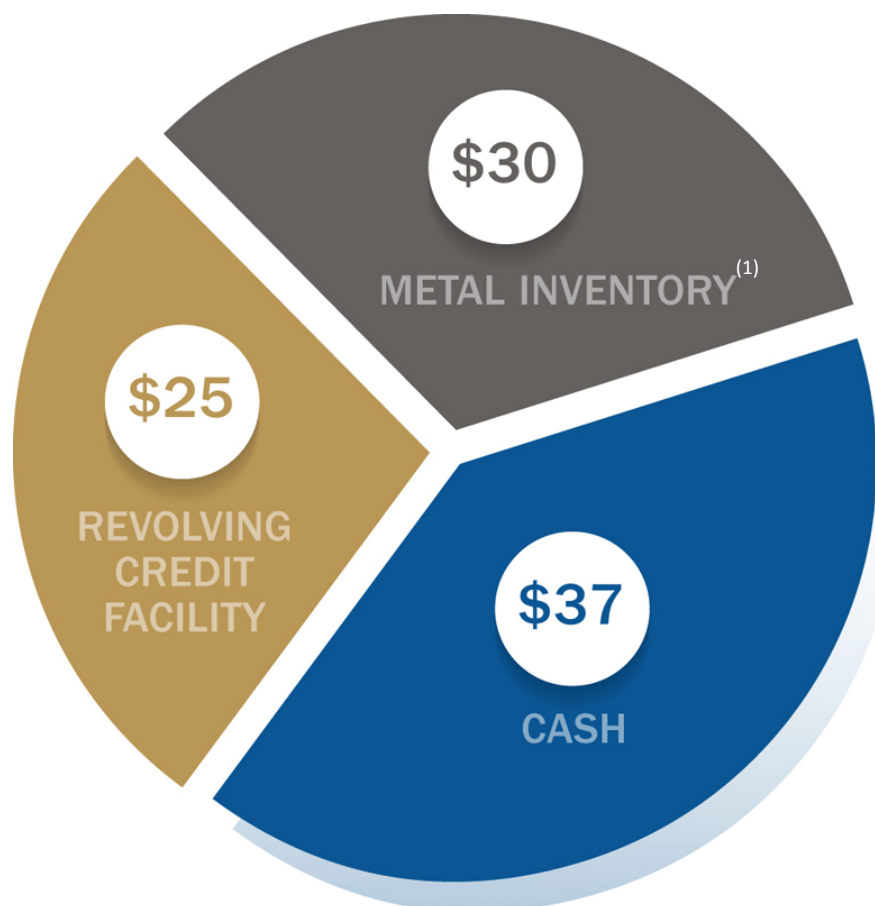


# BALANCE SHEET STRENGTH

## REINVESTING IN OUR CORE BUSINESS



**~\$92 Million of Total Liquidity**



(US\$M)	Q2 2016	Q1 2016
Cash Flow from Operations	\$23.6	\$4.4
Cash Balance	\$36.9	\$30.9
Working Capital	\$29.5	\$31.6
Secured Promissory Note	\$11.3	\$11.2

<sup>(1)</sup> Metal inventory is the value of the estimated recoverable gold and silver ounces contained in our Inventories if sold at June 30, 2016 period-end London PM fix prices.



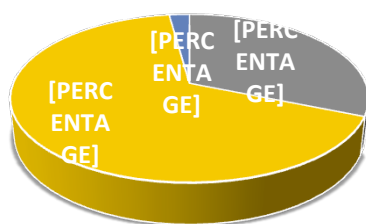
# BUY-SIDE OUTREACH

## SHIFTING FOCUS TO INSTITUTIONAL INVESTORS



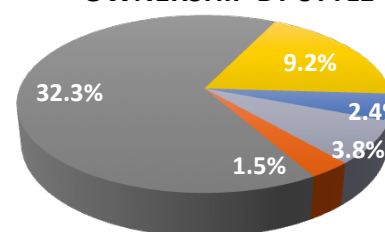
CURRENT SHAREHOLDERS	LOCATION	% OWNERSHIP
SENTRY INVESTMENTS	Toronto, ON	15%
SUN VALLEY	Vancouver, BC/ Sun Valley, ID	8.3%
U.S. GLOBAL INVESTORS	San Antonio, TX	8.3%
OPPENHEIMER	New York, NY	5.1%
VAN ECK ASSOCIATES	New York, NY	3.82%
MONTRUSCO BOLTON	New York, NY	3.30%
LOEWS CORP AM	New York, NY	2.41%
O'SHAUGHNESSY AM	Stamford, CT	2.37%
TOCQUEVILLE AM	New York, NY	1.9%
SPROTT AM	Montréal, Que.	1.53%

**OWNERSHIP BREAKDOWN\***



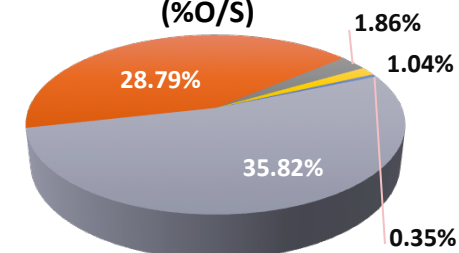
■ Retail  
 ■ Institutional  
 ■ Management & Insiders

**INSTITUTIONAL OWNERSHIP BY STYLE**



■ Growth  
 ■ GARP  
 ■ Specialty  
 ■ Value

**OWNERSHIP BY GEOGRAPHY (%O/S)**



■ Europe  
 ■ Other  
 ■ Canada  
 ■ U.K./London  
 ■ United States

\*Source: Bloomberg, Ipreo- August 29, 2016



# MINERAL RESERVES



## Fire Creek Mineral Reserves

Category	Tons (k)	Au opt	Au g/t	Ag opt	Ag g/t	AuEq opt	AuEq g/t	Au koz	Ag koz	AuEq koz
Proven	121	1.703	58.39	1.37	47.1	1.722	59.04	206	166	208
Probable	119	0.715	24.51	0.50	17.0	0.722	24.75	85	59	86
Total P&P	240	1.213	41.59	0.94	32.2	1.226	42.03	291	225	294

## Midas Mineral Reserves

Category	Tons (k)	Au opt	Au g/t	Ag opt	Ag g/t	AuEq opt	AuEq g/t	Au koz	Ag koz	AuEq koz
Proven	141	0.261	8.95	9.18	314.8	0.388	13.30	37	1,295	55
Probable	307	0.335	11.49	3.84	131.6	0.388	13.30	103	1,180	119
Total P&P	449	0.311	10.66	5.52	189.2	0.388	13.30	140	2,475	174

## True North Mineral Reserves

Category	Tons (k)	Au opt	Au g/t	Au koz
Proven	153	0.241	8.26	36.7
Probable	199	0.245	8.40	48.8
Total P&P	352	0.243	8.33	85.5

Note: See Notes to Mineral Reserves and Mineral Resources on slide A - 7.



# MINERAL RESOURCES



## Fire Creek Mineral Resources

Category	Tons (k)	Au opt	Au g/t	Ag opt	Ag g/t	AuEq opt	AuEq g/t	Au koz	Ag koz	AuEq koz
Measured	180	1.637	56.12	1.30	44.7	1.655	56.74	294	234	298
Indicated	346	0.591	20.26	0.51	17.5	0.598	20.50	205	176	207
Total M&I	526	0.948	32.50	0.78	26.8	0.959	32.88	499	411	505
Inferred	931	0.538	18.45	0.48	16.4	0.544	18.65	501	446	507

## Midas Mineral Resources

Category	Tons (k)	Au opt	Au g/t	Ag opt	Ag g/t	AuEq opt	AuEq g/t	Au koz	Ag koz	AuEq koz
Measured	417	0.400	13.71	7.97	273.4	0.511	17.52	167	3,325	213
Indicated	697	0.362	12.41	4.73	162.1	0.428	14.67	252	3,294	298
Total M&I	1,114	0.376	12.89	5.94	203.7	0.459	15.73	419	6,620	511
Inferred	671	0.303	10.39	2.93	100.5	0.344	11.79	203	1,966	231

## True North Mineral Resources

Category	Tons (k)	Au opt	Au g/t	Au koz
Measured	455	0.232	7.95	106
Indicated	931	0.202	6.93	188
Total M&I	1,386	0.212	7.27	294
Inferred	2,793	0.165	5.66	460

Note: See Notes to Mineral Reserves and Mineral Resources on slide A - 7.



# NOTES TO MINERAL RESERVES AND RESOURCES



## Notes to Nevada's Mineral Reserve and Resource

1. Mineral Resource is inclusive of Mineral Reserve.
2. Fire Creek and Midas Mineral Reserves are calculated at a gold price of US\$1,200 per ounce and a silver price of US\$17.00 per ounce.
3. Fire Creek and Midas Mineral Resources are calculated at a gold price of US\$1,400 per ounce and a silver price of US\$19.83 per ounce.
4. Metallurgical recoveries for gold and silver are 94% and 92%, respectively, at all properties.
5. One ounce of gold is equivalent to 72.12 ounces of silver.
6. Mineral Resources include resource dilution to a minimum mining width of four feet or the vein width plus two feet, whichever is greater.
7. Cut off grades for the Mineral Resources at Fire Creek and Midas are 0.228 and 0.196 opt AuEq, respectively.
8. Cut off grade for the Mineral Reserves at Fire Creek and Midas are 0.343 and 0.305 opt AuEq, respectively.
9. The effective date for the Fire Creek and Midas Mineral Resource is June 30, 2016 and May 31, 2016, respectively.
10. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
11. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
12. The Mineral Resources in this press release were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.

## Notes to True North Mineral Reserve and Resource

1. Mineral Resource is inclusive of Mineral Reserve.
2. Mineral Reserve is calculated at a gold price of C\$1,500 per ounce.
3. Mineral Resource is calculated at a gold price of C\$1,750 per ounce.
4. US\$:CDN\$ exchange rate is 0.80.
5. Metallurgical process recovery for gold is 94%.
6. Mineral Resource include resource modeling dilution to a minimum width of four feet or the vein width, whichever is greater.
7. Mineral Reserve includes mining dilution and is constrained to a five foot minimum mining width.
8. Cut off grade for the Resource is 0.09 opt Au.
9. Cut off grade for the Reserve is 0.13 opt Au which includes a mining cost of C\$69/ton, processing cost of C\$28/ton, G&A cost of C\$45/ton and sustaining development cost of C\$42/ton.
10. Mineral Resource and Reserve tonnage calculations used a bulk density 0.086 tons/cu. ft.
11. Mining losses of 2% have been applied to the designed mine excavations, and no additional unplanned dilution has been applied.
12. The effective date for Mineral Reserve and Resource is June 30, 2016.
13. Mineral Resources which are not mineral reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
14. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
15. The Mineral Resources in this press release were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.

<sup>(1)</sup>See press releases dated September 12, 2016 and September 14, 2016



# NON-IFRS PERFORMANCE MEASURES



## **Non-IFRS Performance Measures**

We have included the non-IFRS measures "Production cash costs per gold equivalent ounce sold", "All-in sustaining costs per gold ounce sold", and "All-in costs per gold ounce sold" in this MD&A (collectively, the "Non-IFRS Measures"). These Non-IFRS Measures are used internally to assess our operating and economic performance and to provide key performance information to management. We believe that these Non-IFRS Measures, in addition to conventional measures prepared in accordance with IFRS, provide investors with an improved ability to evaluate our performance and ability to generate cash flows required to fund our business. These Non-IFRS Measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These Non-IFRS Measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to or consistent with measures used by other issuers or with amounts presented in our financial statements.

Our primary business is gold production and our future development and current operations primarily focus on maximizing returns from such gold production. As a result, our Non-IFRS Measures are calculated and disclosed on a per gold ounce basis

### **Production Cash Costs per Gold Equivalent Ounce Sold**

Production cash costs per gold equivalent ounce sold presents our cash costs associated with the production of gold equivalent ounces and, as such, non-cash depreciation and depletion charges are excluded. Production cash costs per gold equivalent ounce sold is calculated on a per gold equivalent ounce sold basis, and includes all direct and indirect operating costs related to the physical activities of producing gold, including mining, processing, third-party refining expenses, on-site administrative and support costs, and royalties (State of Nevada net proceeds taxes are excluded). Gold equivalent ounces are computed as the number of silver ounces required to generate the revenue derived from the sale of one gold ounce, using average realized selling prices (table in thousands, except ounces sold and per ounce amounts):



# NON-IFRS PERFORMANCE MEASURES



	Three months ended June 30, 2016			Three months ended June 30, 2015		
	Fire Creek	Midas	Total	Fire Creek	Midas	Total
Average realized price per gold ounce sold	\$ 1,264	\$ 1,277	\$ 1,266	\$ 1,207	\$ 1,227	\$ 1,213
Average realized price per silver ounce sold	\$ 16.81	\$ 16.78	\$ 16.78	\$ 17.04	\$ 16.55	\$ 16.58
Silver ounces equivalent to revenue from one gold ounce	75.2	76.1	75.5	70.8	74.1	73.1
Silver ounces sold	20,406	387,910	408,316	33,383	509,868	543,251
GEOs from silver ounces sold	271	5,097	5,415	468	6,872	7,421
Gold ounces sold <sup>(1)</sup>	25,889	6,610	32,499	18,457	8,311	26,768
Gold equivalent ounces	26,160	11,707	37,914	18,925	15,183	34,189
Production costs	\$ 10,912	\$ 11,663	\$ 22,575	\$ 9,233	\$ 11,451	\$ 20,684
Production cash costs per GEO sold	\$ 417	\$ 996	\$ 595	\$ 488	\$ 754	\$ 605

	Six months ended June 30, 2016			Six months ended June 30, 2015		
	Fire Creek	Midas	Total	Fire Creek	Midas	Total
Average realized price per gold ounce sold	\$ 1,206	\$ 1,215	\$ 1,208	\$ 1,208	\$ 1,222	\$ 1,212
Average realized price per silver ounce sold	\$ 15.67	\$ 15.88	\$ 15.87	\$ 17.30	\$ 16.75	\$ 16.78
Silver ounces equivalent to revenue from one gold ounce	76.9	76.5	76.1	69.8	73.0	72.2
Silver ounces sold	55,251	678,339	733,590	44,970	802,838	847,808
GEO from silver ounces sold	718	8,867	9,640	629	10,968	11,678
Gold ounces sold <sup>(1)</sup>	44,434	15,029	59,463	36,540	17,363	53,903
Gold equivalent ounces	45,152	23,896	69,103	37,169	28,331	65,581
Production costs	\$ 19,569	\$ 24,353	\$ 43,922	\$ 18,192	\$ 24,145	\$ 42,337
Production cash costs per GEO sold	\$ 433	\$ 1,019	\$ 636	\$ 489	\$ 852	\$ 646

<sup>(1)</sup> Includes ounces sold (if any) under the Gold Supply Agreement and ounces delivered under the Gold Purchase Agreement; see Notes 7 and 9.



# NON-IFRS PERFORMANCE MEASURES



## All-in Sustaining Costs per Gold Ounce Sold

All-in sustaining costs per gold ounce sold presents the full cost of gold production from our current operations; therefore, capital amounts related to expansion and growth projects are excluded. Certain other cash expenditures, including State of Nevada net proceeds taxes, federal tax payments, and financing costs are also excluded. Our calculation of all-in sustaining costs per gold ounce sold is consistent with the June 2013 guidance released by the World Gold Council, a non-regulatory, non-profit market development organization for the gold industry.

We calculate our all-in sustaining costs per gold ounce sold on a consolidated basis as ore from both Fire Creek and Midas is processed at Midas and because general and administrative expenses are related to our mining operations as a whole. All-in sustaining costs per gold ounce sold includes all (1) direct and indirect operating cash costs related to the physical activities of producing gold, including mining, processing, third-party refining expenses, on-site administrative and support costs, and royalties, (2) general and administrative expenses, (3) decommissioning provision accretion, and (4) sustaining capital expenditures, the total of which is reduced for revenues earned from silver sales (table in thousands, except ounces sold and per ounce amounts):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Production costs	\$ 22,575	\$ 20,684	\$ 43,922	\$ 42,337
General and administrative expenses	3,237	3,023	6,589	5,798
Decommissioning provision accretion	137	91	275	187
Sustaining capital expenditures	12,363	1,249	21,162	3,284
Less: Silver revenue	(6,852)	(9,009)	(11,640)	(14,225)
All-in sustaining costs	31,460	16,038	60,308	37,381
Gold ounces sold <sup>(1)</sup>	32,499	26,768	59,463	53,903
All-in sustaining costs per gold ounce sold	\$ 968	\$ 599	\$ 1,014	\$ 693

<sup>(1)</sup> Includes ounces sold (if any) under the Gold Supply Agreement and ounces delivered under the Gold Purchase Agreement; see Notes 7 and 9.

We define sustaining capital expenditures as those costs which are required to sustain current gold ounce production levels. As such, sustaining capital expenditures exclude amounts for exploration activities, mine development, and permitting activities related to long-term growth and expansion efforts. For a reconciliation of our sustaining and non-sustaining (growth) capital expenditures see the *Investing Cash Flows* part of the *Financial Position, Liquidity, and Capital Resources* section.



# NON-IFRS PERFORMANCE MEASURES



## All-in Costs per Gold Ounce Sold

All-in costs per gold ounce sold includes additional costs which reflect the varying costs of producing gold over the life -cycle of a mine or project. We calculate our all -in costs per gold ounce sold by beginning with the all -in sustaining costs total and adding non-sustaining (growth) capital expenditures and other costs not related to current operations (table in thousands, except ounces sold and per ounce amounts):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
All-in sustaining costs	\$ 31,460	\$ 16,038	\$ 60,308	\$ 37,381
Non-sustaining capital expenditures (excluding True North)	3,725	10,729	7,295	17,602
All-in costs (excluding True North)	35,185	26,767	67,603	54,983
Gold ounces sold <sup>(1)</sup>	32,499	26,768	59,463	53,903
<b>All-in costs per gold ounce sold (excluding True North)</b>	<b>\$ 1,083</b>	<b>\$ 1,000</b>	<b>1,137</b>	<b>1,020</b>
All-in costs (excluding True North)	35,185	26,767	67,603	54,983
Non-sustaining capital expenditures (True North)	5,812	—	7,953	—
All-in costs	40,997	26,767	75,556	54,983
Gold ounces sold <sup>(1)</sup>	32,499	26,768	59,463	53,903
<b>All-in costs per gold ounce sold</b>	<b>\$ 1,261</b>	<b>\$ 1,000</b>	<b>1,271</b>	<b>1,020</b>

<sup>(1)</sup> Includes ounces sold (if any) under the Gold Supply Agreement and ounces delivered under the Gold Purchase Agreement: see Notes 7 and 9. For a reconciliation of our sustaining and non-sustaining (growth) capital expenditures see the *Investing Cash Flows* part of the *Financial Position, Liquidity, and Capital Resources* section.