WORLD GOLD COUNCIL

GUIDANCE NOTE ON NON-GAAP METRICS: ALL-IN SUSTAINING COSTS AND ALL-IN COSTS

PURPOSE:

The objective of the all-in sustaining costs ("AISC") and all-in costs ("AIC") metrics is to provide key stakeholders (i.e. management, shareholders, governments, local communities, etc.) with comparable metrics that reflect as close as possible the full cost of producing and selling an ounce of gold, and which are fully and transparently reconcilable back to amounts reported under Generally Accepted Accounting Principles ("GAAP") as published by the Financial Accounting Standards Board ("FASB" also referred to as "US GAAP") or the International Accounting Standards Board ("IASB" also referred to as "IFRS"). AISC and AIC are non-GAAP metrics subject to regulatory and disclosure requirements of the various jurisdictions applicable to the reporting company.

Please also see the Frequently Asked Questions ("FAQs") that support this Guidance Note.

Cost Category	Source	US $ / gold ounces sold
On-site mining and processing costs (on a sales basis)	Income Statement	(a)
On-site general and administrative costs	Income Statement	(b)
Royalties and production taxes	Income Statement	(c)
Realised gains and losses on hedges of operating costs	Income Statement	(d)
Community costs related to current operations	Income Statement	(e)
Permitting costs related to current operations	Income Statement	(f)
3rd party smelting, refining and transport costs	Income Statement	(g)
Non-cash remuneration (site-based)	Income Statement	(h)
Stockpile, leach pad and product inventory write-downs	Income Statement	(i)
Operational Stripping Costs	Income Statement	(j)
By-product and co-product credits (*Note: will be a credit*)	Income Statement	(k)
Sub-total (Adjusted operating costs)		(l) = (a)+(b)+(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)+(k)
Corporate or regional general and administrative costs, including share-based remuneration (sustaining)	Income Statement	(m)
Reclamation & remediation – accretion & amortisation (operating sites)	Income Statement	(n)
Exploration and study costs (sustaining)	Income Statement	(o)
Capital exploration (sustaining)	Cash Flow	(p)
Capitalised stripping & underground mine development (sustaining)	Cash Flow	(q)
Sustaining capital expenditure	Cash Flow	(r)
Sustaining leases	Cash Flow	(s)
All-in Sustaining Costs		(t) = (l)+(m)+(n)+(o)+(p)+(q)+(r)+(s)
Growth and development costs not related to current operations	Income Statement	(u)
Community costs not related to current operations	Income Statement	(v)
Permitting costs not related to current operations	Income Statement	(w)
Reclamation and remediation costs not related to current operations	Income Statement	(x)
Exploration and study costs (non-sustaining)	Income Statement	(y)
Capital exploration (non-sustaining)	Cash Flow	(z)
Capitalised stripping & underground mine development (non-sustaining)	Cash Flow	(aa)
Non-sustaining capital expenditure	Cash Flow	(bb)
Non-sustaining leases	Cash Flow	(cc)
All-in Costs		= (t)+(u)+(v)+(w)+(x)+(y)+(z)+(aa)+(bb)+(cc)

NOTES:

1. All companies using this guidance are encouraged to disclose both AISC and AIC and should reconcile these metrics to their relevant US GAAP or IFRS financial statements. The reconciliation of the components of AISC and AIC to the relevant line items in the US GAAP or IFRS income statement and cash flow statement is strongly encouraged and generally required by applicable securities regulations. If the amounts used in the AISC and AIC metrics are not directly available from the financial statements, then companies are encouraged to provide the details in the reconciliation between the amounts included in the AISC and AIC calculations and the nearest directly comparable US GAAP or IFRS amounts. Additionally, companies using this guidance should refer to their local securities regulatory requirements addressing changes to non-GAAP measures in order to maintain consistency from period to period.

   It is important to note that AISC and AIC metrics may not be directly comparable across companies due to differences between US GAAP and IFRS reporting standards, and due to the specific rules and requirements of regulators in various jurisdictions applicable to each reporting company.

2. It is recognised that accretion related to asset retirement obligations (“ARO”) and amortisation related to asset retirement costs (“ARC”) for reclamation and remediation as reported in the income statement do not reflect annual cash outflows, but these accounting calculations are considered to be more representative of the periodic costs of reclamation and remediation in the AISC and AIC metrics.

3. Non-sustaining costs are primarily those costs incurred at ‘new operations’ and costs related to ‘major projects at existing operations’ where these projects will materially benefit the operation. A material benefit to an existing operation is considered to be at least a 10% increase in annual or life of mine production, net present value, or reserves compared to the remaining life of mine of the operation. Companies should publicly disclose the ‘new operations’ and ‘major projects at existing operations’ that are considered non-sustaining. See the FAQs for additional considerations on non-sustaining costs and materiality.

4. To the extent costs are incurred that are not related to current operations and are excluded from AISC (i.e. non-sustaining costs), these costs and the basis for treating them as non-sustaining should be clearly disclosed. These costs should be included in the calculation of AIC under one of the following categories:

   - Growth and development costs not related to current operations
   - Community costs not related to current operations
   - Permitting costs not related to current operations
   - Reclamation and remediation costs not related to current operations
   - Exploration and study costs not related to current operations

   Growth and development costs could relate to business development, research and development, or technology and innovation.

5. Companies are encouraged to report AISC and AIC metrics on the same basis as sales (i.e. if sales figures are reported on a consolidated basis, then costs should be reported on a consolidated basis; if sales figures are reported on an attributable basis, then costs should be reported on an attributable basis). Companies should disclose whether they report AISC and AIC on an attributable or consolidated basis and should reconcile their reported AISC and AIC metrics to their nearest directly comparable US GAAP or IFRS financial statement amounts. If a company includes equity method investees or non-consolidated joint-ventures in its definition of attributable, the company should have “significant influence” or “joint control” over the included operations.

6. Companies using this guidance that present non-company level (i.e. site, regional or other level) AISC and AIC should also present aggregate, company level AISC and AIC metrics that include corporate general and administrative costs. Companies that choose to report a further breakdown are encouraged to provide AISC and AIC for each reportable segment as disclosed in their financial statements. If a company wants to provide more extensive disclosure below the reportable segment level, the company should disclose why the information is useful or relevant. The total AISC and AIC of the individual segments disclosed should reconcile to the company level AISC and AIC metrics.

7. For streaming, financing, structured production or marketing arrangements ("structured transactions"), where the company that is in receipt of product under the structured transaction has no direct interest in the underlying assets, any associated production and costs should be excluded from the AISC and AIC metrics. If there is an interest in the underlying asset, only the gold, by-products and costs associated with that underlying interest should be included in AISC and AIC. Any other product received under the structured transaction should be excluded from AISC and AIC by the company that is in receipt of product under the structured transaction.

8. The following costs are excluded from AISC and AIC:

    - Income taxes
    - Working capital (except for adjustments to inventory on a sales basis)
    - All financing charges (including capitalised interest), except for financing charges related to leasing arrangements
    - Costs related to business combinations, asset acquisitions and asset disposals
    - Adjustments made to normalise earnings, for example impairments on non-current assets, one-time material severance charges, or legal costs or settlements related to significant lawsuits.

FREQUENTLY ASKED QUESTIONS ON "ALL-IN SUSTAINING COSTS" AND "ALL-IN COSTS"

PURPOSE:

The purpose of this document is to assist reporting companies and users of the all-in sustaining costs ("AISC") and all-in costs ("AIC") metrics with understanding the various issues and criteria to be considered for reporting and disclosing AISC and AIC, for allocating costs to either sustaining or non-sustaining categories, and for including or excluding various costs in the reporting of AISC and AIC metrics. This document serves as a supplement to the World Gold Council ("WGC") Guidance Note.

NON-GAAP METRICS:

AISC and AIC metrics are considered non-GAAP metrics that are not in accordance with any guidance published by a government, governmental authority, self-regulatory organisation, or accounting standards setting body. Non-GAAP metrics, such as AISC and AIC, are supplementary metrics used by companies to further explain the financial performance of their operations. GAAP measures are developed by the primary accounting standard setting organizations, the FASB and IASB, to standardize financial reporting and provide a uniform set of standards to facilitate the preparation of financial statements by management and their use by investors, creditors and others.

The definition and guidance for AISC and AIC are published by the WGC and the reporting of these metrics by gold companies is voluntary. There are various regulatory requirements that apply to companies depending on the countries they are based in and the stock exchanges they are listed on. These regulatory requirements include specific rules regarding non-GAAP metrics used by companies in their financial reporting, including requirements that GAAP measures are presented with equal to or greater prominence to non-GAAP metrics, non-GAAP metrics are clearly labelled as such, and non-GAAP metrics are reconciled to the nearest equivalent GAAP measure.

REPORTING AND DISCLOSURE FAQs:

1. ***Should companies report both AISC and AIC metrics?***

   The WGC Guidance Note encourages companies to disclose both AISC and AIC metrics. Regardless of whether a company reports both AISC and AIC, or just AISC, a numerical reconciliation should be provided between the US GAAP or IFRS financial statement line items and the costs included in AISC and AIC. A detailed reconciliation allows the user of the AISC and AIC metric to clearly understand what costs have been excluded from the calculations.

2. ***Should companies report both company-level and site-level AISC and AIC metrics?***

   The WGC Guidance Note does not specify that companies should report regional or site-level AISC and AIC metrics, but does state that companies that present non-company level (i.e. site, regional or other level) AISC and AIC metrics should also present aggregate, company level AISC and AIC measures that include corporate general and administrative costs. Because companies may choose not to allocate corporate general and administrative costs to their operating sites, or may not be able to allocate them for tax or other regulatory reasons, site-level AISC and AIC metrics may be misleading if not accompanied by company-level metrics. Companies that choose to report on a regional, site or other basis should consider providing AISC and AIC for each reportable segment disclosed in the financial statements. If a company provides more extensive disclosure below the reportable segment level, the company should disclose why the information is useful or relevant. As noted in the WGC Guidance Note, the total AISC and AIC of the individual segments disclosed should reconcile to the company level AISC and AIC amounts.

3. ***Should a company report AISC and AIC on a "consolidated" or "attributable" sales basis?***

   The WGC Guidance Note encourages companies to report AISC and AIC on the same basis as sales (i.e. if sales figures are reported on a consolidated basis, then costs should be reported on a consolidated basis; if sales figures are reported on an attributable basis, then costs should be reported on an attributable basis). The definition of terms "consolidated" and "attributable" can vary from company to company. Generally, "attributable" refers to reporting AISC and AIC based on the attributable ownership percentage of non-wholly owned entities included in the

consolidated financial statements and possibly including non-controlled, non-consolidated entities such as joint-ventures and other investments accounted for under the "equity method" of accounting.

Whether a company reports AISC and AIC on an attributable or consolidated basis typically depends on applicable regulatory requirements, as well as factors specific to a company's business structure. As specified in the WGC Guidance Note, companies should disclose whether they report AISC and AIC metrics on an attributable or consolidated basis. If a company reports on an attributable basis, this disclosure should describe how they define attributable. If a company includes non-consolidated joint ventures or equity method investees in its definition of attributable, the company should have "significant influence" or "joint control" over the included operation.

Regardless of whether a company reports AISC and AIC on an attributable or a consolidated basis, a numerical reconciliation should be provided between the reported AISC and AIC metrics to the nearest directly comparable US GAAP or IFRS financial statement amounts. A company's approach to reporting AISC and AIC on an attributable or consolidated basis should be consistent with the regulatory frameworks under which the company reports.

4. *How should a company treat discontinued operations or assets held for sale in reporting AISC and AIC?*

If an operation meets the criteria for reporting it as a discontinued operation under US GAAP or IFRS, then the results of those operations are excluded from continuing operations and reported on a net, after-tax basis as a single discontinued operations amount on the income statement (i.e. sales, costs and taxes are netted to a single net income or loss amount). If a company reports an operation as discontinued operations, this will generally result in their AISC and AIC metrics excluding the results of the discontinued operation.

A company may additionally choose to report AISC and AIC of the discontinued operation if they believe it would be useful to investors or other stakeholders. If a company reports AISC and AIC for a discontinued operation, they should also provide appropriate disclosure or a reconciliation to the nearest financial statement amounts reported for the discontinued operation.

SUSTAINING vs. NON-SUSTAINING COST FAQs:

5. *How should a company determine whether project costs should be categorised as sustaining vs. non-sustaining?*

Non-sustaining costs are defined in footnote 3 to the WGC Guidance Note on AISC and AIC as follows:

> *"Non-sustaining costs are primarily those costs incurred at 'new operations' and costs related to 'major projects at existing operations' where these projects will materially benefit the operation. A material benefit to an existing operation is considered to be at least a 10% increase in annual or life of mine production, net present value, or reserves compared to the remaining life of mine of the operation. Companies should publicly disclose the 'new operations' and 'major projects at existing operations' that are considered non-sustaining. "*

The determination of classification as sustaining or non-sustaining requires judgment by a company's management. The facts and circumstances that lead to a decision may change over time and this may lead to a change in classification between the time the project is originally contemplated and when it is completed. Companies should disclose their assessment process to increase transparency.

6. *What is a "new operation?"*

A new operation is a new or previously unaccessed ore body, which results in a new source of production (i.e. "greenfield"). Typically a new operation would not use either the mine or processing infrastructure of an existing mine.

7. ***What is a "major project at an existing operation"?***

A 'major project at an existing operation' is a project that is expected to materially benefit the operation. As such, a materiality threshold should be applied for defining 'major projects at existing operations' and should be based on the materiality of the project to the existing operation rather than the materiality to the company. Note that for the purposes of consolidated/group reporting, companies may choose to exclude major projects that, while material to the individual operation, are immaterial to the overall company (and therefore include associated capital as sustaining).

A major project at an existing operation is a project that is expected to result in at least a 10% increase in one of the following metrics:

- Annual or life of mine ("LOM") production from current levels;
- Net present value ("NPV") as compared to the remaining LOM NPV prior to inclusion of the project; or
- Reserves as compared to the reserve report prior to the inclusion of the project.

The increase can either be over the total remaining LOM or for a period of greater than one year. In addition, the major project would not generate incremental net cash inflows within 12 months of the project commencing. Examples of a major project at an existing operation might include the development of a new pit or access to a new area of an underground deposit within an existing operation (i.e. "brownfield"). The need for a study to be completed to make an independent investment decision is a strong indicator that a project is non-sustaining.

8. ***How does a company determine the LOM plan that should be used when assessing the materiality of a major project at an existing operation?***

A company may prepare different versions of the LOM plan during the planning process. The version of the LOM plan that should be considered in assessing the materiality of a major project at an existing operation when making the determination of sustaining vs. non-sustaining classification would typically be the plan that is approved by the company's Board of Directors and/or used as the basis for external guidance disclosures or making the investment decision.

9. ***How should companies categorize initial development of a mine with respect to sustaining vs non-sustaining?***

The initial development of a new open pit or underground mine, including related infrastructure should be considered non-sustaining. If a second pit or a second underground mine is developed at the same operation, the initial stripping or surface underground development should also be characterised as non-sustaining if it meets the materiality thresholds for a 'major project at an existing operation'. This would generally align with the capitalization rules under US GAAP.
In certain cases, the initial plan to develop a new open pit or underground mine may include phases of mine development that a company plans to treat as non-sustaining that will occur after the declaration of commercial production. Companies should make this decision at the time of project funding and execution approval and clearly disclose those phases of project development that will be considered non-sustaining in nature after the declaration of commercial production.

10. ***How should companies categorize production phase open pit capitalised stripping and underground mine development costs with respect to sustaining vs non-sustaining?***

Production phase open pit capitalised stripping and underground mine development would generally be sustaining capital (even if it may meet the definition of "a major project at an existing operation"). Extensions to existing underground footprints and further pushbacks of existing open pits should be considered sustaining, unless:

- The stripping or underground mine development is expected to take at least 12 months; and
- The ore production phase is expected to be more than 5 years.

It is expected that laybacks at existing open pit mines will be considered sustaining in nature unless they meet the criteria outlined above. Companies that report under US GAAP are not permitted to capitalise open pit stripping costs during the production phase of the mine under

EITF 04-6. As a result, differences in reported AISC may arise for this type of expenditure when compared to companies that are permitted to capitalise stripping costs under IFRS.

11. ***How should corporate donations be classified with respect to sustaining vs. non-sustaining?***

Because corporate donations are generally made to support a company's social license to operate, these costs should generally be categorised as sustaining costs. The WGC Guidance Note recognises that certain community donations may be considered non-sustaining when incurred in connection with the development of a new operation, a major project at an existing operation or a non-operating/closed site.

ITEMS INCLUDED OR EXCLUDED FROM AISC OR AIC FAQs:

12. ***How should companies address special items or adjustments needed to normalise earnings in AISC and AIC?***

The WGC Guidance Note excludes certain costs from AISC and AIC, including items that a company adjusts for to normalise earnings. These adjustments include items such as impairment charges on non-current assets and one-time material severance charges. The WGC Guidance Note does not provide a specific list of items or adjustments that are considered appropriate or reasonable as it is not practical to define such a list given the potential range of events faced by individual companies. Companies should adequately disclose the reason for adjustments to AISC and AIC for special or non-recurring items. As discussed above, a numerical reconciliation should be provided between the US GAAP or IFRS financial statement line items and the costs included in the reported AISC and AIC metrics that clearly identifies any special items or unusual adjustments excluded from AISC and AIC.

13. ***How should companies treat "by-product" and "co-product" sales from secondary metals in AISC and AIC?***

The WGC Guidance Note specifies that by-product and co-product credits are included in the calculation of AISC and AIC as a credit to operating costs. Companies generally treat both by-product (i.e. secondary metal sales treated as a reduction of cost of sales in the financial statements) and co-product (i.e. secondary metal sales reported as sales in the financial statements) credits as a reduction of AISC and AIC. This approach is consistent with the WGC Guidance Note. Regulatory requirements regarding how co-product revenues can be treated in non-GAAP metrics such as AISC and AIC can result in inconsistencies when comparing metrics between companies. Companies should clearly disclose how they treat both by-product and co-product credits in the calculation of their AISC and AIC metrics in order to make the user of the information aware of the potential differences between companies.

If a company reports separate AISC and AIC metrics for gold and co-product metals, the company should provide a numerical reconciliation between the US GAAP or IFRS financial statement line items and the total costs included in the gold and co-product AISC and AIC metrics. A company that reports separate gold and co-product AISC and AIC metrics should also disclose the methodology used to allocate costs between gold and the co-product metal.

14. ***How should companies treat net realizable value ("NRV") write-downs of stockpile, leach pad or in-process inventories when reporting AISC and AIC?***

The WGC Guidance Note excludes changes in working capital from AISC and AIC, except for adjustments to inventory on a sales basis. Adjustments to stockpile, leach pad, and in-process inventories can include NRV write-downs. NRV write-downs represent the difference between the estimated total cost of an ounce of gold in inventory (i.e. current inventory carrying costs plus future costs to complete processing) and the estimated future selling price of an ounce of gold. In some cases, companies exclude NRV inventory write-downs from their AISC and AIC metrics. It is expected that the impact of write-downs of current inventory (i.e. inventory expected to be realised in the next twelve months) would be included in AISC or AIC. However, the impact of write-down of non-current inventory may be excluded where the write-down is driven by exceptional circumstances, such as a significant reduction in the gold price. NRV inventory write-downs represent mining costs incurred that had been deferred in inventory. If a company

excludes NRV write-downs from AISC and AIC metrics, they should clearly disclose the amount of such NRV write-downs excluded and the rationale (i.e. price driven NRV write-downs) for excluding them. Any reversals should be treated in the same manner as the original impairment

It is important to note the due to the differences between US GAAP and IFRS, under which IFRS permits the capitalisation of deferred stripping costs for an open pit mine in production and US GAAP does not, US GAAP reporting companies can typically experience a higher level of NRV write-downs for mines during stripping campaigns because all stripping costs flow through inventory costs.

15. *Should corporate general and administrative costs be included in AISC and AIC?*

Costs incurred in supporting a company's corporate structure and fulfilling its obligations to operate as a public company (not related to any specific operation) should be included in AISC and AIC. Such costs are generally non-discretionary and should be treated as a necessary cost to sustain current operations.

16. *How should research and development ("R&D") costs be incorporated in AISC and AIC?*

While R&D costs are more likely to be discretionary in nature, management judgement is required to assess the nature of R&D costs to determine if they are sustaining or non-sustaining. To the extent R&D costs support the optimization of existing operations, they should be considered sustaining costs. To the extent R&D costs deliver longer-term benefits to existing or future operations, they may be considered non-sustaining. The determination for inclusion as sustaining or non-sustaining should be made on a project-by-project basis.

17. *How should costs associated with mergers and acquisitions, divestments, business integration costs (e.g. conversion to uniform technology platforms, severance costs, relocation costs, branding updates, etc.) or business development activities not related to existing operations be treated in AISC and AIC?*

Per the WGC Guidance Note, costs related to business combinations, acquisitions and disposals are excluded from AISC and AIC. Companies should consider whether costs for business integration or business development activities are discretionary and/or incremental to the ongoing costs associated with running the business. For example, if a company has a full-time corporate development team, those costs should be considered sustaining costs, whereas specific fees paid to banks or consultants unrelated to existing operations should be considered non-sustaining and excluded from AISC. Companies should clearly disclose those merger and acquisition, divestment, business integration and business development costs excluded from AISC and AIC metrics.

18. *When should restructuring or impairment charges be included in AISC or AIC?*

The WGC Guidance Note excludes certain costs from AISC and AIC, including items that a company adjusts for to normalise earnings. These adjustments include items such as impairment charges on non-current assets and one-time material severance charges. Companies are encouraged to clearly disclose the adjustments made to exclude these costs from AISC and AIC and provide a detailed reconciliation back to the nearest US GAAP or IFRS financial statement line items.

19. *How should lease costs be incorporated in AISC and AIC?*

The original WGC Guidance Note (released in June 2013) explicitly excluded certain financing activities from AISC and AIC. The logic behind this approach was that interest expense largely reflects a company's capital structure, while capital expenditures reflect the cost of operations. This approach effectively scoped finance leases out of the framework, while operating leases were included by virtue of being charged directly to costs.

The new lease accounting standards (ASC 842 and IFRS 16, effective 1st January 2019) will require lessees, under certain qualifying conditions, to bring additional leases onto the balance sheet and result in the recognition of new lease assets and liabilities. These lease payments were previously reported as part of cost and treated as an operating activity. Because of this

accounting standard change, the WGC Guidance Note has been updated to address how the costs associated with finance leases (US GAAP and IFRS) and operating leases (US GAAP only) should be treated when computing AISC and AIC metrics. The approach adopted is based on including the principal portion of the cash payment as well as the financing component per the cash flow statement in the AISC and AIC metrics, on the basis that this reflects the current periodic cash costs under the lease.

20. *How should share-based remuneration be included in AISC and AIC if it is not disclosed within a company's financial statements as a separate line item?*

Companies should include share-based remuneration in their AISC and AIC metrics and disclose where it is included the metrics (i.e. included as cost of sales for site based compensation, included in corporate general and administrative costs, etc.)

OTHER FAQs:

21. *Are companies required to state that they adhere to the WGC Guidance Note in their AISC and AIC disclosures?*

The WGC Guidance Note does not require that companies disclose that their AISC and AIC metrics are presented in accordance with the WGC Guidance Note. However, the WGC encourages companies to provide such a disclosure if they are able to do so. In some cases, there may be regulatory requirements that prevent a company from making such a statement. Regardless of a company's ability to affirmatively disclose compliance with the WGC Guidance Note, all companies should provide adequate disclosure and reconciliation that would allow the user of the AISC and AIC metrics to conclude whether the information is prepared in accordance with the WGC Guidance Note.

22. *How should streaming, financing, structured production or marketing arrangements be treated in reporting AISC and AIC?*

To enable a true reflection of a gold company's, and the industry's, costs of producing and selling an ounce of gold, the WGC Guidance Note excludes streaming, financing, structured production or marketing arrangements ('structured transactions') from the AISC and AIC of the company that is in receipt of product under the structured transaction (unless there is a direct interest in the underlying assets).

An example might be where a gold mining company (Company A) buys a stream of gold production from another company through an upfront payment, after which time it sells the gold received from the structured transaction. This gold should not form part of Company A's gold sales for the purposes of AISC or AIC.

A direct interest is considered to be an ownership interest (not being merely a security interest) in the underlying assets of the operation from which the gold is derived. Where there is a direct interest in the underlying assets ('direct interest percentage'), it is expected that the gold mining company would recognise the gold, by-product and all the AISC or AIC costs of the operation, multiplied by the direct interest percentage.

It is not expected that pure streaming companies will report under the AISC or AIC metric, or that this will impact companies who stream out product from their operations.

<u>SUSTAINING vs. NON-SUSTAINING COST CASE STUDIES</u>:

1. *Operating Mine A is planning to sink a new shaft which will take more than one year to construct and commission. The project will not result in an increase in total production but will bring production forward to earlier years and reduce the number of years of mine life, creating a 15% improvement in NPV and having a material impact on the capital cost of the existing mine during the construction. Should the project costs be classified as non-sustaining?*

   The cost for Mine A's new shaft would be classified as non-sustaining because it materially increases annual production and NPV despite there being no change in total production over the LOM.

2. *Operating Mine B is planning a material change to their production facility that will significantly reduce their cost per tonne processed and will take more than one year to construct and commission. This project will not result in an increase in total production nor will it bring production forward to earlier years, however it will result in a material reduction in costs, creating a 10% improvement in NPV. Should the project costs be classified as non-sustaining?*

   Spend on projects that result in a material improvement in NPV via cost efficiencies should be classified as non-sustaining costs irrespective of whether they result in an increase in production.

3. *Operating Mine C is completing a significant layback in their open pit and they are capitalising a significant portion of their stripping costs in line with their capitalised stripping policy. Should the project costs be classified as non-sustaining?*

   Stripping activities at existing operations in existing pits should be classified as sustaining costs unless it is expected to take at least 12 months and the resulting ore production phase is more than five years. Companies reporting under US GAAP are not permitted to capitalise production phase open pit stripping costs, therefore this scenario is not applicable to US GAAP reporters. Costs associated with pre-stripping activities are classified as non-sustaining costs if they relate to a new operation as described in the WGC Guidance Note and this FAQ.

4. *Operating Mine D is currently producing 200kozpa, but under the existing LOM plan it is expected this will decrease to 100koz due to grade decline. They decide to include a processing plant expansion in the next version of the LOM plan that will increase plant capacity by 50%. This will result in production only declining from 200koz to 150koz. Should the projects costs be classified as non-sustaining?*

   The project would be assessed on the materiality of the increase from 100koz (prior LOM plan) to 150koz (new LOM plan), and therefore the costs of this project would be classified as non-sustaining.

5. *Operating Mine E has purchased autonomous mining equipment to improve safety, efficiency and to increase the amount of material moved. This results in a 25% increase in gold production over the next 5 years. Should the cost of the autonomous mining equipment be classified as non-sustaining?*

   The cost would be classified as non-sustaining as it results in a material increase in production for a period greater than one year. If the autonomous mining equipment was the replacement of existing equipment, it would be classified as sustaining.

6. *Operating Mine F will be building a natural gas pipeline and power plant to provide power to the operation at lower costs than it is currently paying. Should the cost of the pipeline and power plant be classified as non-sustaining?*

   The project costs would be classified as non-sustaining if it is expected to result in a material decrease in total operating costs for the mine and therefore increase the NPV of the mine.

7. *Operating Mine H is operating an underground mine. Further ore from the same orebody can be sourced by investing in a new development footprint accessed from the same underground declines. The development will take 18 months and it is expected that ore will be extracted from the new development for a period of 7 years. Should the project costs of the underground development be classified as non-sustaining?*

   The project costs would be classified as non-sustaining as it is an extension to an existing underground footprint that is taking longer than 12 months to complete, and the ore production phase is more than five years.

8. *Company ABC has made the decision to construct a new operation, Mine I. The Feasibility Study for the new mine sets out that it will initially be built with a 5mtpa processing plant, but in 10 years' time this is planned to be increased to 8mtpa. Should the cost of the initial 5mtpa plant be classified as non-sustaining? What about the cost of the expansion from 5mtpa to 8mtpa in year 10?*

   The cost of the initial 5mtpa would be classified as non-sustaining as it is part of a new operation. The cost of the expansion from 5mtpa to 8mtpa (which would materially increase production) would also be considered non-sustaining as it would qualify as a 'major project at existing operations'. A similar conclusion would be reached if the mine was built with a 5mtpa processing plant and no plans for expansion, but a decision was made to expand the plant to 8mtpa after the mine was constructed and in operation.