

# **Interim Management's Discussion and Analysis**

For the three and six-month periods ended June 30, 2017



**TSX: ROXG**

**As at August 14, 2017**

# Roxgold Inc.

## Management's Discussion and Analysis

---

The following Management Discussion and Analysis ("MD&A") of Roxgold Inc. ("Roxgold" or the "Company") has been prepared as of August 14, 2017. This MD&A is intended to supplement the condensed interim consolidated financial statements ("Financial Statements") for the six months ended June 30, 2017 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and it should be read in conjunction with the Company's annual financial statements and MD&A for the year ended December 31, 2016.

Management is responsible for the preparation and integrity of its Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the Financial Statements and MD&A, is complete and reliable. All figures are expressed in US dollars, except where otherwise indicated. The functional currency of the Canadian legal entities is the Canadian dollar and the US dollar is the functional currency for all of the Company's foreign subsidiaries. Refer to note 2 of the Company's annual financial statements for the year ended December 31, 2016 for the functional currency of the subsidiaries of the Company. The reporting currency of the Company has been modified as of September 30, 2016 from the Canadian dollar to the US dollar. Refer to note 2.D of the Financial Statements for the change of presentation currency.

The Financial Statements and other information pertaining to the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on its website at [www.roxgold.com](http://www.roxgold.com).

This MD&A contains forward-looking statements. Particular attention should be given to the risk factors described in the "Risk Factors" section and to the "Cautionary note regarding forward looking statements" section of this document.

The utilization of the "Company" or "Roxgold", refers to Roxgold Inc. or Roxgold Inc. and/or one or more or all of its subsidiaries, as it may apply.

### **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

Some of the statements contained herein, including, without limitation, financial and business prospects and financial outlooks, may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may", "will," "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risks and uncertainties including those discussed under "Risk Factors" and elsewhere in this MD&A. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors management believes to be reasonable and relevant in the circumstances and at the date that such statements are made, management cannot assure that actual results will be consistent with these forward looking statements. Investors should not place undue reliance on forward-looking statements. Some of the assumptions underlying forward-looking statements contained in this MD&A include, without limitation, assumptions regarding the future price of gold, cash flow forecasts, projected capital and operating costs, availability of financing, mine life, recovery and production rates, as well as other assumptions set forth in the feasibility study dated June 4, 2014 and entitled "Technical Report for the Yaramoko Gold Project, Burkina Faso" (the "Technical Report").

Forward-looking statements and other information contained herein concerning mineral exploration and development, and management's general expectations concerning such industries, are based on estimates prepared by management using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which management believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While management is not aware of any misstatements regarding any industry data presented herein, mineral exploration and development involves risks and uncertainties and industry data is subject to change based on various factors.

# Roxgold Inc.

## Management's Discussion and Analysis

---

Forward-looking statements included in this MD&A include, but are not limited to, statements with respect to:

- the Company's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic gold deposits;
- the focus of capital expenditures;
- future plans for the Yaramoko project and other property interests held by the Company or which may be acquired on a going forward basis, if at all, including proposed exploration and drilling programs for 2017 at the Boni Shear Zone, the 55 Zone, the Houko permit, and on the Yaramoko and Bagassi concessions;
- anticipated production and cost guidance of the Company for 2017, as well as general and administrative expenses anticipated for the remainder of 2017 and availability of funding for such period;
- the Technical Report, Mineral Resource and Mineral Reserve estimates, the ability to realize estimated Mineral Resources and Mineral Reserves, the Company's expectations that the Yaramoko project will be profitable with positive economics from mining, recoveries, grades and annual production, the timing of production and grade recovery, anticipated expenses, the receipt of all necessary permitting and approvals, and the parameters and assumptions underlying the Mineral Resource estimates, Mineral Reserve estimates and financing analysis;
- the Company's expectations with respect to investments in underground mine development;
- successful execution of the development plans set forth in the Technical Report, and other exploration and development plans of the Company, including with respect to potential Mineral Resource growth at depth at the 55 Zone (and any resulting impact of such update to the proposed mine plan);
- the proposed development of Bagassi South, further to an updated Mineral Resource estimate;
- management's outlook regarding future trends;
- exploration, acquisition and development plans including the anticipated timing of future drilling programs and results thereof;
- the possibility of the Company obtaining future financing, including the satisfaction of conditions precedent for further drawdowns under the Amended Facility (as defined herein);
- the Company's business objectives and timing of anticipated catalysts for the remainder of the current year;
- expectations regarding the Company's funding needs on a going forward basis, including with respect to anticipated cash flow to be generated from production at the Yaramoko project;
- the emergence of accretive growth opportunities;
- the Company's ability to benefit from the combination of growth opportunities and the ability to grow through the capital markets;
- expectations regarding the heightened risk of jihadist incursions near the Company's property interests;
- the quantity of Mineral Resources and Mineral Reserves;
- treatment under governmental, regulatory and environmental regimes and tax laws, as applicable;
- the performance characteristics of the Company's mineral resource properties; and
- realization of the anticipated benefits of acquisitions.

Some of the risks and other factors, which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to:

- general economic conditions in Canada, Burkina Faso and globally;
- uncertainty regarding Technical Report assumptions, and estimates of Mineral Resources and Mineral Reserves;
- economic factors as they affect exploration, development and mining;
- parameters and assumptions underlying Mineral Resource estimates, Mineral Reserve estimates and financial analyses being incorrect;
- the risk factors included in the Technical Report;

## Roxgold Inc.

### Management's Discussion and Analysis

---

- the Company's ability to meet its working capital needs at the current level in the short and long term;
- environmental liability;
- industry conditions, including fluctuations in the price of gold and other metals and minerals;
- governmental regulation of the mineral resource industry, including environmental regulation;
- fluctuation in foreign exchange or interest rates, and in the price of fuel;
- availability and reliability of power supplies;
- liabilities inherent in mineral exploration and development;
- geological, technical and processing problems;
- political and economic risks associated with operations in Burkina Faso;
- failure to obtain third party permits, consents and approvals, when required, or at all;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel;
- the need to obtain required approvals from regulatory authorities; and
- the other factors outlined under "Risk Factors".

In addition, statements relating to Mineral Resources and Mineral Reserves are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the Mineral Resources and Mineral Reserves described can be profitably mined in the future.

These forward-looking statements are made as of the date of this MD&A, and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise unless as required by applicable securities laws.

# Roxgold Inc.

## Management's Discussion and Analysis

### 1. Description of business

Roxgold is a Canadian-based gold mining company with its key asset, the high grade Yaramoko Gold Project, located in the Houndé greenstone belt of Burkina Faso, West Africa. The Company declared commercial production as of October 1, 2016. The Company is a reporting issuer in all provinces and territories of Canada other than Quebec and its common shares were listed for trading on the TSX Venture Exchange under the symbol "ROG" until March 29, 2017 and started trading on the Toronto Stock Exchange under the symbol "ROXG" on March 30, 2017. The Company also trades as part of the Nasdaq International Designation program with the symbol OTC: ROGFF.

Roxgold owns a 90% beneficial interest in Roxgold SANU S.A., which owns the Yaramoko exploitation permit. The government of Burkina Faso retains a 10% carried interest. In addition, the Company has a 100% undivided interest in the Yaramoko, Houko, Solna, Teyango, Yantara, and Boussara exploration properties.

### 2. Highlights

	Three-months ended June 30, 2017	Six-months ended June 30, 2017	Six-months ended December 31, 2016 <sup>1</sup>
Gold ounces produced	27,970	63,564	62,678
Gold ounces sold <sup>1,2</sup>	28,788	63,767	68,861
<b>Financial Data (in thousands of dollars, except per share amounts)</b>			
Gold Sales <sup>1,2</sup>	36,166	79,143	41,385
Mine operating profit	12,577	32,376	21,493
Net income (loss)	5,717	9,549	23,702
Basic earnings per share	0.02	0.03	0.06
Adjusted net income (loss) <sup>3</sup>	5,232	14,921	12,517
Per share <sup>3</sup>	0.01	0.04	0.03
Cash flow from mining operations <sup>4</sup>	18,638	42,385	54,320
Per share <sup>4</sup>	0.05	0.11	0.15
Cash on hand end of period	49,827	49,827	68,902
Total assets	212,441	212,441	217,670
<b>Statistics (in dollars)</b>			
Average realized selling price (per ounce)	1,254	1,240	1,272
Cash operating cost (per ounce produced) <sup>5</sup>	498	445	379
Cash operating cost (per tonne processed) <sup>5</sup>	214	219	195
Total cash cost (per ounce sold) <sup>6</sup>	549	497	439
Sustaining capital cost (per ounce sold) <sup>7</sup>	280	251	228
All-in sustaining cost (per ounce sold) <sup>8</sup>	873	789	702

<sup>1</sup> The Company declared commercial production on October 1, 2016. As such, the six-month period ended December 31, 2016 includes three months of commercial production and three months of pre-commercial production. The pre-commercial production gold sales and mining operating expenses were accounted against Property, Plant and Equipment.

<sup>2</sup> Gold ounces sold and Gold Sales include deferred revenue of \$1,463,000 related to 1,175 ounces sold, but not shipped, as of June 30, 2017 due to the timing of the shipment in Burkina Faso.

<sup>3</sup> Adjusted net income (loss) and adjusted net income (loss) per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A for all non-IFRS financial performance measures.

<sup>4</sup> Cash flow from mining operations and cash flow per share are non-IFRS financial performance measures with no standard definition under IFRS.

<sup>5</sup> Cash operating cost is a non-IFRS measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed.

<sup>6</sup> Total cash cost per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS and represents the mine operating expenses and government royalties adjusted to include production costs (in inventory) associated with the 1,175 ounces of gold sold, but not shipped, as of June 30, 2017.

<sup>7</sup> Sustaining capital cost per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS and represents the investment in underground development per ounce sold.

<sup>8</sup> All-in sustaining cost per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS.

## 2. Highlights (Continued)

During the quarter ended June 30, 2017, and thereafter, the Company:

- ✓ Maintained a lost time injury ("LTI") ratio of 0.00 and achieved over 3,000,000 hours worked LTI free;
- ✓ Sold 28,788 ounces<sup>9</sup> of gold for gold sales totalling \$36,166,000<sup>9</sup> (revenues of \$34,703,000 and deferred revenues of \$1,463,000);
- ✓ Produced 27,970 ounces of gold at an average cash operating cost of \$498 per ounce produced<sup>10</sup> for the quarter contributing to a 12-month production total of 126,242 ounces of gold at a cash operating cost of \$416 per ounce produced<sup>10</sup>;
- ✓ Incurred an all-in sustaining cost<sup>11</sup> of \$873 per ounce sold and \$789 per ounce sold, for the three and six-month periods ended June 30, 2017, respectively;
- ✓ Generated cash flow from mining operations<sup>12</sup> totalling \$18,638,000 (\$42,385,000 for the six-month period) and cash flow per share<sup>12</sup> of \$0.05 (C\$0.07/share) (\$0.11 and C\$0.15/share for the six-month period);
- ✓ Mined 66,044 tonnes of ore for the quarter including 28,628 tonnes of ore from stoping activities;
- ✓ Commenced construction work at site to facilitate the Bagassi South expansion project;
- ✓ Commenced a drilling program targeting newly identified geophysical targets along the Bagassi Corridor located less than two kilometers south of the 55 Zone and the Yaramoko plant; and
- ✓ Updated and increased the Bagassi South Mineral Resource Estimate ("MRE") to Indicated MRE of 352,000 tonnes at 16.6 grams of gold per tonne ("g/t Au") for 188,000 ounces of gold at a cut-off grade of 5.0 g/t Au and Inferred MRE of 130,000 tonnes at 16.6 g/t Au for approximately 69,000 ounces of gold at a cut-off grade of 5.0 g/t Au – a significant improvement over the previous inferred resource estimate of 563,000 tonnes at 12.1 g/t Au for 220,000 ounces of gold at a cut-off grade of 5.0 g/t Au.

## 3. Near-term objectives for 2017

Based on the results for the first half and the outlook for the second half of 2017, the Company remains confident to reiterate its guidance for 2017, expecting a production outlook at the upper end of the previously provided range. The Company's objectives for the balance of 2017 include the following:

- Gold production of between 105,000 and 115,000 oz;
- Cash operating cost per ounce produced<sup>2</sup> between \$445 and \$490/oz for the year ending December 31, 2017;
- All-in sustaining costs per ounce sold<sup>3</sup> between \$740 and \$790/oz for the year ending December 31, 2017;
- Sustaining capital expenditures between \$24 million and \$28 million;
- Mineral Resource growth at depth at 55 Zone;
- Development of Bagassi South, further to an updated MRE; and
- Testing of recently delineated regional exploration targets.

### Upcoming Catalysts

The Company's anticipated catalysts for the balance of 2017 include the following:

- Q3 - Results of 55 Zone deep drilling program currently underway
- Q3 - Initial results from recently commenced 6,000 meter regional drilling campaign in the Bagassi Corridor
- Q3 - Commencement of drilling on Ridge Line targets
- Q4 - Results of Bagassi South Feasibility Study
- Q4 - Commencement of drilling program on Boni Shear regional targets

---

<sup>9</sup> Gold ounces sold and gold sales include deferred revenues of \$1,463,000 related to 1,175 ounces sold, but not shipped, as of June 30, 2017 due to the timing of the shipment in Burkina Faso.

<sup>10</sup> Cash operating cost is a non-IFRS measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-IFRS financial performance measures" section of this MD&A for all non-IFRS financial performance measures.

<sup>11</sup> All-in sustaining cost is a non-IFRS financial performance measure with no standard definition under IFRS.

<sup>12</sup> Cash flow from mining operations and cash flow per share are non-IFRS financial performance measures with no standard definition under IFRS.

### 4. Key drivers and trends

#### A. Gold price

The market price of gold is a significant factor determining the Company's financial results. As such, cash flow from operations and the Company's development and exploration activities may, in the future, be significantly adversely affected by a decline in the price of gold. The gold price fluctuates on a daily basis and is affected by a number of factors beyond the control of the Company, such as the US dollar and other foreign currency exchange rates, the confidence in the global monetary system along with the expectations of other global or regional political or economic events or conditions.

During the six-month period ended June 30, 2017, the price of gold, based on the London Gold Fix PM, fluctuated from a low of \$1,151 to a high of \$1,294 per ounce. The average market gold price in the second quarter of 2017 was \$1,257 per ounce and the Company's average realized gold price for the period was \$1,254 per ounce sold.

#### B. Currency and oil price

The US dollar is the Company's reporting currency. The Company's revenue is denominated in US dollars as gold is priced in US dollars. The Company's main sources of foreign exchange exposure are the Canadian dollar, the Euro, which have a direct impact on the Company's Canadian and mining activities in Burkina Faso where local currency is fixed against the Euro.

As mining activities are energy intensive, operating costs can be affected by a change in the price of fuel. In Burkina Faso, fuel is purchased exclusively from the government and is priced in the local currency at a rate fixed by government decree and has no direct link to the price of crude oil. The Company does not use a hedging strategy to mitigate the volatility of the price of oil. Since early February 2017, the Company's underground and processing facilities have been using energy provided by the HV power line.

#### C. Security

During the last quarter of 2016, both the French and Canadian government authorities issued warnings of a heightened risk of jihadist incursions from Mali in certain areas within an 80 kilometre wide zone along the western border of Burkina Faso. This zone is distant from the Yaramoko gold mine. The Company continues to monitor security risks in-country from a variety of sources.

Apart from this and the risk factors noted under the heading "Risk Factors" of the Company's 2016 Annual Management Discussion and Analysis available on SEDAR at [www.sedar.com](http://www.sedar.com), management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

## 5. Mine operating activities

The Company considers that pre-commercial production operations at the Yaramoko gold mine commenced in June 2016 as the construction of the processing plant and associated infrastructure was completed, the contractual performance tests associated with the engineering, procurement, and construction ("EPC") lump sum contract with the DRA/Group Five Joint Venture was passed and a first gold shipment was exported and refined. Ramp-up of pre-commercial production continued during the third quarter ended September 30, 2016 leading to the declaration of commercial production on October 1, 2016. Accordingly, there are no comparable gold sales and operational results from mine operations from the previous year. The Company is providing the six-month period ended December 31, 2016 results as comparative figures.

	Period ended June 30, 2017		Period ended June 30, 2016	Period ended Dec 31, 2016 <sup>13</sup>
	Three-month	Six-month	Six-month	Six-month
<b>Operating Data</b>				
Ore mined (tonnes)	66,044	135,281	-	104,831
Ore processed (tonnes)	65,159	129,114	-	122,135
Head grade (g/t)	12.8	15.4	-	16.1
Recovery (%)	99.0	99.2	-	98.9
Gold ounces produced	27,970	63,564	-	62,678
Gold ounces sold <sup>14</sup>	28,788	63,767	-	68,861
<b>Financial Data (in thousands of dollars)</b>				
Revenues – Gold sales <sup>13,14</sup>	36,166	79,143	-	87,566
Mining operating expenses	13,677	27,831	-	26,239
Government royalties	1,387	3,106	-	4,005
<b>Statistics (in dollars)</b>				
Average realized selling price (per ounce)	1,254	1,240	-	1,272
Cash operating cost (per ounce produced) <sup>15</sup>	498	445	-	379
Cash operating cost (per tonne processed) <sup>15</sup>	214	219	-	195
Total cash cost (per ounce sold) <sup>16</sup>	549	497	-	439
Sustaining capital cost (per ounce sold) <sup>17</sup>	280	251	-	228
All-in sustaining cost (per ounce sold) <sup>18</sup>	873	789	-	702

### A. Operational performance

During the three-month period ended June 30, 2017, the Yaramoko gold mine continued to operate in line with expectations. The Company has now reached twelve months of full production and operations have performed according to plan and expected production. During the period, the Yaramoko gold mine maintained its LTI ratio at 0.00 while achieving over 3,000,000 hours worked LTI free.

<sup>13</sup> The Company declared commercial production on October 1, 2016. As such, the six-month period ended December 31, 2016 includes three months of commercial production and three months of pre-commercial production. The pre-commercial production gold sales and mining operating expenses were accounted against Property, Plant and Equipment.

<sup>14</sup> Gold ounces sold and Gold Sales include deferred revenues of \$1,463,000 related to 1,175 ounces sold, but not shipped, as of June 30, 2017 due to the timing of the shipment in Burkina Faso.

<sup>15</sup> Cash operating cost is a non-IFRS measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-IFRS financial performance measures" section of this MD&A for all non-IFRS financial performance measures.

<sup>16</sup> Total cash cost per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS and represents the mine operating expenses and government royalties adjusted to include production costs (in inventory) associated with the 1,175 ounces of gold sold, but not shipped, as of June 30, 2017.

<sup>17</sup> Sustaining capital cost per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS and represents the investment in underground development per ounce sold.

<sup>18</sup> All-in sustaining cost is a non-IFRS financial performance measure with no standard definition under IFRS.



# Roxgold Inc.

## Management's Discussion and Analysis

---

During the second quarter of 2017, the Yaramoko gold mine produced 27,970 ounces and sold 28,788 ounces of gold for total production during the six-month period ended June 30, 2017 of 63,564 ounces of gold. The production is in line with expectations of relatively stronger first and fourth quarters due to higher ore head grades in the mine schedule.

For the three-month period ended June 30, 2017, the Company mined 66,044 tonnes of ore at 11.7 g/t Au with 2,085 metres of development completed. Combined with the first quarter performance, a total of 135,281 tonnes of ore was mined as of June 30, 2017, which is ahead of expectations. With seven stoping faces in operation as of June 30, 2017, together with significant waste and ore development achieved, it is believed that the mine remains well established to deliver against expectations.

During the second quarter of 2017, the plant processed 65,159 tonnes of ore at an average head grade of 12.8 g/t Au. The lower head grade when compared to the previous quarter is due to the mining sequence. The third quarter is expected to be similar to the second quarter with mined grades expected to increase towards the end of the year. Plant availability was 97.2% and overall recovery was 99.0% during the quarter.

During the first quarter of 2017, the Yaramoko gold mine was connected to the Burkina Faso High Voltage ("HV") national power grid. Connection took place as scheduled on February 1, 2017, and the mine has subsequently benefited from grid availabilities of 99%. Operations are now focusing on optimizing the power factor contribution of the grid to deliver additional cost savings.

As of June 30, 2017, underground development had reached the 5083 RL ("Reduced Level"), some 230 meters below surface. Since the Company started operations in June 2016, it has taken advantage of higher than planned development productivity rates from the underground mining contractor to bring forward additional mine development. A total of 3,823 meters of underground waste development has been completed in that 12-month period, 1,972 metres during the second half of 2016 and 1,851 metres for the first half of 2017. As a result, the Company is significantly ahead of the mine plan contemplated in the Technical Report which included 2,814 meters for the corresponding 12-month period. This additional development has provided early access to additional areas of the mine to increase flexibility and resiliency for the mine plan. This additional investment has resulted in development accessing approximately 180,000 ounces of gold *in situ* to support future stoping operations.

### **B. Financial performance**

Based on the Company's accounting policy (refer to note 2 of the Company's annual consolidated financial statements as of December 31, 2016 available on [www.sedar.com](http://www.sedar.com)), commercial production was declared on October 1, 2016. Accordingly, there are no comparable gold sales and operational results from mine operations for the first half of 2016.

During the six-month period ended June 30, 2017, a total of 63,767 ounces of gold were sold resulting in revenues and deferred revenues from gold sales totalling \$79 million at an average realized gold price of \$1,240 per ounce sold compared to an average market gold price of \$1,238 per ounce. Ounces sold during the period include 1,175 ounces of gold sold, but not shipped, as of June 30, 2017 due to the timing of gold shipment. As a result, deferred revenues totalling \$1,463,000 have been recognized on the Company's balance sheet as at June 30, 2017. The decrease in ounces sold during the second quarter is attributable to a lower head grade.

Mine operating expenses represent mining, processing, and mine site-related general and administrative expenses. Cash operating cost per tonne processed<sup>19</sup> totalled \$214 for the quarter and \$219 for the first half of 2017. The variation between the cash operating cost per tonne processed<sup>19</sup> for the six-month period ended June 30, 2017 and the cost achieved during the second half of 2016 is mainly due to higher mining costs per tonne. Factors contributing to higher mining costs per tonne mined are a lower ratio of ore vs waste tonnes mined during the period combined with higher rate of marginal ore within the ore drifts. In addition, the cash operating cost per tonne<sup>19</sup> for the period was affected by standard preventive maintenance costs which were not incurred in 2016 as the mill had been in operation for less than a year. Mining costs per tonne are expected to decrease in the second half as mining of stoping tonnes is expected to increase to approximately 60% of total ore mined in the fourth quarter of 2017. Tonnes provided by development in ore are expected to reduce as stoping activities continue to ramp up.

The cash operating cost per ounce produced<sup>19</sup> totalled \$498 per ounce for the second quarter of 2017 contributing to a cash operating cost per ounce of \$445 for the six-month period ended June 30, 2017 and well within the 2017 guidance set at between \$445-\$490 per ounce produced. The higher cash operating cost for the quarter, as compared to the previous period, is the result of lower head grade partially

---

<sup>19</sup> Cash operating cost is a non-IFRS measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-IFRS financial performance measures" section of this MD&A for all non-IFRS financial performance measures.

# Roxgold Inc.

## Management's Discussion and Analysis

---

offset by lower cash operating cost per tonne processed. The cash operating cost per ounce sold is in line with the cash operating cost per ounce produced.

During the second quarter of 2017, Roxgold invested \$8,073,000 in underground mine development, representing a sustaining capital cost per ounce sold<sup>20</sup> of \$280. This reflects the Company's decision to invest in additional metres of development to provide for potentially greater operational flexibility and robustness. As a result, access to two additional stoping panels are already ready for mining while access to ore drives is also significantly ahead of schedule. According to the mine plan, 269,811 and 267,196 ore tonnes are scheduled to be mined in 2018 and 2019, respectively. Investment in underground development was expected to be more intense in the first half of 2017, as compared to the second half of 2017, as a result of the mining sequence. Mining development costs for 2017 are expected to be within guidance.

Based on the foregoing, the Company generated cash flow from mining operations<sup>21</sup> totalling \$18,638,000 for the second quarter of 2017, at an all-in sustaining cost<sup>22</sup> of \$873 per ounce sold. The total all-in sustaining costs for the period related to underground development was similar to the previous quarter, however shared over a lower volume of gold sold as a result of the lower head grade during the period. Accordingly, the all-in sustaining cost<sup>22</sup> for the six-month period ended June 30, 2017 was \$789 per ounce sold. The Company anticipates that the all-in sustaining cost<sup>22</sup> per ounce sold for the year will remain within guidance.

For comparison purposes, the Technical report forecasted an all-in sustaining cost of \$751 per ounce sold in 2017, the second year of operations, and a Life of Mine all-in sustaining cost average of \$590 per ounce sold as development expenditure in the early years of the mine plan tapered off. Considering the extra development that has been achieved since the commencement of operations, the Company is pleased with progress against original expectations.

## 6. Exploration activities

### A. 55 Zone

#### For the three-month period ended June 30, 2017

During the second quarter of 2017, the Company resumed drilling at the 55 Zone with an initial program planning of 10,000 meters over 9 holes, but total meters could be reduced if wedging from a mother hole at depth is successful. The program will be undertaken with two drill rigs from surface and is expected to continue into the third quarter, the program will primarily target resource growth at depth, below and west of the Q4 2016 drilling program. The planned drill holes are illustrated in Figure 1.

---

<sup>20</sup> Sustaining capital cost per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS and represents the investment in underground development per ounce sold.

<sup>21</sup> Cash flow from mining operations and cash flow per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A for all non-IFRS financial performance measures.

<sup>22</sup> All-in sustaining cost is a non-IFRS financial performance measure with no standard definition under IFRS.

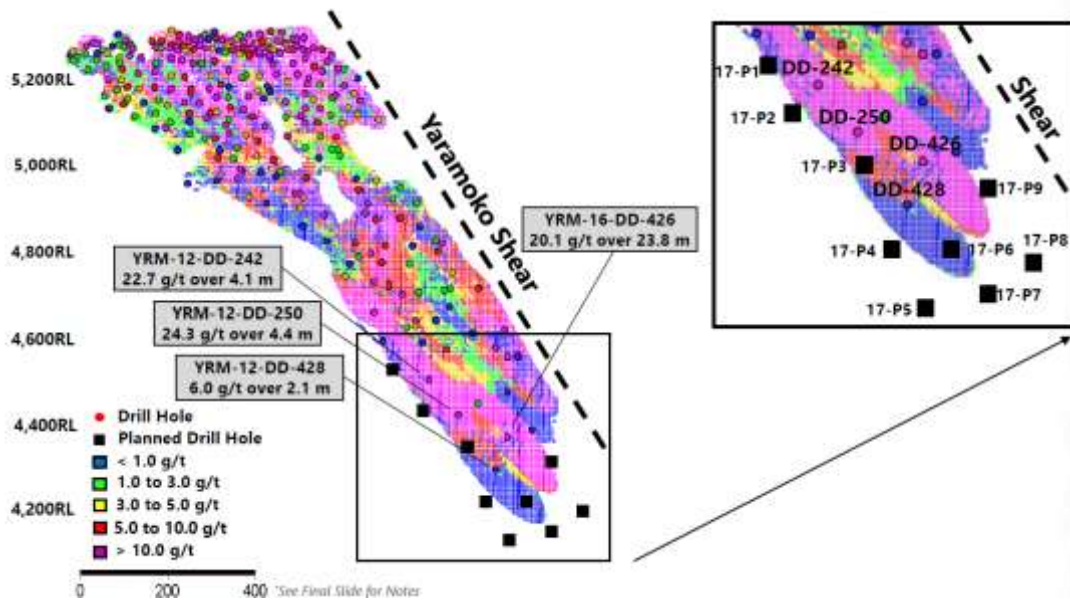


Figure 1 – 55 Zone Longitudinal section with planned drill holes

**For the six-month period ended June 30, 2017**

During the first half of 2017, the Company finalised an updated MRE for the 55 Zone which incorporated all drilling conducted in 2016. A total of 62 holes were drilled in 2016, of which 47 holes totalling 9,613 metres targeted the upper portion of the 55 Zone and mostly consisted of infill drilling. These holes were drilled to increase drilling resolution around areas within the current mine plan. The remaining 15 holes which totalled 13,658 metres focused on extending the zone at depth below the inferred resource boundary. The two primary goals of the program were to convert a portion of the current Inferred Resource to Indicated Resource status and to test the 55 Zone extension down plunge below the Inferred Resource boundary.

The Mineral Resources at 55 Zone were estimated using a geostatistical block modelling approach informed from gold assay data collected in core borehole samples. The construction of the Mineral Resource model was a collaborative effort between Roxgold and SRK Consulting (Canada) Inc. (“SRK”) personnel. The optimization of the geological wireframes was primarily carried out by Roxgold and reviewed by Dominic Chartier of SRK, PGeo (OGQ #0874), whereas geostatistical analysis, variography, and Mineral Resource modelling were undertaken by Sébastien Bernier of SRK, PGeo (APGO #1847). All technical work was supervised by Glen Cole of SRK, PGeo (APGO #1416) and reviewed by Yan Bourassa, VP of Geology for Roxgold (APGO #1336).

Taking into account the 2016 mining depletion at 55 Zone, estimated Measured and Indicated gold Mineral Resources (inclusive of Mineral Reserves) decreased by 9% from 810,000 ounces of gold in 2014 to 738,000 ounces as of December 31, 2016. The decrease of 72,000 ounces was primarily due to depletion of 91,000 ounces mined in 2016, a change to gold price assumptions from \$1,300 per ounce to \$1,250 per ounce and different modeling and estimation assumptions. The grade of the Measured and Indicated components increased by 8.4% compared to the December 31, 2015 Indicated Mineral Resources estimate.

Estimated Inferred Mineral Resources at 55 Zone increased from 278,000 ounces of gold as of December 31, 2015 to 347,000 ounces of gold as of December 31, 2016, and the grade increased from 10.3 g/t to 16.1 g/t. These increases are mainly the result of exploration drilling at depth at the 55 Zone.

The Company resumed drilling at 55 Zone in the second quarter of 2017: a 10,000 metres drilling program is currently ongoing to follow-up on the 2016 deep drilling program.

A ground geophysical survey campaign commenced in early February over the 55 Zone and along the Yaramoko Shear and was completed in the second quarter. The campaign in the 55 Zone area consists of two pole-dipole gradient surveys, the largest pole-dipole survey will be covering an area along the Yaramoko Shear Zone that includes both the 55 Zone and Bagassi South deposits and will aim to outline the western extension of the gold hosting structures as well as sub-parallel structures between the two deposits and south of the Bagassi South QV1 structure.

**B. Bagassi South**

**For the three-month period ended June 30, 2017**

Following the completion of the Bagassi South drilling program in early Q2, the Company worked on a MRE update which was subsequently validated by SRK Consulting (Canada) Inc. ("SRK") of Toronto in July 2017. The MRE was based on 250 core boreholes totalling approximately 55,660 metres of drilling and will be prepared in accordance with National Instrument 43-101 ("43-101") Standards of disclosure for Mineral Projects. The Mineral Resource Estimate was completed early in the third quarter.

A drilling program targeting newly defined geophysical targets is expected to begin in early Q3 along the Bagassi corridor between the 55 Zone and Bagassi South. A total of approximately 6,000 meters of drilling has been planned to target the QV1 Extension structure and the Ridge Line structures along the Bagassi Corridor which the Company hopes will build upon the successful infill drilling program undertaken in the first half of 2017

**For the six-month period ended June 30, 2017**

During the first quarter of 2017, the Company resumed drilling at Bagassi South by undertaking an infill and extensional drilling program along the QV1 and QV' structures, 29,160 meters of drilling were completed for this program.

The program was primarily designed to infill the QV1 structure with sufficient additional intercepts to support the conversion of the existing inferred MRE to indicated status. A secondary goal of the program was to test the extent of the mineralized shoot along the QV' structure which is located along the contact between the basalt flows and the Bagassi granite and was initially outlined by the 2016 fourth quarter drilling program.

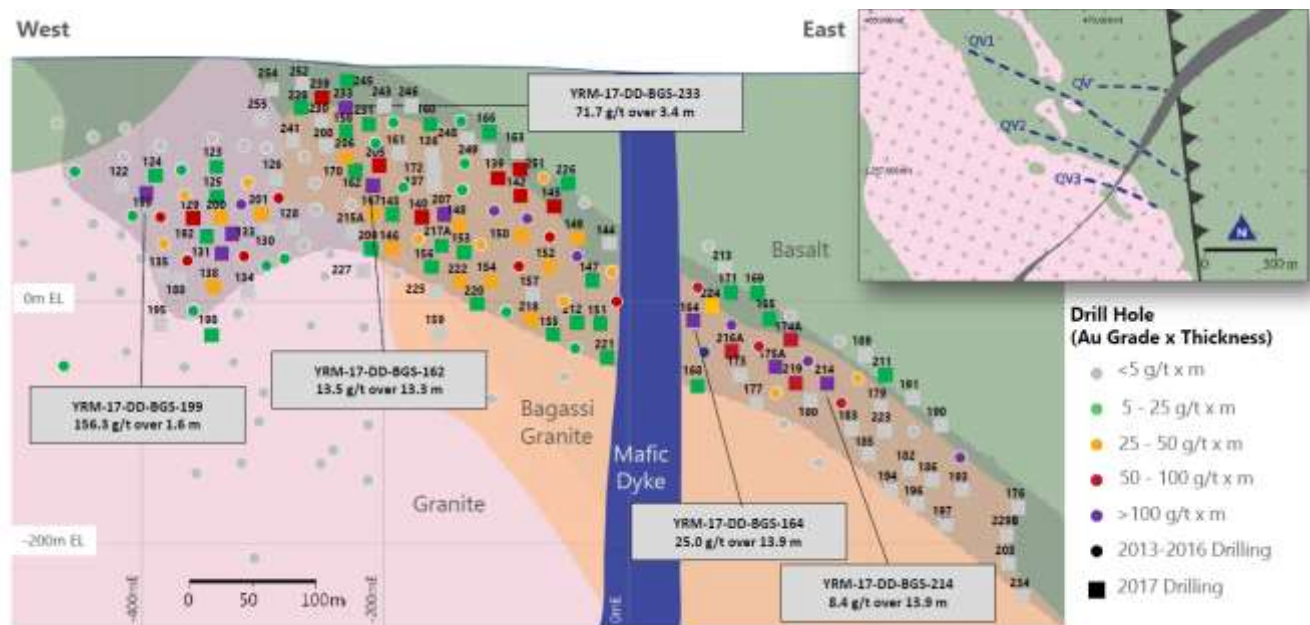


Figure 2 - Bagassi South QV1 structure with 2017 drill holes

# Roxgold Inc.

## Management's Discussion and Analysis

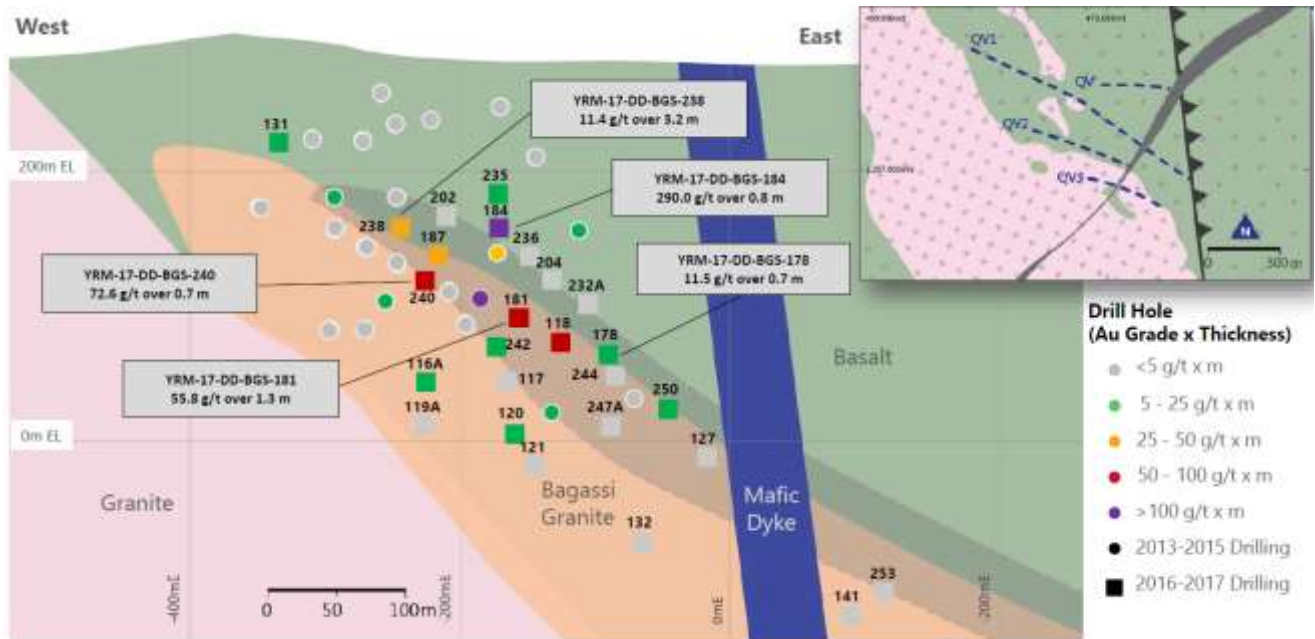


Figure 3 - Bagassi South QV' structure with 2017 drill holes

### C. Houko Permit

#### For the three- and six-month periods ended June 30, 2017

The Houko permit lies to the south of the western arm of the Yaramoko permit and adjacent to the western border of the Yaramoko permit. A conventional IP survey over a granite-mafic volcanic contact located west of 55 Zone and Bagassi South that exhibits similar structural settings as the Yaramoko Shear Zone began during the second quarter, portion of that survey is being conducted over the Houko concession. The Houko survey covers the central western portion of the Yaramoko exploration concession and a portion of the Houko concession as illustrated in figure 4. The Houko survey is expected to be completed in early Q3 and areas of interest will be followed-up by auger drilling.

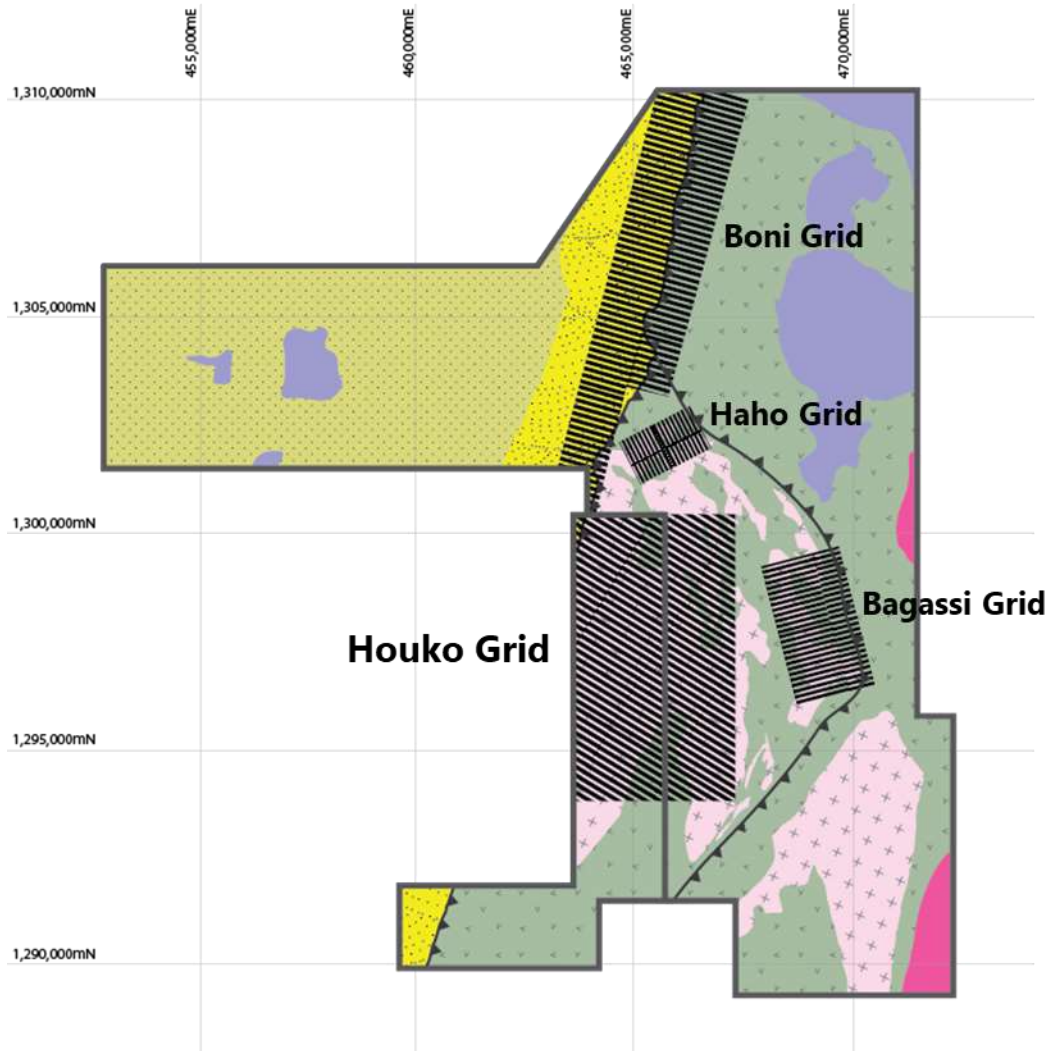


Figure 4 – Geology of the Yaramoko and Houko permits

## **7. Events subsequent to June 30, 2017**

### **A. Bagassi South**

On July 19, 2017, the Company announced an updated MRE and provided complete drilling results from the Company's Infill and Extensional drilling program, during the first half of 2017, at the Bagassi South deposit which is located less than two kilometers from its flagship underground gold mine at the 55 Zone.

The 2017 Bagassi South drilling program returned a significant number of high grade intercepts which have been incorporated into an updated MRE. Below are the highlights of the estimate:

- Indicated MRE of 352,000 tonnes at 16.6 grams of gold per tonne for 188,000 ounces of gold at a cut-off grade of 5.0 g/t Au;
- Inferred MRE of 130,000 tonnes at 16.6 g/t Au for approximately 69,000 ounces of gold at a cut-off grade of 5.0 g/t Au.

The updated Bagassi South MRE is a significant improvement over the previous inferred resource estimate of 563,000 tonnes at 12.1 g/t Au for 220,000 at a cut-off grade of 5.0 g/t Au (see press release dated April 27, 2017 available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.roxgold.com](http://www.roxgold.com)).

The reported Mineral Resources have been estimated using a geostatistical block modelling approach informed by capped composited gold assay data collected in core boreholes. Resource domains were constructed as implicit wireframes using interval selections of assay and lithological data.

The MRE was undertaken by Roxgold's mine site personnel under the supervision of Yan Bourassa, P.Geo (APGO #1336), VP Geology for Roxgold Inc., a Qualified Person within the meaning of National Instrument 43-101. The MRE was reviewed by Sébastien Bernier, P.Geo (APGO #1847) from SRK of Toronto. SRK is satisfied that work carried out by Roxgold has been conducted in a manner consistent with generally recognized industry best practices and, therefore, the exploration drilling data are sufficiently reliable for the purpose of supporting a mineral resource evaluation.

For more information on the Company's updated Bagassi South MRE, please refer to the Company's press release dated July 19, 2017, available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.roxgold.com](http://www.roxgold.com).

### **B. Value-Added Tax ("VAT")**

On August 1, 2017, the Company received confirmation that VAT totalling approximately \$2.4 million relating to VAT paid in 2016 would be reimbursed prior the end of August 2017. The Company expects that VAT reimbursements will now be received on a quarterly basis.

## **8. Review of financial results**

### **A. Mine operating profit**

The Company declared commercial production on October 1, 2016 and consequently there is no comparable mine operating profit for the first quarter of 2016. During the second quarter of 2017, revenues totalled \$34,703,000 while mining operating expenses and royalties totalled \$13,667,000 and \$1,387,000, respectively, for a total cash cost<sup>23</sup> per ounce sold of \$545. Including the doré sold, but not shipped, as of June 30, 2017, the total cash cost for the period is \$549<sup>23</sup> per ounce sold. The increase compared to the first quarter of 2017 is primarily due to lower grade ore, which was anticipated within the mining sequence for the year. For more information on the cash operating costs<sup>2</sup> see the financial performance of the Mine Operating Activities section of this MD&A.

Depreciation for the quarter remained stable when compared to the previous quarter as lower production was offset by a higher asset base. The higher asset base was the result of the completion of the HV power line and additional underground development. The depreciation expenses for the corresponding period of 2016 were capitalized within other development costs.

### **B. General and administrative expenses**

General and administrative expenses totalled \$934,000 compared to \$917,000 for corresponding period in the prior year. Non-recurring professional fees and filing fees totalling approximately \$250,000, associated with the process to become a listed issuer on the Toronto Stock

---

<sup>23</sup> Total cash cost per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS and represents the mine operating expenses and the government royalties adjusted to include inventory costs associated with the 1,175 ounces of gold sold as of June 30, 2017 but not shipped.

# Roxgold Inc.

## Management's Discussion and Analysis

---

Exchange, affected the expenditures incurred during Q1 2017. General and administrative expenses for the remainder of the year are expected to be in line with 2016 corporate expenditures.

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

Sustainability and other in-country costs totalling \$330,000 comprise expenditures incurred to maintain Roxgold's licence to operate in Burkina Faso, as well as investments made in sustainability and community projects related to current operations. During the corresponding period of 2016, sustainability and other in-country costs were capitalized within other development costs.

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

Exploration and evaluation expenses increased from \$1,764,000 during the second quarter of 2016 to \$3,514,000 for the same period in 2017. The variation reflects expenditures associated with the Bagassi South infill and extensional drilling program completed during the period as the Company progressed in its objective to provide a Feasibility Study on Bagassi South in the coming months.

Drilling costs incurred during the period totalled \$1,300,000 and \$3,570,000 for the first half of 2017. The drilling campaign totalled 29,160 meters over 134 holes while the 2016 drilling costs reflected the program totalling 2,360 meters of diamond drilling completed to further define the high grade QV1 mineralization to provide for the maiden resource estimated published during the second quarter of 2016. Further economic evaluation expenses of \$880,000 were incurred during the three-month period ended June 30, 2017. Remaining E&E costs are attributable to the start of construction work at site to facilitate the Bagassi South expansion project.

### **E. Share-based payment**

Share-based payments are not an item affecting the Company's cash on hand. Lower stock option costs reflect the decrease in stock options granted combined with a modification of the vesting conditions. Stock options granted in January 2017 are now vesting one-third on each of the first, second and third anniversary of the grant. Historically, one-third of the options granted vested immediately and the remaining two-thirds vested over the next twelve and twenty-four month periods, respectively.

The increase in restricted share unit ("RSU") expenses, when compare to the same period of the prior year, is mainly associated with the fact that the Company is no longer in the development stage. While in the development stage, a portion of RSU expenditures was capitalized within other development costs, which is no longer applicable as the Company is in commercial production.

Performance share units ("PSUs") were granted to senior management during the first quarter of 2017. As the PSUs plan had not been approved by the Company's shareholders during the first quarter of 2017, the PSUs were considered as cash settled instruments and recognized as a liability on the Company's balance sheet with an equivalent expense based on the stock price and PSUs vested as at the reporting date. Since the approval of the PSUs at the Annual General Meeting held on June 28, 2017, the PSUs are no longer considered to be a liability, now being recognized within the Company's share capital with related expenses reflecting the vesting of the PSUs based on the valuation at the time of the grant as opposed to the valuation of the grant at the reporting date.

### **F. Financial income (expenses)**

Net financial expenses totalled \$551,000 for the second quarter of 2017 compared to \$5,733,000 for the same period in 2016. The variation year over year is mainly attributable to the change in the fair value of the Company's gold forward sales contracts and the variation in its unrealized foreign exchange loss incurred in relation to the Company and its subsidiaries' cash on hand held in currencies other than their functional currencies during the period.

Interest expenses incurred in relation to the Company's Amended Facility along with banking charges contributed to the rest of the variation year over year. During the second quarter of 2016, interest expenses and banking charges were capitalized within other development costs, as the Company was not in production.

### **G. Deferred income tax expense**

The deferred income tax expense is not an item affecting the Company's cash on hand, and is due to the recognition of a deferred income tax liability related to the Company's profit and timing differences, for tax purposes in Burkina Faso.



# Roxgold Inc.

## Management's Discussion and Analysis

### H. Net income (loss)

The Company's net income for the three and six-month periods ended June 30, 2017 totalled \$5,717,000 and \$9,549,000 respectively, compared to a net loss of \$8,996,000 and \$22,311,000 for the three and six-month periods ended June 30, 2016. The variation is a result of the Company's operations as the Company was in the development stage until it declared commercial production on October 1, 2016.

Based on the net income for the three and six-month periods ended June 30, 2017, the Company's income per share was \$0.02 and \$0.03 versus a loss of \$0.03 and \$0.07 per share for the three and six-month periods ended June 30, 2016.

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

At June 30, 2017, the non-controlling interest ("NCI") of the Government of Burkina Faso, which represents 10% in Roxgold SANU S.A. totalled \$3,804,000 (December 31, 2016: \$1,440,000). The income attributable to the NCI for the six-month period ended June 30, 2017, totalling \$2,364,000, is based on the net income for Roxgold SANU SA, as determined using IFRS. This excludes all items within Other expenses and Financial income (expenses) on the Company's consolidated statement of income (loss), with the exception of sustainability and other in-country costs, interest expense, and financing fees, and any related foreign exchange loss.

## 9. Other comprehensive income (loss)

During the six-month period ended June 30, 2017, the Company reported other comprehensive income of \$709,000 compared to \$3,040,000 for the corresponding period in 2016. The variation between periods is essentially related to the effects of the foreign exchange rate of USD to Canadian dollars at the end of the reporting period as it relates to a higher net asset value of the Company's subsidiaries in Burkina Faso, which have a different functional currency than the functional currency of the Company.

## 10. Cash flows

The following table summarizes cash flow activities:

For the six-month periods ended June 30,	2017	2016
Cash flow		
Operations	35,524,000	(4,270,000)
Changes in non-cash working capital	(10,157,000)	(12,136,000)
Operating activities	25,367,000	(16,406,000)
Financing activities	(24,700,000)	37,723,000
Investing activities	(21,172,000)	(30,576,000)
<b>Change in cash and cash equivalents during the period</b>	<b>(20,505,000)</b>	<b>(9,259,000)</b>
Effect of foreign exchange rates on cash	1,430,000	732,000
<b>Cash and cash equivalents, beginning of period</b>	<b>68,902,000</b>	<b>42,285,000</b>
<b>Cash and cash equivalents, end of period</b>	<b>49,827,000</b>	<b>33,758,000</b>

### Operating

During the six months ended June 30, 2017, the Company generated operating cash flow totalling \$35,524,000 before changes in non-cash working capital, while it used \$4,270,000 for the corresponding period in 2016. The variation is essentially due to mining operating profit since the declaration of commercial production on October 1, 2016. Since the Company started to generate gold sales, it had to pay VAT in Burkina Faso. Although this VAT is recoverable, the Company's net working capital was significantly impacted by the 18% VAT payable in Burkina Faso. Historically, VAT paid in Burkina Faso had been recovered over a five to six-month period. However, mining companies operating in Burkina Faso have experienced, over the past year, recovery periods between six to twelve months. The Company received on August 1, 2017 its first repayment confirmation for approximately \$2.4 million. As such, the Company expects that the net working capital will cease to be as significantly impacted by VAT in future periods.

# Roxgold Inc.

## Management's Discussion and Analysis

---

The cash position was also positively impacted by proceeds from deferred revenues totalling \$1,463,000. Deferred revenues relate to 1,175 ounces of gold sold, but not shipped, on June 30, 2017 due to the timing of the shipment in Burkina Faso.

### **Investing**

During the six-month period ended June 30, 2017, the Company invested \$15,979,000 in underground mine development. The remaining investments relate mainly to the completion of the HV power line which was put in service at the end of 2016. In addition, construction retainers totalling \$957,000 were also fully paid in June 2017 according to the construction agreements in place with the engineering, procurement and construction contractor who built the processing plant as the requisite performance targets were met during the twelve-month period following plant commissioning.

### **Financing**

In early January 2017, the Yaramoko gold mine was deemed to have successfully passed the lenders' completion test, which encompasses a number of key performance and financial metrics including reserve grade reconciliation, plant throughput, metal recoveries and operating costs. As a result of passing the completion test, the \$15 million cost overrun facility required under the \$75 million credit facility (the "Initial Facility") has been released.

Subsequently, the Company made an early repayment of \$15 million under the Initial Facility of \$75 million and amended its Initial Facility to a \$60 million credit facility (the "Amended Facility"). The Amended Facility is amortized on a quarterly basis, maturing in June 2021 at an interest rate of LIBOR plus 3.75% per annum. This represents a reduction of 1.00% from the previous rate. In addition, the Amended Facility is no longer subject to a semi-annual mandatory cash sweep and reduces restrictions on the timing and usage of cash flow generated from the Yaramoko gold mine. The first \$15 million tranche of repayments of the Amended Facility has also been arranged as a revolving credit facility to provide further financial flexibility. In addition to the early repayment, the Company made two quarterly payments totalling \$6,150,000 during the first half of 2017 and incurred non-recurring financing fees totalling \$1,624,000.

The Company disbursed \$1,160,000 for the settlement of monthly hedging contracts for the period January to May 2017. The June 2017 hedging contract was settled on July 3, 2017 as per the contract. Payments totalling \$936,000 pertaining to the finance lease obligation embedded within the AUMS mining services agreement were also made during the quarter.

Offsetting the various disbursements described above, the Company's cash on hand increased during the period due to the receipt of proceeds totalling \$170,000 from the exercise of employees' stock options.

During the corresponding period in 2016, the Company closed a \$16,759,000 (C\$23.0 million) bought deal financing (the "Financing"). Share issuance costs totalling \$1,055,000 were incurred in relation to the Financing. During the same period in 2016, the Company also completed its third drawdown of approximately \$7,554,000 from the US\$75 million Initial Facility and made payments of \$371,000 pertaining to the finance lease obligation embedded within the AUMS mining services agreement.

### 11. Financial position

As at	June 30, 2017	December 31, 2016
Cash and cash equivalents	49,827,000	68,902,000
Other current assets	23,062,000	13,709,000
<b>Total current assets</b>	<b>72,889,000</b>	<b>82,611,000</b>
Property, plant and equipment ("PP&E")	139,041,000	134,597,000
Deferred income tax asset	-	462,000
Restricted cash	511,000	-
<b>Total assets</b>	<b>212,441,000</b>	<b>217,670,000</b>
<b>Total current liabilities</b>	<b>32,681,000</b>	<b>39,377,000</b>
Long-term debt	39,069,000	53,302,000
Derivative financial instruments	8,752,000	6,290,000
Finance lease	2,675,000	3,285,000
Other non-current liabilities	4,991,000	2,664,000
<b>Total liabilities</b>	<b>88,168,000</b>	<b>104,918,000</b>
Equity attributable to Roxgold shareholders	120,469,000	111,312,000
Non-controlling interests	3,804,000	1,440,000
<b>Total equity</b>	<b>124,273,000</b>	<b>112,752,000</b>
<b>Total liabilities and equity</b>	<b>212,441,000</b>	<b>217,670,000</b>

The Company's decrease in total assets, compared to December 31, 2016, reflects investments in underground mining development and higher VAT receivables offset by lower cash on hand resulting from the significant payments to reduce the Company's long-term debt by \$21,150,000 during the period. As previously discussed, the Company received confirmation from the Burkina Faso authorities that VAT totalling \$2.4 million will be received before the end of August 2017. As a result, the Company expects that its net working capital will cease to be negatively impacted by further increases in VAT recoverable.

Total liabilities have significantly decreased as a result of the payments made towards the Initial and Amended Credit Facilities, as previously discussed. As a result of principal repayments totalling \$21,150,000, and interest paid totalling \$2,454,000, the face value of the Amended Credit Facility was \$53,850,000 as at June 30, 2017. As such, the Company expects to be net debt positive within the second half of 2017. The liability related to the derivative financial instruments increased during the six-month period ended June 30, 2017, as the gold price as at June 30, 2017 was higher than the gold price as at December 31, 2016.

The variation in equity is mainly the result of the Company's net income totalling \$9,549,000 earned during the first half of 2017.

### 12. Liquidity and capital resources<sup>24</sup>

As at June 30, 2017, the Company had \$49,827,000 in cash with \$49,386,000 of long-term debt (face value of \$53,850,000). The restricted cash totalling \$511,000 relates to funds restricted for the purpose of future restoration costs of the Yaramoko property.

Historically, when Roxgold was an exploration and evaluation stage company, equity financing was the Company's primary source of funds. As the Company transitioned to the development stage, it signed the Initial Facility with BNP Paribas and Société Générale Corporate and Investment Banking totalling \$75 million to fund a portion of the development of the Yaramoko project. The Company has since commenced pouring gold and declared commercial production effective October 1, 2016. In addition, the Company has amended its Initial Facility to the Amended Facility which is no longer subject to a semi-annual mandatory cash sweep and reduced restrictions on the timing and usage of

<sup>24</sup> Certain elements of Liquidity and Capital Resources are forward-looking. For more information see the "Cautionary note regarding forward-looking statements".

# Roxgold Inc.

## Management's Discussion and Analysis

cash flow generated from the Yaramoko gold mine. The first \$15 million tranche of the Amended Facility has also been arranged as a revolving credit facility to provide further financial flexibility.

The Company anticipates that its mine operations will generate sufficient working capital and cash flow to cover operating requirements for the next twelve months, including principal debt and interest repayments.

### 13. Financial risk factors

The Company's risk exposure and impact on the Company's financial instruments are summarized in note 19 of its annual consolidated financial statements for the year ended December 31, 2016.

### 14. Commitments and contingencies

Significant financial commitments consist of lease agreements covering offices and other properties in Canada and Burkina Faso as well as contracts with service providers and consultants.

For the years ending December 31,	2017	2018	2019	2020
Lease agreements	134,000	202,000	202,000	118,000
Service agreements	284,000	386,000	24,000	-
Technical service agreements	259,000	-	-	-
	<b>677,000</b>	<b>588,000</b>	<b>226,000</b>	<b>118,000</b>

During 2015, the Company entered into an agreement with a service provider wherein the Company could be subject to an early termination payment, which is reduced monthly over 48 months and, in certain conditions, could be subject to other payments that will be negotiated between the Company and the service provider. As at June 30, 2017, in the event of early termination of the agreement, the Company would have been subject to an early termination payment of \$2,480,000.

Future minimum lease payments pursuant to the Company's finance leases are as follows:

	Up to 1 year	1-3 years	Total
Minimum lease payments	2,556,000	2,675,000	5,231,000
Finance charges	938,000	350,000	1,288,000
<b>Total</b>	<b>3,494,000</b>	<b>3,025,000</b>	<b>6,519,000</b>

As of June 30, 2017, future minimum principal and interest payments for the Amended Facility are as follows:

	Up to 1 year	1-5 years	Total
Minimum principal and interest payments	13,085,000	45,533,000	58,618,000

The government of Burkina Faso retains a 10% carried interest in Roxgold SANU S.A. In Burkina Faso, all shipments with gold spot prices lower or equal to \$1,000 per ounce are subject to a royalty rate of 3%, a 4% rate is applied to all shipments with gold spot prices between \$1,000 and \$1,300 per ounce, and a 5% royalty rate is applied to all shipments with a gold spot price greater than \$1,300 per ounce. During the six-month ended June 30, 2017, the Company was subject to a royalty rate of 4%. For the six-months ended June 30, 2017, government royalties amounting to \$3,106,000 (June 30, 2016: \$nil) were incurred with the Government of Burkina Faso.

The Company received from the Burkinabe tax authorities in April 2016 a tax assessment for the years 2013, 2014, and 2015 of \$2,266,000 (plus an additional \$975,000 in penalties). The assessment covers mainly three items: value added tax, withholding taxes on foreign mining-related suppliers, and payroll taxes on benefits provided to residential expatriates. The Company is vigorously defending its positions. The outcome of this matter is not determinable at this time and no provision has been recorded as at June 30, 2017. Any provision will be recognized in the Company's consolidated financial statements once it is probable that an outflow of funds will occur.

### 15. Critical accounting estimates and judgements

The Company's critical accounting estimates and judgments are summarized in note 3 of its annual consolidated financial statements for the year ended December 31, 2016 filed on SEDAR at [www.sedar.com](http://www.sedar.com) on April 18, 2017 and in note 3 of its condensed interim consolidated financial statements for the period ended March 31, 2017 filed on SEDAR at [www.sedar.com](http://www.sedar.com) on May 15, 2017.

#### Change in presentation currency

Prior to September 30, 2016, the Company presented its annual and interim consolidated financial statements in Canadian Dollars ("CAD"). Effective September 30, 2016, the Company changed its presentation currency to the United States ("US") dollars to better reflect its business activities in anticipation of the start of commercial production of the Yaramoko Gold Mine in the fourth quarter of 2016.

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", financial statements of all years presented were translated into presentation currency (US dollars). All assets and liabilities have been translated using the exchange rate prevailing on the consolidated statements of financial position dates. The statements of income (loss) and cash flow were translated using the average spot rate prevailing during each reporting period. Comparative figures of equity have been translated at the average rate prevailing during each reporting period. Equity transactions have been translated into presentation currency using the average rate prevailing during each reporting period. All exchange differences resulting from the translation have been recognized in a separate component of other comprehensive income (loss). All comparative financial information has been adjusted to reflect the Company's results as if they had been historically reported in US dollars.

#### Income taxes

During 2017, the Company identified certain adjustments associated with its previously reported 2016 deferred income tax balances. These adjustments were recorded in 2017 and resulted in a tax recovery of \$2,100,000 in the six-month period ended June 30, 2017.

### 16. Non-IFRS financial performance measures

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.

#### A. Cash operating cost

"Cash operating cost per ounce produced" and "total cash cost per ounce sold" are common financial performance measures in the gold mining industry but with no standard meaning under IFRS. Management believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is 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. The measure, along with sales, is considered to be a key indicator of a Company's ability to generate earnings and cash flow from its mining operations.

Cash cost figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is the accepted standard of reporting cash cost of production in North-America. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Other companies may calculate these measures differently. Cash operating cost per ounce produced and tonne processed are derived from mining operating costs such as mining, processing, mine site general and administrative expenses. Total cash cost per ounce sold represents mining operations expenses plus royalties and selling expenses divided by ounces sold.

The table below shows a reconciliation of cash operating cost per ounce produced and tonnes processed as well as the total cash cost per ounce sold.

	Three months ended June 30, 2017	Six months ended June 30, 2017	Six months ended December 31, 2016
<b>Per ounce produced</b>			
Gold ounces produced	27,970	63,564	62,678
<b>(in thousands of dollars except per ounce)</b>			
Mining operation expenses (excluding royalties)	13,667	27,831	26,239
Selling expenses	(78)	(156)	(73)
Effects of inventory adjustments (doré bars)	345	635	(2,394)
Operating cost (relating to ounces produced)	13,934	28,310	23,772
Cash operating cost (per ounce produced)	498	445	379
<b>Per tonne processed</b>			
Tonnes of ore processed	65,159	129,114	122,135
<b>(in thousands of dollars except per ounce)</b>			
Mining operation expenses (excluding royalties)	13,667	27,831	26,239
Selling expenses	(78)	(156)	(73)
Effects of inventory adjustments (doré bars)	345	635	(2,394)
Operating cost (relating to tonnes processed)	13,934	28,310	23,772
Cash operating cost (per tonne processed)	214	219	195

# Roxgold Inc.

## Management's Discussion and Analysis

### B. All-in sustaining cost

In June 2013, the World Gold Council, a non-regulatory association of the world's leading gold mining companies established to promote the use of gold to industry, consumers and investors, provided guidance for the calculation of the measure "All-in sustaining cost per gold ounce", which has no standard meaning under IFRS. These standards became effective January 1, 2014. Management believes that the all-in sustaining cost per gold ounce measure provides additional insight into the costs of producing gold by capturing all of the expenditures required for the discovery, development and sustaining of gold production and allows the Company to assess its ability to support capital expenditures to sustain future production from the generation of operating cash flows. Management also believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance. However, it is 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 and is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS. It should also be noted that the adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Other companies may calculate these measures differently.

Consistent with guidance announced in 2013 by the World Gold Council, Roxgold defines all-in sustaining cost per ounce as the sum of total cash cost, underground development that is sustaining in nature, corporate general and administrative costs, in country and corporate social responsibility expenditures related to current operations all divided by the total gold ounces produced to arrive at a per ounce figure.

As this measure intends to represent the cost of selling gold from current operations, it does not include capital expenditures attributable to development projects or mine expansions including economic evaluation for such projects, non-cash share-based payments, exploration expenses that are not sustainable in nature, income tax payments, working capital defined as current assets less current liabilities (except for inventory adjustments) or interest costs.

The table below shows a reconciliation of all-in sustaining cost per ounce to costs as extracted from the consolidated financial statements:

Per ounce sold	Three months ended June 30, 2017	Six months ended June 30, 2017	Six months ended December 31, 2016
Gold ounces sold and shipped	27,613	62,592	68,861
Gold sold not shipped	1,175	1,175	-
<b>Total ounces sold</b>	<b>28,788</b>	<b>63,767</b>	<b>68,861</b>
<b>(in thousands of dollars except per ounce)</b>			
Mining operation expenses (excluding royalties)	13,667	27,831	26,239
Inventory cost of doré sold not shipped	635	635	-
Royalties	1,387	3,106	4,005
Royalties of doré sold not shipped	118	118	-
Total Cash Cost	15,807	31,690	30,244
Investment in underground development			
Underground development for next 18 months	4,037	11,943	15,668
Underground development beyond 18 months	4,036	4,036	-
Site all-in sustaining cost	23,880	47,669	45,912
<b>Site all-in sustaining cost per ounce sold</b>	<b>829</b>	<b>748</b>	<b>667</b>
Sustaining and other in-country cost	330	773	698
Corporate and general administrative expenses	934	2,134	1,737
Non-recurring expenditures associated with TSX graduation	-	(250)	-
All-in sustaining cost	25,144	50,326	48,347
<b>All-in sustaining cost per ounce sold</b>	<b>873</b>	<b>789</b>	<b>702</b>
All-in sustaining cost	25,144	50,326	48,347
Underground development completed for 2019 production	(4,036)	(4,036)	-
All-in sustaining cost for next 18 months	21,108	46,290	48,347
<b>All-in sustaining cost per ounce sold for next 18 months</b>	<b>733</b>	<b>726</b>	<b>702</b>

# Roxgold Inc.

## Management's Discussion and Analysis

### C. Cash flow from mining operations

The following table sets forth a reconciliation of cash flow from mining operations, a non-IFRS measure which the Company believes to be relevant to assess the Company's ability to generate cash flow from operations.

	Three months ended June 30, 2017	Six months ended June 30, 2017	Six months ended December 31, 2016
<b>(in thousands of dollars)</b>			
Cash flow from operating activities excluding changes in non-cash working capital items	15,124	35,524	50,699
Exploration and evaluation expenditures	3,514	6,861	3,621
Cash flow from mining operations	18,638	42,385	54,320

### D. Cash flow per share

The following table sets forth the calculation of the cash flow per share, a non-IFRS measure which the Company believes to be relevant to assess the Company's ability to generate cash flow from operations.

	Three months ended June 30, 2017	Six months ended June 30, 2017	Six months ended December 31, 2016
<b>(in thousands of dollars except share and per share amounts)</b>			
Cash flow from mining operations	18,638	42,385	54,320
	371,437,429	371,437,429	371,078,762
Common shares outstanding at end of period			
Cash flow per share	0.05	0.11	0.15
Cash flow per share in Canadian dollars <sup>1</sup>	0.07	0.15	0.20

<sup>1</sup> Translated at average closing rates of USD/CAD rate of 1.2977 and 1.3344, respectively.

### E. Adjusted net income (loss)

The following table sets forth a reconciliation of adjusted net income, a non-IFRS measure which the Company believes to be relevant to assess the Company's profitability.

	Three months ended June 30, 2017	Six months ended June 30, 2017	Six months ended December 31, 2016
<b>(in thousands of dollars)</b>			
Net income	5,717	9,549	21,240
Change in fair value of derivative financial instruments	(485)	5,267	(9,080)
Foreign exchange (gain) loss	(710)	(605)	357
Deferred Revenues	1,463	1,463	-
Mining costs and royalty associated with doré sold not shipped	(753)	(753)	-
Adjusted net income (loss)	5,232	14,921	12,517



# Roxgold Inc.

## Management's Discussion and Analysis

### F. Adjusted earnings per share

The following table sets forth the calculation of the adjusted earnings per share, a non-IFRS measure which the Company believes to be relevant to assess the Company's profitability.

	Three months ended June 30, 2017	Six months ended June 30, 2017	Six months ended December 31, 2016
<b>(in thousands of dollars except share and per share amounts)</b>			
Adjusted net income	5,232	14,921	12,517
	371,437,429	371,437,429	371,078,762
Common shares outstanding at end of period			
Adjusted earnings per share	0.01	0.04	0.03
Adjusted earnings per share in Canadian dollars <sup>1</sup>	0.02	0.05	0.05

<sup>2</sup> Translated at average closing rates of USD/CAD rate of 1.2977 and 1.3344, respectively.

### 17. Share capital information

The Company's authorized share capital is unlimited common shares without par value. As of August 14, 2017, there are 371,527,429 common shares outstanding. In addition, there are an aggregate of 20,397,101 common shares issuable on the exercise of 12,227,835 options, 4,361,667 RSUs, 825,000 PSUs and, 2,982,599 DSUs with dilutive impact.

### 18. Summary of quarterly results

The following information is derived from and should be read in conjunction with the unaudited condensed interim consolidated financial statements for each of the past eight quarters. All amounts are stated in thousands of dollars except for the net income/(loss) per share.

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue**	34,703	42,977	41,385	-	-	-	-	-
Net income (loss)	5,717	3,832	23,702	(2,462)	(8,996)	(13,315)	2,345	(6,592)
Net income (loss) per share	0.02	0.01	0.06	(0.01)	(0.03)	(0.04)	0.01	(0.02)

\*\* Prior to September 30, 2016, the Company was in the exploration and development stage of activities on its mineral properties and all pre-commercial production revenues were recognized as a reduction of capitalized costs. On October 1, 2016, the Company declared commercial production and started generating revenues as of this date.

### 19. Risk factors

Roxgold is subject to a number of risks and uncertainties which could have a material adverse impact on its operations, its financial condition and the trading price of its shares. For the full description necessary to understand these risks and uncertainties the reader is directed to note 22 of the Company's MD&A for the year ended December 31, 2016, which was filed on SEDAR at [www.sedar.com](http://www.sedar.com) on April 18, 2017. Careful attention should also be paid to the section in this MD&A entitled "Cautionary Note Regarding Forward Looking Statements".

### **20. Management responsibility for financial statements**

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 for the Company.

The Company's CEO and the CFO certify that the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the current period, there have been no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures and internal controls over financial reporting, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

### **21. Approval**

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets quarterly with management and quarterly with the Company's independent auditors to review the scope and results of the annual audit and quarterly reviews, respectively, and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders. The Board of Directors has approved the Financial Statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

### **22. Nature of securities**

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

### **23. Qualified persons**

Paul Criddle, FAUSIMM, Chief Operating Officer for 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.

Yan Bourassa, P.Geo, VP Exploration for 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. This includes the QA/QC, sampling, analytical and test data underlying this information. For more information on the Company's QA/QC and sampling procedures, please refer to the Company's Annual Information Form dated April 5, 2016 and available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **24. Additional information**

Additional information related to the Company, including its annual information form in respect of its most recently completed fiscal year, is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.roxgold.com](http://www.roxgold.com).