

# Roxgold Reports Strong Cash Flow Generation in Third Quarter 2018

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TORONTO, Nov. 13, 2018 - [Roxgold Inc.](#) ("Roxgold" or the "Company") (TSX: ROXG) (OTC: ROGFF) today reported its third quarter financial results for the period ended September 30, 2018.

For complete details of the unaudited Condensed Interim Consolidated Financial Statements and associated Interim Management Discussion and Analysis please refer to the Company's filings on SEDAR ([www.sedar.com](#)) or the Company's website ([www.roxgold.com](#)). All amounts are in U.S. dollars unless otherwise indicated.

## 1. HIGHLIGHTS

For the three and nine-month periods ended September 30, 2018, the Company:

### Operations

- Achieved production of 30,532 ounces of gold in Q3 2018 (28,410 ounces in Q3 2017) and YTD 2018 production of 91,970 ounces (91,970 ounces in YTD 2017);
- Realized a record quarterly processing throughput of 78,357 tonnes - 15% above nameplate capacity;
- Reduced operating costs per tonne processed by 7% in Q3 2018 and a 6% reduction in operating cost<sup>1</sup> per tonne for YTD 2018;
- Achieved a cash operating cost<sup>1</sup> of \$454 per ounce produced and all-in sustaining costs<sup>1</sup> of \$788 per ounce sold per ounce produced and \$716 per ounce sold for the three and nine-month periods ended September 30, 2018, respectively.

### Financial

- Higher EBITDA<sup>1</sup> of \$16.9 million in Q3 2018 (\$14.3 million in Q3 2017) and \$68.9 million for YTD 2018 (\$44.6 million for YTD);
- Achieved strong EBITDA margin<sup>1</sup> of 45% in Q3 2018 (40% in Q3 2017) and 50% for YTD 2018 (39% for 2017 YTD);
- Generated cash flow from mining operations<sup>1</sup> totalling \$18.6 million in Q3 2018 (\$0.05 per share) and \$75.1 million (or \$0.25 per share) for YTD 2018;
- Maintained a strong balance sheet with cash on hand of \$71.2 million;
- Generated a strong return on equity<sup>1</sup> of 22%;

### Growth

- Delivered first development ore from Bagassi South in October 2018 on schedule;
- Received all permits and decrees required for Bagassi South mining and the process plant expansion;
- Operating seven drill rigs currently at Yaramoko targeting extensions to the 55 Zone and regional exploration targets, with six from surface and one from underground.

"With the solid operating results achieved at Yaramoko this quarter, we are confident of achieving the upper-end of our year guidance range and expect to be at the lower-end of our cost guidance. We generated strong cash flow this quarter, while maintaining our robust cash balance while advancing our growth project," said John Dorward, President and Chief Executive Officer of Roxgold. "At Bagassi South, the project has been progressing well during the quarter and first development ore has been delivered to the ROM pad in late October on schedule. The process plant expansion, which will increase mill capacity by 25%, is also continuing to progress well. With all materials now on site, the expansion is on track to be completed by the end of the year."

## 2. 2018 PRODUCTION GUIDANCE AND COSTS

Based on the strong operational results to date, the Company is confident it will achieve at or above the upper end of its production guidance and expect to be at the lower end of its cost forecasts for the twelve-month period ending December 31, 2018. Updated guidance for 2018 include as follows:

- Gold production between 120,000 and 130,000 ounces;
- Cash operating cost<sup>1</sup> between \$450 and \$475/ounce;
- All-in sustaining cost<sup>1</sup> between \$740 and \$790/ounce;
- Underground capital expenditure between \$22 million and \$26 million;
- Bagassi South pre-production capital expenditure of \$30 million and remains on schedule;
- Increase in exploration spend from \$9 million to \$12 million.

### 3. MINE OPERATING ACTIVITIES

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
30 2017				
<b>Operating Data</b>				
Ore mined (tonnes)	87,975	76,480	263,413	211,761
Ore processed (tonnes)	78,357	66,670	225,350	195,784
Head grade (g/t)	12.3	13.6	14.4	14.5
Recovery (%)	98.5	98.6	98.8	98.9
Gold ounces produced	30,532	28,410	106,812	91,970
Gold ounces sold <sup>2</sup>	31,400	27,912	106,770	91,679
<b>Financial Data (in thousands of dollars)</b>				
Gold Sales <sup>2</sup>	37,890	35,907	136,903	115,050
Mining operating expenses	(15,072)	(12,649)	(45,449)	(40,480)
Government royalties	(1,516)	(1,514)	(6,236)	(4,620)
Depreciation	(7,622)	(6,909)	(25,829)	(21,794)
<b>Statistics (in dollars)</b>				
Average realized selling price (per ounce)	1,207	1,286	1,282	1,255
Cash operating cost (per ounce produced) <sup>1</sup>	454	445	409	445
Cash operating cost (per tonne processed) <sup>1</sup>	177	190	194	209
Total cash cost (per ounce sold) <sup>1</sup>	499	522	468	496
Sustaining capital cost (per ounce sold) <sup>1</sup>	205	258	185	253
Site all-in sustaining cost (per ounce sold) <sup>1</sup>	734	779	669	749
All-in sustaining cost (per ounce sold) <sup>1</sup>				











#### A. Health and safety performance

Safety is a core value of Roxgold. The Company regrets to report that a Lost Time Injury ("LTI") incident occurred in Q3 2018. The LTI was suffered by a drilling contractor's employee and marked the first LTI incident at Yaramoko since the commencement of gold production in April 2016.

#### B. Operational performance

The Company's gold production in Q3 2018 increased by 7% to 30,532 ounces compared to 28,410 ounces in Q3 2017. During the nine-month period ended September 30, 2018, production increased by 16% to 106,812 ounces compared to 91,970 ounces in YTD 2017. The increased gold production was driven by continued improved operating performance in both the mine and processing plant.

During the quarter ended September 30, 2018, 87,975 tonnes of ore at 10.74 g/t were extracted from the underground mine with completing 1,221 metres of development compared to 76,480 tonnes at 12.3 g/t of ore and 1,730 metres of development in the comparable period of the prior year. The mining tonnage increase of 15% was due to more areas available to extract ore and additional equipment increasing productivity. During the third quarter, approximately 80% of ore produced came from stoping activities which is a result of the extensive development that is in place at Yaramoko, with four open stopes available at the end of the quarter.

During the nine-month period ended September 30, 2018, 263,413 tonnes of ore at 14.04 g/t were extracted from the underground mine compared to 211,761 tonnes of ore at 14.5 g/t in the comparable period of the prior year. The increase of 24% in ore mined was also due to more areas available to extract ore and additional equipment increasing productivity.

In the third quarter of 2018, decline development at the mine reached the 4947 level, approximately 350 metres below the 4948 level. Ore development was completed on the 4998, 4981 and 4964 levels. The mine continues to be well positioned to meet future production requirements with developed reserves for stoping in line with the Company's 18 months planned stoping objective.

Reconciliation of mined material against the Company's Reserve model and Grade Control model for the year to date is within the expected range. The year to date trend for the Grade Control model to actual mined shows slightly more ounces produced, driven by marginally more tonnes produced. A review and reconciliation of the April 2017 Mineral Resource estimate ahead of the preparation of the Q1 2019 Mineral Resource and Reserve Estimate has commenced.

The plant processed a record 78,357 tonnes at an average head grade of 12.25 g/t Au in Q3 2018 compared to 66,670 tonnes of ore at 13.6 g/t in Q3 2017. This 18% increase is a result of ongoing optimisation at the plant and translates into a unit throughput rate which is 15% above nameplate capacity. Plant availability was 94.9% during the quarter and overall recovery was 98.6% during the quarter compared to 95.8% and 98.6% respectively for the comparative period in the prior year.

During the nine-month period ended September 30, 2018, the plant processed 225,350 tonnes at an average head grade of 12.25 g/t compared to 195,784 tonnes of ore at 14.5 g/t during the comparable nine-month period in 2017. This increase is a result of increased throughput during the period. Plant availability was 94.9% during the nine-month period and overall recovery was 98.6% compared to 95.8% and 98.6% respectively for the comparative period in prior year.

#### C. Financial Performance

##### i) For the three-month periods ended September 30, 2018 and September 30, 2017

During the quarter ended September 30, 2018, a total of 31,400 ounces of gold were sold with revenue from gold sales of \$37,890,000 compared to 27,912 gold ounces sold<sup>2</sup> and gold sales<sup>2</sup> of \$35,907,000. Revenues increased by 6% when compared to Q3 2017 as the volume sold increased by 12%. The Company realized an average gold sale price of \$1,207, a 6% decrease compared to the average sale price in Q3 2017. The average market gold price in the third quarter of 2018 was \$1,213, a 5% decrease from the Q3 2017 average.

Mine operating expenses represent mining, processing, and mine site-related general and administrative expenses. During the quarter ended September 30, 2018, operating expenses were \$10,370,000 compared to \$10,200,000 in the comparable period in 2017. The increase was primarily driven by higher processing costs.

quarter ended September 30, 2018, the cash operating cost<sup>1</sup> per tonne processed totalled \$177 per tonne, which is below the per tonne processed achieved during Q3 2017. The variation is mainly due to increased efficiency and throughput during the period. The cash operating cost<sup>1</sup> per ounce produced totalled \$454 per ounce for the period compared to \$445 per ounce for the prior period.

The total cash cost<sup>1</sup> per ounce sold of \$499 has decreased by 5% when compared to Q3 2017 due to lower cash operating cost<sup>1</sup> per tonne produced and higher gold production. The Company generated a mine operating margin<sup>1</sup> of \$708 a reduction of \$764 per ounce for Q3 2017.

During the quarter ended September 30, 2018, Roxgold invested \$6,451,000 in underground mine development, representing a sustaining capital cost<sup>1</sup> per ounce sold of \$205 while the Company invested \$7,196,000 at a sustaining capital cost<sup>1</sup> per ounce sold of \$258 in Q3 2017.

The Company continued to generate strong cash flow from mining operations<sup>1</sup> for Q3 2018 totalling \$18,593,000 (Q3 2017 \$18,028,000) with a site all-in sustaining cost<sup>1</sup> of \$734 per ounce sold (Q3 2017 - \$779 per ounce sold) and all-in sustaining costs including corporate costs of \$788 per ounce sold (Q3 2017 - \$833 per ounce).

ii) For the nine-month periods ended September 30, 2018 and September 30, 2017

Gold sales for the nine-month period totalled \$136,903,000 from 106,770 ounces of gold ounces sold compared to \$115,620,000 gold sales<sup>2</sup> from 91,679 gold ounces sold<sup>2</sup>. During this period, the Company's average realized gold price for the period was \$1,282 per ounce sold compared to the average sale price of \$1,255 in YTD 2017. The average market gold price in the nine-month period of 2018 was \$1,282 per ounce, compared to \$1,251 in YTD 2017.

During the nine-month period ended September 30, 2018, the cash operating cost<sup>1</sup> per tonne processed totalled \$194 per tonne, which is 6% below the \$209 per tonne processed achieved during YTD 2017. The difference is mainly due to increased efficiency and throughput during the period.

The cash operating cost<sup>1</sup> per ounce produced totalled \$409 per ounce for the period compared to \$445 per ounce in the prior period. The total cash cost<sup>1</sup> per ounce sold of \$468 compared to \$496 in YTD 2017 is due to a reduction of cash operating costs offset by an increase in the blended 9-month royalty rate when compared to YTD 2017. Consequently, the Company generated a mine operating margin<sup>1</sup> of \$814 up 7% from \$759 per ounce for YTD 2017.

The Company invested \$19,721,000 in underground mine development for the nine-month period compared to \$23,175,000 in the comparable period in 2017. The investments made during the nine-month period are in line with the 2018 mine plan.

The Company generated \$75,134,000 cash flow from mining operations<sup>1</sup> during the nine-month period compared to \$68,300,000 during YTD 2017.

#### 4. BAGASSI SOUTH EXPANSION UPDATE

During the third quarter of 2018, the Company received all permits and decrees required for Bagassi South mining and plant expansion. Development and construction are progressing well with overall project completion at approximately 75% complete. The Company has started mine development with approximately 491 metres completed to date, all structural steelwork and civil work of the CIL tanks are complete. The Company has delivered first development ore from Bagassi South in early Q4 2018 and processing plant tie-ins are expected to occur during Q4 2018 planned maintenance stoppages.

#### 5. REVIEW OF FINANCIAL RESULTS

##### A. Mine operating profit

During the third quarter of 2018, revenues totalled \$37,890,000 (Q3 2017 – \$36,279,000) while mine operating costs and royalties totalled \$15,072,000 (Q3 2017 - \$12,649,000) and \$1,516,000 (Q3 2017 – \$1,514,000), respectively. The increase in sales is primarily due to increased production driven by higher throughput, offset by a lower average realized gold price.

which decreased from \$1,286 per ounce in Q3 2017 to \$1,207 per ounce in Q3 2018. During the third quarter of 2018, the Company achieved a total cash cost<sup>1</sup> per ounce sold of \$454 representing a mine operating margin<sup>1</sup> of \$708 compared to \$764, respectively for the comparable period in 2017.

During the nine-month period ended September 30, 2018, revenues totalled \$136,903,000 compared to \$113,959,000 for the comparable period in 2017. Mine operating expenses were \$45,449,000 compared to \$40,480,000 while royalties paid were \$6,236,000 compared to \$4,620,000. The increase in sales is primarily due to increased production driven by higher throughput and a higher average realized gold price which increased from \$1,255 per ounce in YTD 2017 to \$1,282 per ounce in YTD 2018. During the period, the Company achieved a total cash cost<sup>1</sup> per ounce sold of \$468 representing a mine operating margin<sup>1</sup> of \$496 compared to \$496 and \$759, respectively for the same period in 2017.

For more information on the cash operating costs<sup>1</sup> see the financial performance of the Mine Operating Activities section of the Company's Q3 2018 MD&A.

Depreciation totalled \$7,424,000 and \$25,200,000 for the three and nine-month periods ended September 30, 2018, respectively, compared to \$6,670,000 and \$21,037,000 in the corresponding period in prior year. The increase in depreciation is a result of the Company's further investments in the underground development combined with a higher throughput in our processing facility, partially offset by a reduction of \$588,000 in depreciation related to derecognition of finance lease liability following a contract extension with the Company's mining contractor. Refer to finance lease note 14 in the September 30, 2018 condensed interim consolidated financial statements for more information.

#### B. General and administrative expenses

General and administrative expenses remained consistent over prior year totalling \$1,115,000 and \$3,708,000 for the three and nine-months ended September 30, 2018, respectively and \$1,112,000 and \$3,246,000 for the corresponding period in prior year.

#### C. Sustainability and other in-country costs

Sustainability and in-country costs increased to \$589,000 and \$1,352,000 for the three and nine-months ended September 30, 2018, respectively, compared to \$352,000 and \$1,125,000 in the corresponding period in prior year and reflect the increased operating tempo associated with Bagassi South. These expenditures are incurred as part of Roxgold's commitment to responsible operations in Burkina Faso including a number of sustainability and community projects.

#### D. Exploration and evaluation expenses ("E&E"):

Exploration and evaluation expenses totalling \$3,376,000 and \$10,737,000 for the three and nine-months ended September 30, 2018, respectively compared to \$3,004,000 and \$9,865,000 for the corresponding periods in prior year. Current year expenditures reflect the regional exploration program ongoing at Houko and Kaho areas and infill drilling program at 55 Zone and Bagassi South. The 2017 program includes expenditures associated with the Bagassi South infill and extensional drilling program completed as part of the Feasibility Study on Bagassi South released on November 6, 2017.

#### E. Share-based payment

Share-based payments totalling \$127,000 and \$1,381,000 for the three and nine-months ended September 30, 2018, respectively compared to \$1,185,000 and \$2,250,000 for the corresponding periods in the prior year. The reduction is attributed to the annual DSU grants which were issued in Q2 2018 and the year to date variation is impacted by the cancellation of unvested awards related to employee turnover within the Company.

#### F. Financial income (expenses)

The Company's net financial income (expenses) for the three and nine-month periods ended September 30, 2018 totalled \$1,639,000 and (\$1,639,000) respectively, compared to (\$3,279,000) and (\$12,058,000) in the comparable period of the prior year.

The decrease is mainly attributable to the change in the fair value of the Company's gold forward sales contracts, reduced

interest expense related to the long-term debt and the changes in the Company's foreign exchange gain (loss).

**G. Current and deferred income tax expense**

The current income tax expense is due to the Company's past cumulative losses being fully utilized in 2018. The deferred tax expense is due to the recognition of the deferred income tax liability as the Company is making a profit from its operations in Burkina Faso.

**H. Net income & EBITDA**

The Company's net income for the three and nine-month periods ended September 30, 2018 totalled \$6,599,000 and \$1,342,000 respectively, compared to \$6,936,000 and \$16,485,000 in the comparable period in the prior year.

During the third quarter of 2018 the Company generated earnings before interest, taxes, depreciation and amortization of \$16,932,000 representing an improvement of 18% over the EBITDA<sup>1</sup> achieved during Q3 2017 of \$14,308,000. The period ended September 30, 2018 had EBITDA<sup>1</sup> of \$68,913,000 an increase of 54% over YTD 2017 of \$44,595,000.

**I. Income Attributable to Non-Controlling Interest**

For the three and nine-month periods ended September 30, 2018, the income attributable to the non-controlling interest was \$706,000 and \$3,552,000 respectively, (2017: \$1,342,000 and \$3,706,000). The Government of Burkina Faso holds a 49% carried interest in Roxgold SANU SA the Company's operating entity. Income attributable to the NCI excludes all items of income and expense relating to the carried interest. Other expenses and Financial expenses on the Company's consolidated statement of income, except for sustainability costs, in-country costs, interest expense, and financing fees.

**6. CONFERENCE CALL AND WEBCAST INFORMATION**

A webcast and conference call to discuss these results will be held on Wednesday, November 14, 2018, at 11:00AM Eastern Time. Listeners may access a live webcast of the conference call from the events section of the Company's website at [www.roxgold.com](http://www.roxgold.com) or by dialing toll free 1-888-231-8191 within North America or +1-647-427-7450 from international locations.

An online archive of the webcast will be available by accessing the Company's website at [www.roxgold.com](http://www.roxgold.com). A telephone replay will be available for two weeks after the call by dialing toll free 1-855-859-2056 and entering passcode 3562589.

Notes:

<sup>1</sup> The Company provides some non-IFRS measures as supplementary information that management believes may be useful to investors to explain the Company's financial results. Please refer to note 16 "Non-IFRS financial performance measures" of the Company's MD&A dated November 13, 2018, available on the Company's website at [www.roxgold.com](http://www.roxgold.com) or on SEDAR at [www.sedar.com](http://www.sedar.com) for reconciliation of these measures.

<sup>2</sup> Gold ounces sold and Gold Sales include revenues of \$36,279,000 and Q3 deferred revenues of \$1,091,000 related to 850 ounces sold, but not shipped, as of September 30, 2017, due to the timing of the shipment in Burkina Faso, offset by Q2 deferred revenues of \$1,463,000.

**Qualified Persons**

Iain Cox, FAUSIMM, Interim Chief Operating Officer for [Roxgold Inc](http://Roxgold Inc), a Qualified Person within the meaning of National Instrument 43-101, has verified and approved the technical disclosure contained in this MD&A.

Paul Weedon, MAIG, Vice-President, Exploration for [Roxgold Inc](http://Roxgold Inc), a Qualified Person within the meaning of National Instrument 43-101, has verified and approved the technical disclosure contained in this MD&A.

43-101, has verified and approved the technical disclosure contained in this MD&A. This includes the QA/QC, sampling and test data underlying this information. For more information on the Company's QA/QC and sampling procedures, please see the Company's AIF dated March 28, 2018.

For further information regarding the Yaramoko Gold Mine, please refer to the technical report dated December 20, 2017, entitled "Technical Report for the Yaramoko Gold Mine, Burkina Faso" (the "Technical Report"), available on the Company's website at [www.roxgold.com](http://www.roxgold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

#### About Roxgold

Roxgold is a gold mining company with its key asset, the high grade Yaramoko Gold Mine, located on the Houndé greenstone belt in Burkina Faso, West Africa. Roxgold trades on the TSX under the symbol ROXG and as ROGFF on OTC.

This press release contains "forward-looking information" within the meaning of applicable Canadian securities laws ("forward-looking statements"). Such forward-looking statements include, without limitation: statements with respect to Reserves and Mineral Resource estimates (including proposals for the potential growth and/or upgrade thereof), anticipated and maintenance of permits and licenses, future production and life of mine estimates, production and cost guidance, anticipated recovery grades, and potential increases in throughput, the anticipated increased proportion of mill feed coming from future capital and operating costs and expansion and development plans including with respect to the 55 Zone and Bagassi and the expected timing thereof (including with respect to the delivery of ore), proposed exploration plans and the timing thereof, the anticipated operations, costs, proposed funding, timing and other factors set forth in the Feasibility Study, and the sufficiency of future funding. These statements are based on information currently available to the Company and the Company provides no assurance that actual results will meet management's expectations. In certain cases, forward-looking information may be identified by such terms as "anticipates", "believes", "could", "estimates", "expects", "may", "shall", "will", or "would". For forward-looking information contained in this news release is based on certain factors and assumptions regarding, among other things, the estimation of Mineral Resources and Mineral Reserves, the realization of resource estimates and reserve estimates, gold metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing and to continue to explore and develop the Yaramoko Gold Project in the short and long-term, the progress of exploration and development activities as currently proposed and anticipated, the receipt of necessary regulatory approvals and permits, assumptions with respect to currency fluctuations, environmental risks, title disputes or claims, and other similar matters as set forth in the Company's technical report dated December 20, 2017, and entitled "Technical Report for the Yaramoko Gold Mine, Burkina Faso" available on the Company's website at [www.roxgold.com](http://www.roxgold.com) and SEDAR at [www.sedar.com](http://www.sedar.com). While the Company considers these assumptions to be reasonable based on information currently available to it, they may be incorrect.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include: changes in market conditions, unsuccessful exploration results, possibility of project overruns or unanticipated costs and expenses, changes in the costs and timing of the development of new deposits, inaccurate reserve and resource estimates, changes in the price of gold, unanticipated changes in key management personnel, failure to obtain permits as anticipated or at all, failure of exploration and/or development activities to progress as currently anticipated, all, and general economic conditions. Mining exploration and development is an inherently risky business. Accordingly, events may differ materially from those projected in the forward-looking statements. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully as the Company does not place undue reliance on the Company's forward-looking statements. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

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