SILVER STANDARD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

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This Management's Discussion and Analysis ("MD&A") is intended to supplement the unaudited condensed consolidated interim financial statements of Silver Standard Resources Inc. ("we", "us", "our" or "Silver Standard") for the three and six months ended June 30, 2016, and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

All figures are expressed in U.S. dollars except where otherwise indicated. References to C$ refer to Canadian dollars. This MD&A has been prepared as of August 10, 2016, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2016.

Additional information, including our Annual Information Form and Annual Report on Form 40-F for the year ended December 31, 2015, is available on SEDAR at www.sedar.com, and on the EDGAR section of the U.S. Securities and Exchange Commission ("SEC") website at www.sec.gov.

This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained in section 16 herein. We use certain non-GAAP and additional GAAP financial measures in this MD&A; for a description of each of these measures, please see the discussion under "Non-GAAP and Additional GAAP Financial Measures" in section 12 of this MD&A.

1. SECOND QUARTER 2016 HIGHLIGHTS

- **Completed the acquisition of Claude Resources:** Purchase of Claude Resources Inc. completed on May 31, 2016, through a share exchange transaction, adding the Seabee Gold Operation, a high quality, free cash generating gold operation in Canada.

- **Generated net income and adjusted net income:** Net income of $12.5 million and adjusted net income of $23.6 million, or $0.25 per share.

- **Increased cash balance:** Quarter-end balance increased by $15.0 million to $232.6 million. Cash generated by operating activities totaled $30.2 million. Value of marketable securities increased by $98.4 million, to $193.2 million.

- **Cash costs guidance lowered at Marigold:** Produced 47,195 ounces of gold at cash costs of $663 per payable ounce of gold sold. Lowered cash costs guidance to between $650 and $700 per payable ounce of gold sold.

- **Improved cash costs and production guidance at the Pirquitas mine:** Produced 2.5 million ounces of silver at cash costs of $8.87 per payable ounce of silver sold. Annual production guidance range was revised for the second time this year to between 9.0 and 10.0 million ounces of silver and annual cash costs guidance was reduced to between $9.00 and $10.00 per payable ounce of silver sold due to continued strong operating performance and effective cost controls.

- **Established operating guidance for the second half of 2016 for the Seabee Gold Operation:** Produced 17,524 ounces of gold in the second quarter, with 6,721 ounces produced from date of acquisition on May 31 to June 30, 2016. We expect to produce between 32,000 and 35,000 ounces of gold at cash costs of between $610 and $640 per payable ounce of gold sold during the second half of 2016 as we continue to increase ore mined from the Santoy mine complex.

- **Advanced the Chinchillas project:** Drilling program and metallurgical testing completed on schedule for a fourth quarter development decision.

- **Continued exploration success:** Positive exploration results at the Marigold mine and the Seabee Gold Operation. Increased exploration budget at Marigold by $2.1 million for 2016.

- **Favorable resolution of tax dispute with CRA:** On August 8, 2016, we announced the resolution in our favor of the Notice of Reassessment issued to us by the CRA in January 2015. The CRA is required to issue new notices of reassessment reversing the NOR, and refund the C$24.1 million ($19.2 million) we paid to the CRA to appeal, plus accrued interest from the date of payment.

2. OUTLOOK

This section of the MD&A provides management's production and cost estimates. See "Cautionary Notes Regarding Forward-Looking Statements and Mineral Reserves and Mineral Resources Estimates" in section 16 of this MD&A.

We completed the acquisition of Claude Resources Inc. ("Claude Resources") which owns the Seabee Gold Operation in northern Saskatchewan, Canada, on May 31, 2016. The operation has been in continuous production since 1991 and consists of two operating mines (the Seabee mine and Santoy mine complex), a central milling facility, camp facilities and important regional exploration targets. We also acquired the 40,400 hectare Amisk gold project in northeastern Saskatchewan.

From July 1, 2016 to December 31, 2016, we expect to produce between 32,000 and 35,000 ounces of gold at the Seabee Gold Operation at cash costs of between $610 and $640 per payable ounce of gold sold. Through the second half of 2016, the Seabee Gold Operation continues to increase tonnes mined from the higher grade, wider Santoy deposits and decrease tonnes mined from the Seabee deposit. We are investing $8 million in capital development as we continue to advance the Santoy ramp deeper to provide access to Mineral Resources and establish exploration drill stations.

At the Marigold mine, annual cash costs guidance is also being reduced to between $650 and $700 per payable ounce of gold sold from previous guidance of between $690 and $740 per payable ounce of gold reflecting continued lower diesel prices and the overcall of mined ounces from the Mackay open pit.

Exploration guidance has increased by $4.6 million to $14.6 million reflecting an increase of $2.1 million in exploration at the Marigold mine due to continued success through the first half of the year, $1 million from the addition of the Seabee Gold Operation and $1.5 million to accelerate activities at the Chinchillas project.

Annual silver production guidance for the Pirquitas mine has been revised to between 9.0 and 10.0 million ounces from previous guidance of between 8.0 and 10.0 million ounces due to additional ore tonnes being mined from the lower benches of the San Miguel open pit. Additionally, for the second time this year, cash costs guidance is being reduced to between $9.00 and $10.00 per payable ounce of silver sold reflecting lower diesel prices, continued stronger operating performance and effective cost control.

Capital expenditure guidance at Pirquitas has increased to $12 million due to the planned construction of an additional tailings facility lift to enable the processing of both additional ore being mined from the San Miguel open pit and previously stockpiled ore due to the improvement in silver prices and cost structure of the mine. The open pit is now expected to operate until the end of the first quarter of 2017 with processing of stockpiles until the end of 2017.

Operating Guidance		**Marigold mine**	**Seabee Gold Operation** (2)	**Pirquitas mine**
Gold Production	oz	200,000 - 210,000	32,000 - 35,000	—
Silver Production	Moz	—	—	9.0 - 10.0
Cash costs per payable ounce sold (1)	$/oz	650 - 700	610 - 640	9.00 - 10.00
Capital Expenditures	$M	32	2	12
Capitalized Stripping Costs / Underground Development	$M	30	6	—

(1) We report the non-GAAP financial measure of cash costs per payable ounce of gold and silver sold to manage and evaluate operating performance at the Marigold mine, the Seabee Gold Operation and the Pirquitas mine. See "Non-GAAP and Additional GAAP Financial Measures" in section 12.

(2) Guidance for the Seabee Gold Operation is for the period from July 1, 2016 to December 31, 2016, and is estimated based on an exchange rate of 1.30 CAD/USD.

3. BUSINESS OVERVIEW

Strategy

We are a resource company focused on the operation, acquisition, exploration and development of precious metal resource properties located in the Americas. We have three producing mines and a portfolio of precious metal dominant projects located throughout the Americas. Our focus is on safe profitable gold and silver production from our Marigold mine in Nevada, U.S., our Seabee Gold Operation in Saskatchewan, Canada, and our Pirquitas mine in Jujuy, Argentina.

Macro-economic environment

Our financial performance is impacted by gold and silver prices. Precious metals prices in the second quarter of 2016 improved compared to the first quarter of 2016, with gold averaging $1,259 per ounce and silver averaging $16.78 per ounce, compared to $1,180 per ounce and $14.80 per ounce, respectively. Gold and silver prices started the quarter lower and steadily improved through the second quarter of 2016, closing at $1,319 per ounce of gold and $18.36 per ounce of silver on June 30, 2016.

The principal factors impacting precious metal prices were the decline in expectations regarding U.S. interest rate increases, continuing concern over prolonged weak Chinese growth and mixed economic performance in the U.S. These factors drove an increase in investor demand for precious metals, however, the physical off-take remains low. Another equally significant factor in precious metal prices development is the uncertainty caused by the United Kingdom's decision to leave the European Union following a referendum on June 23, 2016. Gold and silver prices per ounce increased by 4% and 6%, respectively, between the announcement of the referendum results and the end of June 2016.

The U.S. dollar remained at levels comparable with the end of the first quarter. During the second quarter, the Canadian dollar averaged and closed at approximately 1.3 Canadian dollars for 1 U.S. dollar. Our exposure to Canadian dollar based costs increased significantly following our acquisition of Claude Resources on May 31, 2016.

West Texas Intermediate oil prices increased in the second quarter of 2016 compared to the first quarter of 2016, primarily in response to supply interruptions, from an average of $36.06 per barrel to an average of $46.82 per barrel. The oil price at the end of the second quarter closed at $48.33 per barrel, 27% higher than the closing price of the first quarter of 2016. Diesel is a significant consumable at our operations and the increase in diesel prices had a negative impact on our cost structure at our Marigold and Pirquitas mines. We hedge a portion of our diesel usage to manage price risk of this consumable through 2017. Oil prices have decreased slightly subsequent to quarter end.

Following the removal of restrictions on foreign currency flows into and out of Argentina by the new federal government on December 18, 2015, the Argentine peso devalued by 52% in the remaining days of 2015 and further by 15% in the first half of 2016, closing at 14.96 Argentine pesos for 1 U.S. dollar on June 30, 2016. While the weaker currency is positive for our operating cost, we expect the inflation rate in Argentina to somewhat offset the devaluation of the currency. Value added tax ("VAT") recovery remains a regulated, complex and, at times, lengthy collection process. All of these factors impacted our business in Argentina during the quarter.

Consolidated financial summary

Selected Financial Data (1)

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenue	**118,775**	95,818	**220,288**	207,539
Income from mine operations	**44,062**	16,319	**67,360**	46,721
Operating income	**24,237**	5,214	**38,851**	26,489
Net income (loss) for the period	**12,482**	(7,327)	**14,783**	1,836
Basic income (loss) per share	**0.13**	(0.09)	**0.17**	0.02
Adjusted income before tax (2)	**26,661**	1,633	**38,261**	18,471
Adjusted net income (loss) (2)	**23,622**	(2,028)	**31,664**	3,976
Adjusted basic income per share (loss) (2)	**0.25**	(0.03)	**0.36**	0.05
Cash generated by operating activities	**30,162**	21,897	**43,487**	52,562
Cash (used in) generated by investing activities	**(2,796)**	21,594	**(8,640)**	(16,478)
Cash (used in) financing activities	**(12,329)**	(1,649)	**(13,999)**	(1,649)

Financial Position	**June 30, 2016**	**December 31, 2015**
Cash and cash equivalents	**232,619**	211,862
Current assets	**669,748**	476,734
Current liabilities	**139,552**	135,851
Working capital	**530,196**	340,883
Total assets	**1,432,263**	871,677

(1) All values are presented in thousands of U.S. dollars, except per share amounts.
(2) We report non-GAAP measures including adjusted income before- and after-tax and adjusted income per share, to manage and evaluate our operating performance. See "Non-GAAP and Additional GAAP Financial Measures" in section 12.

Quarterly financial summary

The increase in quarterly revenue compared to the second quarter of 2015 was due to 5% higher realized prices of gold combined with 21% more ounces of gold sold due to sales from the newly acquired Seabee Gold Operation. Additionally, sales of silver were marginally higher than in the same quarter of 2015 at comparable prices, however, as a result of the high silver price at the end of the quarter, the valuation adjustment on silver sales had a significant positive impact on revenue. This was partially offset by significantly lower zinc sales.

Income from mine operations in the second quarter of 2016 generated a gross margin of 37%, significantly higher than the 17% in the second quarter of 2015 due to the higher precious metals price environment in addition to lower cost of sales, particularly at the Pirquitas mine. Operating income in the second quarter of 2016 was four times the comparable quarter despite being negatively impacted by higher cash-settled share based compensation costs of $8.2 million due to our significantly higher share price and by business acquisition costs of $3.9 million incurred in the acquisition of Claude Resources.

Cash generated by operating activities increased by 38% compared to the second quarter of 2015 to $30 million. The higher price of gold had a direct impact on cash generated from operating activities. We used $2.8 million in investing activities in the second quarter of 2016 compared to an inflow of $21.6 million in the second quarter of 2015. Capitalized deferred stripping and investments in equipment of $22.1 million at the Marigold mine were offset by $16.9 million of cash acquired in connection with the acquisition of Claude Resources and $3.9 million of proceeds from sales of marketable securities. In the comparative quarter of 2015, we received $20.0 million as a final payment for the San Agustin project and also released $10.2 million of restricted cash which exceeded investments at our operations. In the second quarter of 2016 cash used in financing activities includes repayment of Claude Resources'

$13.7 million credit facility, full repayment of the short-term debt in Argentina and receipt of $3.8 million from the exercise of stock options.

Year-to-date financial summary

The increase in revenue for the six months ended June 30, 2016, compared to the six months ended June 30, 2015, was mainly due to sales from the newly acquired Seabee Gold Operation representing 11% of volume sold in the current period at 5% higher realized gold price. Overall, gold sales were 3% higher at 1% higher realized price per ounce of gold. As a result of the higher silver price at the end of the quarter, the valuation adjustment on silver sales had a positive impact on revenue. This was partially offset by significantly lower sales of zinc.

Income from mine operations in the six months ended June 30, 2016, generated a gross margin of 30%, higher than the 23% in the six months ended June 30, 2015, mainly due to lower cost of sales, particularly at Pirquitas, and higher precious metals prices. Operating income in the first half of 2016 was 47% higher than in the comparative period despite being negatively impacted by higher cash-settled share based compensation costs of $8.1 million due to our significantly higher share price and by business acquisition costs of $3.9 million incurred in our acquisition of Claude Resources.

Cash generated from operating activities was $43.5 million in the first half of 2016 compared to $52.6 million in the comparative period of 2015. The reduction in operating cash flow was principally due to working capital impacts which normalize over time. A significant increase in receivables due to timing of concentrate sales and mark to market adjustment on silver ounces subject to final settlement and reduction in accounts payable led to a $10.0 million net use of non-cash working capital. Cash used in investing activities was significantly lower in the first half of 2016 than in the first half of 2015 due to lower deferred stripping in the current period at the Marigold mine and the payment on February 26, 2015 of the C$24.1 million ($19.2 million) (the "Deposit") to the Canada Revenue Agency ("CRA") to appeal the Notice of Reassessment ("NOR"). We acquired $16.9 million of cash in the Claude Resources acquisition in the current period and in the comparative period, we received $20.0 million as a final payment from the sale of the San Agustin project. Cash used in financing activities includes repayment of Claude Resources' $13.7 million credit facility, full repayment of the short-term debt in Argentina and receipt of $3.8 million from the exercise of stock options.

Corporate summary

On May 31, 2016, we completed the acquisition of Claude Resources pursuant to a plan of arrangement (the "Acquisition"). Pursuant to the Acquisition, we added a high quality, cash flowing gold operation in Canada, one of the best places in the world to operate mines, and a large underexplored land position with significant exploration potential. In addition to increasing free cash flow generation, we expect the Acquisition will result in enhanced credit quality and improved financial flexibility. With financial synergies and our strong balance sheet, we believe that we are well positioned to enhance value from our assets and pursue further growth opportunities.

Pursuant to the Acquisition, all of the issued and outstanding common shares of Claude Resources were exchanged on the basis of 0.185 of a Silver Standard common share and C$0.001 in cash per Claude Resources share. At closing the Acquisition, Silver Standard and former Claude Resources shareholders owned approximately 69% and 31% of the combined company, respectively. The value of the consideration exchanged in the transaction was $329.4 million.

On August 8, 2016, we announced that we executed minutes of settlement (the "Settlement Agreement") with the Department of Justice ("DOJ") to resolve in our favor the NOR issued to us by the CRA in January 2015. The NOR related to the tax treatment of the 2010 sale of shares of our subsidiary that owned and operated the Snowfield and Brucejack projects. Pursuant to the terms of the Settlement Agreement, the CRA is required to issue a new notice of reassessment for each of the 2010 and 2011 taxation years reversing the NOR, and refund the Deposit we paid to the CRA to appeal, plus accrued interest from the date of payment of the Deposit. Following receipt of new notices of reassessment (reflecting the terms of the Settlement Agreement) and repayment of the Deposit, with accrued interest, we will advise the DOJ to file a notice of discontinuance with the Tax Court of Canada.

4. RESULTS OF OPERATIONS

Consolidated results of operations

The following table presents consolidated operating information for our Marigold and Pirquitas mines and our Seabee Gold Operation. Additional operating information is provided in the sections relating to the individual mines.

	Three months ended				
Operating data [1]	**June 30 2016**	March 31 2016	December 31 2015	September 30 2015	June 30 2015
Consolidated production and sales:					
Gold produced (oz)	**53,916**	50,520	61,461	41,262	48,685
Silver produced ('000 oz)	**2,526**	2,639	2,588	2,576	2,443
Zinc produced ('000 lb) [2]	—	381	865	2,076	2,674
Gold sold (oz)	**58,430**	48,605	62,827	39,525	48,121
Silver sold ('000 oz)	**2,594**	3,223	1,943	2,819	2,623
Zinc sold ('000 lb) [2]	**798**	—	1,428	2,352	4,936
Cash costs ($/oz) - payable gold from Marigold mine [3]	**663**	719	727	719	717
Cash costs ($/oz) - payable gold from Seabee Gold Operation [3,6]	**663**	—	—	—	—
Cash costs ($/oz) - payable silver from Pirquitas mine [3]	**8.87**	8.93	10.96	11.02	9.45
Gold equivalent production (oz) [4]	**86,956**	83,680	97,273	76,003	82,583
Realized gold price ($/oz) [3]	**1,263**	1,189	1,084	1,110	1,205
Realized silver price ($/oz) [3]	**16.52**	14.94	15.00	14.97	16.72
Consolidated costs:					
Cash Costs per equivalent gold ounce sold ($/oz) [3,4,6]	**669**	715	746	765	702
AISC per equivalent gold ounce sold ($/oz) [3,4,6]	**1,062**	859	883	1,046	949
Financial data ($000s)					
Revenue	**118,775**	101,513	90,592	77,191	95,818
Income (loss) from mine operations [5]	**44,062**	23,298	(20,485)	(7,396)	16,319

(1) The data presented includes results from the Seabee Gold Operation for the period from May 31, 2016, to June 30, 2016, the period for which we were entitled to all economic benefits of the Seabee Gold Operation, following our acquisition of Claude Resources.

(2) Data for zinc production and sales relate only to zinc in zinc concentrate as any zinc metal within our silver concentrate does not generate revenue.

(3) We report the non-GAAP financial measures of cash costs, realized metal prices and all-in sustaining costs ("AISC") per payable ounce of precious metal sold to manage and evaluate operating performance at our mines. For a better understanding and a reconciliation of these measures to cost of sales, as shown in our consolidated statements of comprehensive income (loss), please refer to "Non-GAAP and Additional GAAP Financial Measures" in section 12.

(4) Gold and silver equivalent ounces have been established using the realized gold and silver prices in the period and applied to the recovered metal content produced by the mines. We have not included zinc as it is considered a by-product.

(5) Income (Loss) from mine operations for the quarters ended December 31, 2015 and September 30, 2015 include $24.6 million and $7.7 million, respectively, of non-cash adjustments to stockpile, warehouse inventory and severance provision at the Pirquitas mine.

(6) The non-GAAP measure of cash costs from the Seabee Gold Operation was adjusted to eliminate the adjustment of inventory to fair value as at the date of our acquisition of Claude Resources.

Marigold mine, U.S.

Operating data	**June 30 2016**	March 31 2016	December 31 2015	September 30 2015	June 30 2015
	Three months ended				
Total material mined (kt)	**18,685**	17,291	18,560	18,425	19,051
Waste removed (kt)	**12,005**	11,611	13,788	11,242	14,163
Total ore stacked (kt)	**6,680**	5,680	4,772	7,183	4,888
Strip ratio	**1.8**	2.0	2.9	1.6	2.9
Mining cost ($/t mined)	**1.55**	1.45	1.54	1.65	1.48
Gold stacked grade (g/t)	**0.44**	0.47	0.48	0.43	0.33
Processing cost ($/t processed)	**0.70**	0.71	0.86	0.66	0.79
Gold recovery (%)	**70.7**	70.0	69.9	69.7	67.6
General and admin costs ($/t processed)	**0.38**	0.47	0.47	0.41	0.56
Gold produced (oz)	**47,195**	50,520	61,461	41,262	48,685
Gold sold (oz)	**47,124**	48,605	62,827	39,525	48,121
Realized gold price ($/oz) (1)	**1,259**	1,189	1,084	1,110	1,205
Cash costs ($/oz) (1)	**663**	719	727	719	717
AISC ($/oz) (1)	**1,067**	841	799	998	870
Financial data ($000s)					
Revenue	**59,197**	57,742	67,936	43,836	57,958
Income from mine operations	**17,641**	11,227	7,902	7,288	15,395
Capital investments	**10,154**	8,796	3,641	8,931	5,255
Capitalized deferred stripping	**7,231**	1,435	—	—	—
Exploration expenditures (2)	**1,597**	1,102	731	1,944	1,978

(1) We report the non-GAAP financial measures of realized gold prices, cash costs and AISC per payable ounce of gold sold to manage and evaluate operating performance at the Marigold mine. For a better understanding and a reconciliation of these measures to cost of sales, as shown in our consolidated statements of comprehensive income (loss), please refer to "Non-GAAP and Additional Financial Measures" in section 12.

(2) Includes capitalized and expensed exploration expenses.

Mine production

We produced 47,195 ounces of gold in the second quarter of 2016, keeping the mine on target to meet its increased production guidance. Second quarter production was lower than in the first quarter due to planned ore stacking at higher elevations on the leach pads with irrigation of these areas starting later in the quarter. We expect the third and fourth quarter production to increase, relative to the first half of 2016, as the new leach pad is commissioned and the full impact of the additional haul trucks is realized.

Three additional 300-tonne class haul trucks commenced operating ahead of schedule early in the second quarter. A total of 18.7 million tonnes of material was mined in the second quarter, higher than the 17.3 million tonnes in the first quarter of 2016 due to the additional hauling capacity and to the start of stripping the next phase of the Mackay pit. Approximately 6.7 million tonnes of ore were delivered to the leach pads at a gold grade of 0.44 g/t, containing approximately 67,000 recoverable ounces of gold stacked during the quarter. The strip ratio declined to 1.8:1 in the second quarter, a 10% reduction compared to the previous quarter, and ore tonnes reconciliation continued to be positive. Gold recovery was 71% in the second quarter, slightly higher than the first quarter of 2016. In the second quarter, a premature failure of the swing bearing on one of our two hydraulic shovels occurred, which impacted total material mined. By quarter-end, this repair work was completed and the shovel was operating normally. Total material mined is expected to further increase in the third quarter as the additional haul trucks ramp up to full capacity.

The construction of a new leach pad, budgeted for 2016, is underway and, once completed in the third quarter, is anticipated to benefit production later in the year.

Mine operating costs

Cash costs and AISC per payable ounce of gold sold are non-GAAP financial measures. Please see the discussion under "Non-GAAP and Additional GAAP Financial Measures" in section 12.

Cash costs, which include all costs of inventory, refining costs and royalties, of $663 per payable ounce of gold sold in the second quarter of 2016 were lower than costs of $719 per payable ounce of gold sold in the first quarter of 2016 primarily due to stacking 11% more recoverable ounces during the second quarter of 2016. Costs per tonne mined increased to $1.55 per tonne in the second quarter of 2016, 7% higher than in the first quarter of 2016 despite the increase in total tonnes mined. Unit mining costs were negatively impacted by higher diesel prices and utilizing higher cost loading gear in the period as a result of one hydraulic shovel being down for rebuild of its swing bearing. Processing unit costs were at the same level as in the first quarter of 2016. General and administrative unit costs were lower in the second quarter of 2016 than in the first quarter of 2016 as comparable costs were offset by higher ore tonnes mined. Our Operational Excellence program remains a core activity at Marigold, with a particular focus on maintenance processes and practices.

AISC of $1,067 per payable ounce of gold sold in the second quarter of 2016 increased from $841 in the first quarter of 2016 due to increased capitalized stripping and capital expenditures and lower payable ounces sold.

Mine sales

A total of 47,124 ounces of gold were sold at an average price of $1,259 per ounce during the second quarter of 2016, a decrease of 3% from the 48,605 ounces of gold sold at an average price of $1,189 per ounce during the first quarter of 2016. The decrease in sales was a function of decreased gold production.

Exploration

Exploration activities in the second quarter of 2016 focused on drilling at each of the HideOut, Terry Zone North (“TZN”) and 8 South pit extension ("8SX") areas at the Marigold mine and on the adjacent Valmy property. The objective of these drilling activities is to convert Mineral Resources to Mineral Reserves and to expand Mineral Resources, in certain instances. Two track-mounted rigs completed 15,575 meters of reverse circulation drilling in 73 drillholes on our targets where previous results show potential for Mineral Resource additions. At TZN, mineralization is open to the south, while the 500-meter long corridor between the HideOut and the 8SX areas has only two drillholes and remains open to the north and south, respectively. At Valmy, mineralization is open to the south, and in the second half of 2016 we expect to drill outside of the current pit areas, including the eastern extension of the Basalt pit mineralization.

During the second quarter 2016, we re-assayed 27,079 historical samples pursuant to our re-assay program (the "Assay Program") initiated in 2015. Our Assay Program was completed during the quarter with a total of 52,600 samples re-assayed in 2016. Results of the Assay Program in 2016 are broadly in line with results achieved in 2015 and provide better spatial definition of the lower grade portions of the Mackay pit.

Due to encouraging exploration results achieved during the first half of 2016, we approved an additional $2.1 million to continue both infill and exploration drilling at the Valmy, HideOut, 8SX and TZN areas to further target Mineral Resource conversion and expansion. The additional exploration spending will also fund two drillholes relating to our deep sulphide exploration program initiated in 2014. These two drillholes are targeting the favorable carbonate debris flow rock units intercepted in 2015 and further analysis of exploration drilling and geologic interpretations conducted during 2015 and 2016. The deep sulphide exploration program is targeting a high-grade style of mineralization similar to that found at the Turquoise Ridge mine located 56 kilometers north of the Marigold mine.

The results of the Mackay North area exploration activities and the Assay Program are being applied, where applicable, to the Marigold life of mine plan. Based on this work and considering other improvements to the operation, including the addition of three haul trucks, we expect to disclose longer dated production and cost outlook for the Marigold mine later in the third quarter of 2016.

Seabee Gold Operation, Canada

Operating data	**Period from Acquisition to June 30, 2016** [1]	Three months ended June 30, 2016 [2]
Total ore milled (t)	**18,856**	71,218
Ore milled per day (t/day)	**629**	783
Gold mill feed grade (g/t)	**7.79**	7.97
Mining costs ($/t mined)	**141**	N/A
Processing costs ($/t processed)	**38**	N/A
Gold recovery (%)	**96.6**	96.8
General and admin costs ($/t processed)	**79**	N/A
Gold produced (oz)	**6,721**	17,524
Gold sold (oz)	**11,306**	16,305
Realized gold price [3]	**1,278**	1,271
Cash costs ($/oz) [3,5]	**663**	N/A
AISC ($/oz) [3,5]	**776**	N/A
Financial data ($000s)		
Revenue	**14,437**	N/A
Income from mine operations	**1,216**	N/A
Capital investments	**1,140**	N/A
Exploration expenditures [4]	**117**	N/A

(1) The data presented in this column is for the period from May 31, 2016, to June 30, 2016, the period for which we were entitled to all economic benefits of the Seabee Gold Operation following our acquisition of Claude Resources.

(2) The data presented in this column includes operating results for the Seabee Gold Operation for the entire second quarter of 2016, including the period from April 1 to May 30, 2016 prior to our acquisition of Claude Resources.

(3) We report the non-GAAP financial measures of realized gold prices, cash costs and AISC per payable ounce of gold sold to manage and evaluate operating performance at the Seabee Gold Operation. For a better understanding and a reconciliation of these measures to cost of sales, as shown in our consolidated statements of comprehensive income (loss), please refer to “Non-GAAP and Additional Financial Measures” in section 12.

(4) Includes capitalized and expensed exploration expenses.

(5) The non-GAAP measure of cash costs from the Seabee Gold Operation was adjusted to eliminate the write-up of inventory to fair value as at the date of our acquisition of Claude Resources.

Mine production

The Seabee Gold Operation consists of the Seabee and Santoy underground mines, both of which feed a single processing facility. The mine produced 6,721 ounces of gold from May 31, 2016, the date of our acquisition of Claude Resources, to the end of the second quarter of 2016 (the “Period”).

A total of 18,856 tonnes of ore were milled at a gold grade of 7.79 g/t in the Period. Total mill throughput per day for the Period was 629 tonnes per day, while mill throughput per operating day during the same time averaged 820 tonnes per day. The total tonnes milled for the Period were impacted by an unplanned power outage which lasted a total of ten days. The ore tonnes reconciliation in the Period was positive and gold recovery was 96.61%.

During the second quarter of 2016, the Santoy mine represented approximately 72% of total ore milled, while the Seabee mine represented 28%.

Mine operating costs

Cash costs and AISC per payable ounce of gold sold are non-GAAP financial measures. Please see the discussion under "Non-GAAP and Additional GAAP Financial Measures" in section 12.

Cash costs per payable ounce of gold sold, which include all costs of inventory, refining costs and royalties and exclude the effect of the fair value adjustment at acquisition, were $663 in the Period. Costs per tonne mined were at $141 per tonne in the Period. Processing unit costs were at $38 per tonne processed and general and administration unit costs were at $79 per tonne in the Period.

AISC per payable ounce of gold sold, which exclude the effect of the fair value adjustment at acquisition, were $776 in the Period, due to minimal capital expenditures in the Period.

Mine sales

A total of 11,306 ounces of gold were sold at an average price of $1,278 per ounce during the Period. The sales were from gold production during the Period and gold inventory acquired upon closing of the acquisition of Claude Resources.

Exploration

For 2016, Seabee Gold Operations planned 65,000 meters of underground drilling and 18,000 meters of surface drilling to increase and convert Mineral Resources. During the Period, we completed 3,348 meters of underground diamond drilling to upgrade Inferred Mineral Resources and explore further the extensions to the Santoy 8A and Santoy Gap deposits. At surface, preparations were made to re-start drilling to explore the down plunge extension of Santoy Gap 9A, 9B and 9C deposits.

As reported August 8, 2016, six drillholes in a new area down plunge from the Santoy 8A structure returned gold grades above Mineral Resource cut-off grade, and we intend to conduct further drilling in this area. At the Seabee mine, five drillholes of a planned seven-drillhole drill program were completed on the 15 Vein target, which is a mineralized structure offset along the 19 shear. At the Carr target, located near surface and four kilometers along strike to the north from the Santoy mine complex, we drilled approximately 2,500 meters in nine drillholes over a two-kilometer strike length. At the Herb West target, located 2,200 meters west-north-west of the Seabee mine, we drilled approximately 1,130 meters in four drillholes. Results from drillholes at these three targets revealed quartz-vein structures with gold-bearing mineralization and warrant follow-up drilling.

For the second half of 2016 at the Seabee Gold Operation, our focus will be on infill drilling at the Santoy Gap to convert Inferred Mineral Resources to Mineral Reserves. At surface, our drilling focus for the second half will be on exploring laterally and down plunge to extend mineralization at the Santoy mine complex.

Pirquitas mine, Argentina

	Three months ended				
Operating data	**June 30 2016**	March 31 2016	December 31 2015	September 30 2015	June 30 2015
Total material mined (kt)	**2,543**	2,520	2,712	2,746	3,087
Waste removed (kt)	**1,814**	1,726	1,966	2,219	2,320
Ore mined (kt)	**729**	794	746	527	766
Strip ratio	**2.5**	2.2	2.6	4.2	3.0
Silver mined grade (g/t)	**189**	181	187	188	172
Zinc mined grade (%)	**0.19**	0.37	0.23	0.33	0.69
Mining costs ($/t mined)	**3.54**	2.97	3.78	3.94	3.39
Ore milled (kt)	**425**	418	421	410	347
Silver mill feed grade (g/t)	**238**	247	237	238	262
Zinc mill feed grade (%)	**0.21**	0.44	0.35	0.57	0.69
Processing cost ($/t milled)	**15.10**	13.58	20.60	21.53	22.69
Silver recovery (%)	**77.6**	79.7	80.8	82.0	83.7
Zinc recovery (%) (1)	**—**	24.1	27.0	40.1	50.9
General and admin costs ($/t milled)	**6.22**	5.68	8.09	8.13	10.62
Silver produced ('000 oz)	**2,526**	2,639	2,588	2,576	2,443
Zinc produced ('000 lb) (1)	**—**	381	865	2,076	2,674
Silver sold ('000 oz)	**2,594**	3,223	1,943	2,819	2,623
Zinc sold ('000 lb) (1)	**798**	—	1,428	2,352	4,936
Realized silver price ($/oz) (2)	**16.52**	14.94	15.00	14.97	16.72
Cash costs ($/oz) (2)	**8.87**	8.93	10.96	11.02	9.45
AISC ($/oz) (2)	**10.03**	9.67	12.78	12.68	11.78
Financial Data ($000s)					
Revenue	**45,141**	47,711	22,656	33,355	37,860
Income (loss) from mine operations (3)	**25,205**	12,071	(28,387)	(14,684)	924
Capital investments	**2,057**	1,578	2,305	2,500	2,962
Capitalized stripping	**—**	—	—	—	—
Exploration expenditures	**25**	22	234	1,124	1,912

(1) Data for zinc production and sales relate only to zinc in zinc concentrate as any zinc metal within our silver concentrate does not generate revenue.

(2) We report the non-GAAP financial measures of cash costs, realized silver prices and AISC per payable ounce of silver sold to manage and evaluate operating performance at the Pirquitas mine. For a better understanding and a reconciliation of these measures to cost of sales, as shown in our consolidated statements of comprehensive income (loss), please refer to "Non-GAAP and Additional GAAP Financial Measures" in section 12.

(3) Income (loss) from mine operations for the quarters ended December 31, 2015, and September 30, 2015, include $24.6 million and $7.7 million, respectively, of non-cash adjustments to stockpile, warehouse inventory and severance provision at the Pirquitas mine.

Mine production

The Pirquitas mine produced 2.5 million ounces of silver during the second quarter of 2016, marginally lower than production in the first quarter of 2016, due to slightly lower silver mill feed grade and silver recovery. There was no zinc production in the second quarter of 2016, as planned, due to lower zinc grade mined. Starting in the third quarter of 2016 we will discontinue disclosing zinc data.

Ore was milled at a record average rate of 4,668 tonnes per day in the second quarter of 2016, a quarterly record for the mine since it began operating due to our ongoing Operational Excellence program. Ore milled contained an average silver grade of 238 g/t, lower than the 247 g/t reported in the first quarter of 2016. We continue to encounter additional tonnes of ore in the bottom benches of the San Miguel open pit. The stockpiled lower and medium grade material will be processed as cessation of open pit mining activities is now expected in the first quarter of 2017. The average recovery rate for silver in the second quarter of 77.6% was lower than the 79.7% in the previous quarter.

Mine operating costs

Cash costs and AISC per payable ounce of silver sold are non-GAAP financial measures. Please see the discussion under "Non-GAAP and Additional GAAP Financial Measures" in section 12.

Cash costs, which include cost of inventory, treatment and refining costs and by-product credits, decreased marginally to $8.87 per payable ounce of silver sold in the second quarter of 2016 from $8.93 per payable ounce of silver sold in the first quarter of 2016. Mining costs per tonne increased due primarily to longer hauls and higher diesel prices. Processing costs per tonne increased due to higher plant throughput.

AISC of $10.03 per payable ounce of silver sold were higher in the second quarter of 2016 than the $9.67 per payable ounce of silver sold in the first quarter of 2016 due to higher capital maintenance for haul trucks.

Mine sales

We recognized sales of 2.6 million ounces of silver, lower than the 3.2 million in the first quarter, as concentrate shipments that were delayed in December 2015 were recognized in the first quarter of 2016. We also sold 0.8 million pounds of zinc in the second quarter of 2016 as most of the zinc inventories were sold.

Chinchillas project, Argentina

During the second quarter of 2016, Golden Arrow Resources Corporation ("Golden Arrow") released a revised Mineral Resources estimate and technical report for the Chinchillas project following an infill drilling program of 115 core drillholes comprising 15,142 meters of drilling. As part of the continuing engineering studies, a program of condemnation drilling commenced beneath areas selected for major infrastructure, such as the waste rock facility. During the quarter, 12 core drillholes for 3,679 meters and 11 reverse circulation drillholes for 1,680 meters were completed to investigate the presence of near surface mineralization underlying and proximal to the proposed waste rock facility. In addition to this work, geotechnical, hydrological, metallurgical and environmental baseline studies, along with community engagement programs, continued. In the second quarter of 2016, we funded approximately $1.5 million for work on the Chinchillas project, bringing total expenditures to date to $7.6 million.

We expect to complete the relevant engineering studies to determine the economic viability of the Chinchillas project as a satellite mine feeding the Pirquitas plant and extending the life of the operation. We expect to be able to make a decision as to whether we will exercise our option and move forward with the project in the fourth quarter of this year.

Export duties

We entered into a fiscal stability agreement (the "Fiscal Agreement") with the Federal Government of Argentina in 1998 for production from the Pirquitas mine. In December 2007, the National Customs Authority of Argentina (Dirección Nacional de Aduanas) (the "Customs") levied an export duty of approximately 10% from concentrate for projects with fiscal stability agreements pre-dating 2002 and Customs has asserted that the Pirquitas mine is subject to this duty. We have challenged the legality of the export duty applied to silver concentrate and the matter is currently under review by the Federal Court (Jujuy) in Argentina.

The Federal Court (Jujuy) granted an injunction in our favor effective September 29, 2010, that prohibited the Customs from withholding the 10% export duty on silver concentrate (the "Injunction"), pending the decision of the courts with respect to our challenge of the legality of the application of the export duty. The Injunction was appealed by Federal Tax Authority but upheld by each of the Federal Court of Appeal (Salta) on December 5, 2012 and the Federal Supreme Court of Argentina on September 17, 2013. Federal Tax Authority also appealed the refund we claimed for the export duties paid before the Injunction, as well as matters of procedure related to the uncertainty of the amount reclaimed;

however, on May 3, 2013, such appeal was dismissed by the Federal Court of Appeal (Salta). In September 2014, the Federal Tax Authority in Argentina filed an application with the Federal Court (Jujuy) to lift the Injunction and requiring payment of the export duty and payment of applied interest charges. We filed a response to such application on October 14, 2014.

On June 21, 2016 the Federal Court (Jujuy) ruled that the Injunction would remain in place subject to certain conditions, including the provision by August 5, 2016, of a guarantee by Silver Standard against liabilities arising from export duties and applicable interest as well as security from Mina Pirquitas LLC on certain assets at the Pirquitas mine. We are challenging the requirement of the parent guarantee through the court process and are in discussions with the Federal Tax Authority and other government officials to agree on acceptable alternative security and a potential resolution of the claim. If we are unsuccessful in those discussions, the Federal Tax Authority may make further application to the court to have the Injunction lifted and, upon that initiate proceedings to collect the accrued export duties and its claimed interest. The lifting of the Injunction does not impact our underlying challenge of the legality of the application of export duties nor remedies available under the Fiscal Agreement.

As of June 30, 2016, we have paid $6.6 million in export duties, for which we have filed for recovery. In accordance with the Injunction, we did not pay export duties on silver concentrate but continued to accrue export duties until February 12, 2016, when the Federal Government of Argentina announced the removal of export duties on mineral concentrates. At June 30, 2016, we have accrued a liability totaling $67.1 million (December 31, 2015 - $65.6 million) for export duties with no accrual for interest charges, and have recorded a corresponding increase in cost of sales in the relevant period. The Federal Tax Authority has claimed that interest penalties at the prescribed rate applicable to general peso based tax liabilities of 3% per month should be applied to the US dollar export duty from the dates that each duty was accrued. The application of this rate results in a material interest claim of an amount approximately equivalent to the underlying duties that we have not accrued due to its uncertainty. In addition to our challenges on the underlying application of the export duties, we are also challenging the Tax Authority's claim for interest and the rate upon which they claim interest.

The final amount of export duties and interest, if any, to be paid or refunded depends on a number of factors including the outcome of litigation. We continue to assess the implications of the June 21, 2016, ruling and the February 12, 2016, elimination of export duties on our financial reporting position related to the historical liability recorded. Changes in our assessment of this matter could result in material adjustments to our consolidated statements of income (loss).

5. REVIEW OF PROJECTS

Chinchillas Project, Argentina

The progress on the Chinchillas project is described in section 4.

Perdito Project, California, U.S.

On March 31, 2016, we announced that we entered into an option agreement to acquire a 100% interest in the Perdito project. The project is located 240 kilometers west of Las Vegas, Nevada in Inyo County, California and covers an area of approximately 5,780 hectares.

During the second quarter we commenced field work, including detailed bedrock mapping with accompanying rock and soil sampling, to enhance our understanding of the controls to mineralization prior to drilling. We have budgeted $1.5 million for drilling and field work at the project in 2016.

Other Projects

At our Pitarrilla project in Mexico, we continue to keep the properties in good standing and fulfill our community and other project related commitments.

At our San Luis project in Peru, we continue to progress strategies for community engagement and for advancing the project.

At our Berenguela project in Peru, we have placed the project on care and maintenance and are developing value realization strategies for the project.

6. SUMMARIZED FINANCIAL RESULTS

The following table sets out selected financial results for each of the eight most recently completed quarters, expressed in thousands of U.S. dollars, except per share amounts:

	2016		2015				2014	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep (restated) (1)
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Revenue	**118,775**	101,513	90,592	77,191	95,818	111,721	122,830	79,269
Realized gold price ($/oz) (3)	**1,263**	1,189	1,084	1,110	1,205	1,210	1,200	1,267
Realized silver price ($/oz) (3)	**16.52**	14.94	15.00	14.97	16.72	16.67	17.18	19.99
Income (Loss) from mine operations (2)	**44,062**	23,298	(20,485)	(7,396)	16,319	30,402	12,996	6,258
Net income (loss) before tax	**15,521**	5,858	(60,353)	(62,556)	(3,316)	12,501	(56,788)	(17,600)
Net income(loss) after tax	**12,482**	2,300	(66,722)	(59,416)	(7,327)	9,096	(86,221)	(17,576)
Basic earnings (loss) per share	**0.13**	0.03	(0.83)	(0.74)	(0.09)	0.11	(1.07)	(0.22)
Diluted earnings (loss) per share	**0.13**	0.03	(0.83)	(0.74)	(0.09)	0.11	(1.07)	(0.22)
Cash and cash equivalents	**232,619**	217,634	211,862	200,017	217,228	175,595	184,643	135,174
Total assets	**1,432,263**	880,501	871,677	954,766	996,549	989,260	986,249	1,036,624
Working capital	**530,196**	354,999	340,883	373,068	379,767	358,288	368,948	363,948
Non-current financial liabilities	**213,955**	210,994	208,085	205,277	202,517	199,813	197,134	197,134

(1) Restated for the change in exploration and evaluation costs accounting policy.

(2) Income (loss) from mine operations for the quarters ended December 31, 2015, September 30, 2015, and December 31, 2014, include $24.6 million, $7.7 million and $11.3 million, respectively, of non-cash adjustments to stockpile, warehouse inventory and severance provision at the Pirquitas mine.

(3) We report the non-GAAP financial measure of realized metal prices per payable ounce of precious metal sold to manage and evaluate operating performance at our mines. For a better understanding and a reconciliation of this measure, please refer to "Non-GAAP and Additional GAAP Financial Measures" in section 12.

The volatility in revenue over the past eight quarters has resulted from precious metal prices and sales volumes. There are no significant seasonal fluctuations in the results for the presented periods. Metal prices decreased in the fourth quarter of 2014, remained at this lower level in the first half of 2015 and decreased further through to the first quarter of 2016 before recovering through the second quarter of 2016. Income (loss) from mine operations in the fourth quarter of 2014, and the third and fourth quarters of 2015 were affected by the non-cash write-down of inventory at the Pirquitas mine to its net realizable value ("NRV"). The loss from mine operations in the fourth quarter of 2015 was also impacted by $4.7 million of severance provision related to the Pirquitas mine. Excluding the effect of these inventory write-downs, income from mine operations followed a similar trend to revenue over the two-year period presented. In the first and second quarters of 2016, income from mine operations is a result of improved gold prices and high volume of silver sold, as well as lower cost of sales per ounce at our Marigold and Pirquitas mines. Revenue in the second quarter of 2016 was also positively impacted by the acquisition of Claude Resources on May 31, 2016.

Net income (loss) before income tax has fluctuated significantly over the past eight quarters, heavily influenced by significant transactions, impairments and metal prices. In the fourth quarter of 2014, and in the third and fourth quarters of 2015, we recorded non-cash impairment charges and inventory adjustments totaling $51.6 million, $42.2 million and $38.7 million, respectively, against the carrying value of the Pirquitas mine.

Three months ended June 30, 2016, compared to the three months ended June 30, 2015

Net income for the three months ended June 30, 2016 was $12.5 million ($0.13 per share), compared to a net loss of $7.3 million ($0.09 per share) in the same period of 2015. The following is a summary and discussion of the significant components of income and expenses recorded during the current quarter compared to the same period in the prior year.

Revenue

Realized silver and gold price is a non-GAAP financial measure. Please, see the discussion under "Non-GAAP and Additional GAAP Financial Measures" in section 12.

In the three months ended June 30, 2016, we recognized total revenues of $118.8 million, compared to $95.8 million recognized in the comparative period of 2015, with the increase primarily due to the acquisition of Claude Resources on May 31, 2016, and a significant positive period end mark-to-market valuation adjustment at Pirquitas.

- At the Marigold mine, we recognized revenues of $59.2 million in the second quarter of 2016 from the sale of 47,100 payable ounces of gold, at an average realized price of $1,259 per ounce. In the second quarter of 2015, revenues were $58.0 million from the sale of 48,100 payable ounces of gold at an average realized gold price of $1,205 per ounce.

- At the Seabee Gold Operation, we recognized revenues of $14.4 million in the Period from the sale of 11,300 payable ounces of gold, at an average realized gold price of $1,278 per ounce.

- At the Pirquitas mine, we recognized revenues of $45.1 million in the second quarter of 2016, higher than the $37.9 million recognized in the same period in 2015. The second quarter of 2016 had significantly lower zinc sales and slightly lower volume of silver sold at marginally lower realized silver prices; however, the significantly higher silver prices at the end of the second quarter of 2016 generated a positive valuation adjustment of $8.2 million compared to a negative valuation adjustment of $4.1 million at the end of the comparative period. Volumes of silver sold in the second quarter of 2016 were comparable to the second quarter of 2015 (2.5 million payable ounces of silver compared to 2.4 million payable ounces of silver). Realized silver prices in the second quarter of 2016 averaged $16.52 per ounce, excluding the impact of period-end price adjustments, compared to $16.72 per ounce in the same period in 2015. In line with our mine plan, zinc sales were 0.8 million pounds in the second quarter of 2016, compared to 4.9 million pounds sold in the second quarter of 2015. At June 30, 2016, sales contracts containing 1.7 million ounces of silver were subject to final price settlement over the next four months.

Cost of sales

Cost of sales for the second quarter of 2016 was $74.7 million, compared to $79.5 million in the second quarter of 2015. Consolidated cost of sales was lower in the current period as a significant reduction at the Pirquitas mine was partially offset by the addition of the Seabee Gold Operation.

- At the Marigold mine, cost of sales in the second quarter of 2016 was $41.6 million, generating income from mine operations of $17.6 million, equal to a gross margin of 29.7%. This compares to cost of sales of $42.6 million in the second quarter of 2015, generating an income from mine operations of $15.4 million and a gross margin of 26.7%. The increase in the gross margin is partly due to higher realized prices per ounce of gold sold in the second quarter of 2016 than in the comparative period and also by lower cost of sales per ounce of gold sold.

- At the Seabee Gold Operation, cost of sales in the Period was $13.2 million, generating income from operations of $1.2 million, equal to a gross margin of 8.4%. The low margin is due to the cost per ounce of gold being impacted by a significant one-time increase of bullion and other inventories to fair value upon our acquisition of Claude Resources. The effect of the fair value adjustment at acquisition will will also impact the third quarter of 2016 but is a significantly lesser amount.

- At the Pirquitas mine, cost of sales in the second quarter of 2016 was $19.9 million, generating income from mine operations of $25.2 million, equal to a gross margin of 55.8%. This compared to cost of sales of $36.9 million in the second quarter of 2015, generating an income from mine operations of $0.9 million and a gross margin of 2.4%. The improved margin, despite comparable realized prices, was mainly due to the above noted mark-to-market adjustments to revenue in the respective periods, but also due to lower cost of inventory in the second quarter of 2016 compared to the second quarter of 2015. This cost reduction was due to lower operating costs following the significant devaluation of the Argentine peso, the elimination of export duties in February 2016 and lower depreciation following the impairment recorded in 2015.

Other operating costs

General and administrative expenses in the three months ended June 30, 2016, of $12.5 million were higher than the $7.2 million recorded in the three months ended June 30, 2015. Cash-settled share-based compensation expenses of $8.2 million were higher in the second quarter of 2016 compared to $2.5 million in three months ended June 30, 2015, due to relative and absolute share price performance.

Exploration and evaluation costs of $3.4 million for the three months ended June 30, 2016, were lower than the $3.9 million for the three months ended June 30, 2015. Expenditures in the second quarter of 2016 related to funding of the drilling and evaluation work at the Chinchillas project. In the second quarter of 2015, exploration and evaluation work was primarily performed at the Marigold and Pirquitas mines.

In the second quarter of 2016, we incurred $3.9 million of business acquisition expenses relating to the Claude Resources transaction. There were no such expenses in the comparative period.

Non-operating items

During the second quarter of 2016, we recorded interest expense and other financing costs of $6.5 million compared to $6.4 million recorded in the second quarter of 2015. In each period, the interest expense is mainly attributable to our 2.875% convertible senior notes issued in 2013 (the "2013 Notes"). We also incurred finance expense on discounts on the sale of our VAT credits in Argentina and from an Argentine peso-denominated local loan.

We recorded foreign exchange gains for the three months ended June 30, 2016, of $0.1 million compared to losses of $0.6 million in the three months ended June 30, 2015. Our main foreign exchange exposures are related to net monetary assets denominated in Argentine pesos and Canadian dollars. During the three months ended June 30, 2016, this gain resulted mainly from the Canadian dollar strengthening against the U.S. dollar.

Taxation

For the three months ended June 30, 2016, we recorded an income tax expense of $3.0 million compared to an income tax expense of $4.0 million in the three months ended June 30, 2015. The total income tax expense in the quarter consists of a current tax expense of $3.2 million and a deferred tax recovery of $0.2 million. Income tax expense is primarily the result of profitable operations at the Marigold mine, and concentrate and gold sales activities in Canada.

The tax expense of $4.0 million for the three months ended June 30, 2015, was the result of profitable operations at the Marigold mine, and concentrate and gold sales activities in Canada. Offsets to the income tax expense items include a reversal of certain deferred income tax liability from December 31, 2014, as well as the reversal of a prior year tax accrual.

Other comprehensive income

During the second quarter of 2016, we recognized gains of $89.1 million on marketable securities, compared to a gain of $5.8 million in the second quarter of 2015, primarily driven by valuation movements in our investment in Pretium Resources Inc. ("Pretium").

Six months ended June 30, 2016, compared to the to six months ended June 30, 2015

Net income for the six months ended June 30, 2016, was $14.8 million ($0.17 per share), compared to a net income of $1.8 million ($0.02 per share) in the same period of 2015. The following is a summary and discussion of the significant components of income and expenses recorded during the six months ended June 30, 2016, compared to the six months ended June 30, 2015.

Revenue

Realized silver and gold price is a non-GAAP financial measure. Please, see the discussion under "Non-GAAP and Additional GAAP Financial Measures" in section 12.

In the six months ended June 30, 2016, we recognized total revenues of $220.3 million, compared to $207.5 million in the comparative period of 2015, with the increase mainly due to sales from the newly acquired Seabee Gold Operation offsetting lower revenues from Marigold.

- At the Marigold mine, we recognized revenues of $116.9 million in the six months ended June 30, 2016, from the sale of 95,600 payable ounces of gold at an average realized price of $1,223 per ounce. In the six months ended June 30, 2015, revenues were $125.5 million from the sale of 103,930 payable ounces of gold at an average realized price of $1,208 per ounce.

- At the Seabee Gold Operation, we recognized revenues of $14.4 million in the Period from the sale of 11,300 payable ounces of gold at an average realized price of $1,278 per ounce.

- At the Pirquitas mine, we recognized revenues of $88.9 million in the six months ended June 30, 2016, comparable to the $82.0 million recognized in the same period in 2015. Lower realized silver prices and low zinc sales were offset by a positive valuation adjustment at the end of June 2016 in the amount of $10.1 million compared to a negative valuation adjustment of $3.0 million at the end of the comparative period of 2015. Volumes of silver sold in the six months ended June 30, 2016, were higher than in the six months ended June 30, 2015, (5.5 million payable ounces of silver compared to 5.2 million payable ounces of silver) as certain shipments containing 0.5 million payable ounces of silver planned for the fourth quarter of 2015 were recognized in 2016. Realized silver prices in the six months ended June 30, 2016, averaged $15.65 per ounce, excluding the impact of period-end price adjustments, compared to $16.69 per ounce in the same period in 2015. In line with our mine plan, there were low zinc sales in the six months ended June 30, 2016, compared to 7.7 million pounds sold in the six months ended June 30, 2015. At June 30, 2016, sales contracts containing 1.7 million ounces of silver were subject to final price settlement over the next four months.

Cost of sales

Cost of sales for the six months ended June 30, 2016, was $152.9 million, compared to $160.8 million in the same period of 2015. Consolidated cost of sales were lower in the current period as a significant reduction at the Pirquitas mine was partially offset by an increase at the Marigold mine and the addition of the Seabee Gold Operation.

- At the Marigold mine, cost of sales in the six months ended June 30, 2016, was $88.1 million, generating income from mine operations of $28.9 million, equal to a gross margin of 24.6%. This compares to cost of sales of $83.2 million in the six months ended June 30, 2015, generating an income from mine operations of $42.3 million and a gross margin of 33.7%. The decrease in the gross margin is due higher cost of sales per ounce of gold sold in the six months ended June 30, 2016, than in the comparative period, largely due to higher capital stripping in the six months ended June 30, 2015, shifting operating costs from cost of sales to capital expenditures, and higher depreciation charges.

- At the Seabee Gold Operation, cost of sales in the Period was $13.2 million, generating income from operations of $1.2 million, equal to a gross margin of 8.4%. The low margin is due to the cost per ounce of gold being impacted by a significant one-time increase of bullion and other inventories to fair value upon our acquisition of Claude Resources.

- At the Pirquitas mine, cost of sales in the six months ended June 30, 2016, was $51.6 million, generating income from mine operations of $37.3 million, equal to a gross margin of 41.9%. This compared to cost of sales of $77.6 million in the six months ended June 30, 2015, generating an income from mine operations of $4.4 million and a gross margin of 5.3%. The improved margin, despite lower realized prices, was mainly due to lower cost of inventory in the first half of 2016 compared to the first half of 2015. This cost reduction was due to lower operating costs following the significant devaluation of the Argentine peso, the elimination of export duties in February 2016 and lower depreciation following the impairment recorded in 2015. In addition, the large positive mark-to-market valuation adjustment due to higher prices at June 30, 2016, contributed significantly to the improved gross margin.

Other operating costs

General and administrative expenses in the six months ended June 30, 2016, of $16.6 million were higher than the $12.4 million recorded in the six months ended June 30, 2015. Cash-settled share-based compensation expenses of $8.1 million were higher in the six months ended June 30, 2016, compared to $2.8 million in the same period of 2015, due to relative and absolute share price performance.

Exploration and evaluation costs of $8.0 million for the six months ended June 30, 2016, were marginally higher than the $7.9 million for the six months ended June 30, 2015. Expenditures in the six months ended June 30, 2016 related to funding of the drilling and evaluation work at the Chinchillas project. In the six months ended June 30, 2015, exploration and evaluation work was primarily performed at the Marigold and Pirquitas mines.

In the first half of 2016, we incurred $3.9 million of business acquisition expenses relating to the Claude Resources transaction. There were no such expenses in the comparative period.

Non-operating items

During the six months ended June 30, 2016, we recorded interest expense and other financing costs of $13.1 million compared to $12.7 million recorded in the six months ended June 30, 2015. In each period, the interest expense is mainly attributable to our 2013 Notes.

We recorded foreign exchange losses for the six months ended June 30, 2016, of $3.3 million compared to losses of $3.3 million in the six months ended June 30, 2015. Our main foreign exchange exposures are related to net monetary assets denominated in Argentine pesos and Canadian dollars. During the six months ended June 30, 2016, this loss resulted from the Argentine peso weakening against the U.S. dollar. The Argentine peso continued to weaken against the U.S. dollar in the six months ended June 30, 2016, following the removal of currency controls by the new Federal Government of Argentina in December 2015. These losses were offset by the Canadian dollar strengthening against the U.S. dollar during the six months ended June 30, 2016. In the comparative period of 2015, the Argentine peso devalued at a lower rate, however we had a larger Argentine peso denominated net asset base.

Taxation

For the six months ended June 30, 2016, we recorded an income tax expense of $6.6 million compared to an income tax expense of $7.4 million in the six months ended June 30, 2015. The total income tax expense in the quarter consists of a current tax expense of $6.4 million and a deferred tax expense of $0.2 million. Income tax expense is primarily the result of profitable operations at the Marigold mine, and concentrate and gold sales activities in Canada.

The tax expense of $7.4 million for the six months ended June 30, 2015, was the result of profitable operations at the Marigold mine and concentrate and gold sales activities in Canada. Offsets to the income tax expense items include a reversal of certain deferred income tax liability from December 31, 2014, as well as the reversal of a prior year tax accrual.

Other comprehensive income

During the six months ended June 30, 2016, we recognized gains of $95.4 million on marketable securities, compared to a loss of $5.5 million in the comparative period of 2015, primarily driven by valuation movements in our investment in Pretium.

7. LIQUIDITY

At June 30, 2016, we had $232.6 million of cash and cash equivalents, an increase of $20.8 million from December 31, 2015. Our cash flows from operations was $43.5 million, while $20.0 million was invested in plant and equipment and $8.7 million was invested in capitalized stripping at the Marigold mine, which will benefit future periods. We acquired $16.9 million of cash held by Claude Resources pursuant to our acquisition and immediately after acquisition repaid in full Claude Resources' credit facility of $13.7 million and the short-term loan in Argentina of $3.8 million. In addition, we received $3.8 million from the exercise of stock options and $4.4 million from sales of marketable securities.

At June 30, 2016, compared to December 31, 2015, our working capital position increased by $189.3 million to $530.2 million from $340.9 million, mainly due to the appreciation in value of our marketable securities, positive cash flows from operations, Claude Resources working capital pursuant to our acquisition and reclassification of the deposit with the CRA to current taxes receivable, as discussed below. We manage our liquidity position with the objectives of ensuring sufficient funds available to meet planned operating requirements and providing support to fund strategic growth initiatives. Our cash balance at June 30, 2016, along with projected operating cash flows, are expected to be sufficient to fund planned activities over the next twelve months from the date of this MD&A. We continue to focus on capital allocation and our cost reduction strategy, while also implementing various optimization activities at our operations to improve the cash generating capacity of each mine.

Of our cash and cash equivalents balance, $230.0 million was held in Canada and the United States. At June 30, 2016, we held $1.2 million cash in Argentina. All cash is invested in short-term investments or high interest savings accounts under our investment policy with maturities of 90 days or less providing us with sufficient liquidity to meet our foreseeable corporate needs.

On January 27, 2015, we received the NOR from the CRA in the amount of approximately C$41.4 million plus interest of C$6.6 million related to the tax treatment of the 2010 sale of shares of our subsidiary that owned and operated the Snowfield and Brucejack projects. In order to appeal the NOR, we were required to make a minimum payment to the CRA in an amount equal to the Deposit. On April 20, 2015, we filed a Notice of Objection with the CRA and, on September 15, 2015, we filed a Notice of Appeal with the Tax Court of Canada to dispute the NOR.

On August 8, 2016, we announced that we executed the Settlement Agreement with the DOJ to resolve the NOR in our favor. Pursuant to the terms of the Settlement Agreement, the CRA is required to issue a new notice of reassessment for each of the 2010 and 2011 taxation years reversing the NOR, and refund to us the Deposit, plus accrued interest from the date of payment of the Deposit. Following receipt of new notices of reassessment (reflecting the terms of the Settlement Agreement) and repayment of the Deposit, with accrued interest, we will advise the DOJ to file a notice of discontinuance with the Tax Court of Canada.

8. CAPITAL RESOURCES

Our objectives when managing capital are:

- to safeguard our ability to continue as a going concern in order to develop and operate our current projects and pursue strategic growth initiatives; and
- to maintain a flexible capital structure which lowers the cost of capital.

In assessing our capital structure, we include in our assessment the components of shareholders' equity and the 2013 Notes. In order to facilitate the management of capital requirements, we prepare annual expenditure budgets and continuously monitor and review actual and forecasted cash flows. The annual and updated budgets are monitored and approved by our Board of Directors.

To maintain or adjust our capital structure, we may, from time to time, issue new shares, issue new debt, repay debt or dispose of non-core assets. On May 31, 2016, we issued 37,393,924 common shares to acquire Claude Resources, which maintained our strong liquidity position and positions us to enhance value from our assets and pursue further growth opportunities. We expect our current capital resources will be sufficient to carry out our exploration plans and support operations through the current operating period.

As of June 30, 2016, we were in compliance with externally-imposed financial covenants in relation to our $75 million senior secured revolving credit facility and had utilized $7.6 million of the facility to support letters of credit.

As at June 30, 2016, we had 118,883,995 common shares and 3,935,041 stock options outstanding which are exercisable into common shares at exercise prices ranging between C$1.70 and C$28.78 per share.

Outstanding share data

The authorized capital consists of an unlimited number of common shares without par value. As at August 10, 2016, the following common shares and options were outstanding:

	Number of shares	Exercise price C$	Remaining life (years)
Capital stock	119,052,529		
Stock options	3,766,507	1.78 - 28.78	0.06 - 6.64
Fully diluted	122,819,036		

9. FINANCIAL INSTRUMENTS AND RELATED RISKS

We are exposed to a variety of financial risks as a result of our operations, including market risk (which includes price risk, currency risk and interest rate risk), credit risk and liquidity risk. Our overall risk management strategy seeks to reduce potential adverse effects on our financial performance. Risk management is carried out under policies approved by our Board of Directors.

We may, from time to time, use foreign exchange contracts, commodity price contracts, equity hedges and interest rate swaps to manage our exposure to fluctuations in foreign currency, metal and energy prices, marketable security values and interest rates. We do not have a practice of trading derivatives.

The risks associated with our financial instruments, and the policies on how we mitigate those risks, are set out below. This is not intended to be a comprehensive discussion of all risks.

a) Market Risk

This is the risk that the fair values of financial instruments will fluctuate owing to changes in market prices. The significant market risks to which we are exposed are price risk, currency risk and interest rate risk.

(i) Price Risk

This is the risk that the fair values or future cash flows of our financial instruments will fluctuate because of changes in market prices. Income from mine operations in the next year depends on the metal prices for gold, silver, and to a lesser extent, zinc. These prices are affected by numerous factors that are outside of our control such as:

- global or regional consumption patterns;
- the supply of, and demand for, these metals;
- speculative activities;
- the availability and costs of metal substitutes;
- inflation; and
- political and economic conditions, including interest rates and currency values.

The principal financial instruments that we hold which are impacted by commodity prices are our silver and zinc concentrate trade receivables. The majority of our sales agreements are subject to pricing terms that settle within one to three months after delivery of concentrate, and this adjustment period represents our trade receivable exposure to variations in commodity prices.

We have not hedged the price of gold or silver as part of our overall corporate strategy.

We hedge a portion of our diesel consumption at the Marigold mine with the objective of securing future costs during this period of lower prices. We executed swap and option contracts under a risk management policy approved by our Board of Directors. In addition, due to the ice road supply at the Seabee Gold Operation we purchase annual consumable supplies in advance at prices, which are generally fixed at time of purchase, not during period of use.

There has been no significant change in our objectives and policies for managing this risk and no significant change in our exposure to this risk during the six months ended June 30, 2016.

(ii) Currency Risk

Currency risk is the risk that the fair values or future cash flows of our financial instruments will fluctuate because of changes in foreign currency rates. Our financial instruments are exposed to currency risk where those instruments are denominated in currencies that are not the same as their functional currency; exchange gains and losses in these situations impact comprehensive income.

We monitor and manage this risk with the objective of ensuring our group-wide exposure to negative fluctuations in currencies against the U.S. dollar is managed. As at June 30, 2016, we have not entered into any derivatives to mitigate this risk.

There has been no significant change in our objectives and policies for managing this risk, however the closing of our acquisition of Claude Resources in the second quarter of 2016 has materially increased our exposure to Canadian dollar operating and capital costs.

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Interest rate risk mainly arises from the interest rate impact on our cash and cash equivalents and our Argentine peso-denominated loan facility in Argentina, because these are the only financial instruments we hold that are impacted by interest based on variable market interest rates. Our 2013 Notes have fixed interest rates and are not exposed to fluctuations in interest rates; a change in interest rates would impact the fair value of the instruments, but because we record our 2013 Notes at amortized cost, there would be no impact on our financial results. We monitor our exposure to interest rates closely and have not entered into any derivative contracts to manage our risk.

There has been no significant change in our objectives and policies for managing this risk and other than repaying the Argentine peso-denominated loan facility, no significant change in our exposure to this risk during the six months ended June 30, 2016.

b) Credit Risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial contract. Our credit risk is limited to the following instruments:

Credit risk related to financial institutions and cash deposits Under our investment policy, investments are made only in highly rated financial institutions, and corporate and government securities. We diversify our holdings and consider the risk of loss associated with investments to be low.

Credit risk related to trade receivables We are exposed to credit risk through our trade receivables on concentrate sales, which are principally with internationally-recognized counterparties. Payments of receivables are scheduled, routine and received within a contractually agreed time frame. We manage this risk by requiring provisional payments of at least 75% of the value of the concentrate shipped and through utilizing multiple counterparties.

Credit risk related to other financial assets All other receivable balances are expected to be collectible in full due to the nature of the counterparties and/or a previous history of collectability.

We also have credit risk through our significant VAT receivables balance that is collectible from the government of Argentina. The balance is expected to be recoverable in full; however, due to legislative rules and the complex collection process, a significant portion of the asset is classified as non-current until government approval of the recovery claim is approved.

c) Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage our liquidity risk through a rigorous planning and budgeting process, which is reviewed and updated on a regular basis, to help determine the funding requirements to support our current operations, expansion and development plans, and by managing our capital structure. Our objective is to ensure that there are sufficient committed financial resources to meet our business requirements for a minimum of twelve months.

A detailed discussion of our liquidity position as at June 30, 2016, is included in section 7 of this MD&A.

10. OTHER RISKS AND UNCERTAINTIES

We are subject to a number of risks and uncertainties, each of which could have an adverse effect on our operating results, business prospects or financial position.

For a comprehensive list of the risks and uncertainties affecting our business, please refer to the section entitled "Risk Factors" in our most recent Annual Information Form, which is available at www.sedar.com, and our most recent Annual Report on Form 40-F, which is available on the EDGAR section of the SEC website at www.sec.gov.

The following are additional risks from those disclosed in our AIF resulting from the acquisition of Claude Resources which closed on May 31, 2016:

Failure to effectively manage our tailings facilities at the Seabee Gold Operation could negatively impact production

Managing the tailings produced at the Seabee Gold Operation is integral to gold production. The Seabee Gold Operation's tailings management facilities have the capacity to store tailings from milling ore from the Seabee mill until approximately 2020. We are currently in the process of planning tailings capacity expansion beyond 2020. This will support the extension of the Seabee Gold Operation's mine life and provide additional tailings capacity to process ore from the Santoy mine complex. If we do not receive regulatory approval for new or expanded tailings facilities, gold production could be constrained.

Extreme weather conditions may adversely impact production and profitability at the Seabee Gold Operation

Extreme weather events (such as increased frequency or intensity of rain, increased snow pack or warmer winter) may adversely affect access to and disrupt operations at our Seabee Gold Operation. Where appropriate, we have developed emergency plans at our Seabee Gold Operation for managing extreme weather conditions; however, extended disruptions to supply lines could result in interruption to production, which may adversely affect our business and financial condition.

Our facilities at the Seabee Gold Operation depend on regular supplies of consumables (including diesel, tires, sodium cyanide and reagents) to operate efficiently. In the event that the effects of extreme weather events cause prolonged disruption to the delivery of essential commodities or affect the prices of these commodities, our production efficiency at the Seabee Gold Operation may be reduced.

Although we make efforts to mitigate these risks by ensuring that extreme weather conditions are included in emergency response plans at our Seabee Gold Operation as required, there can be no assurance that these efforts will be effective and that these risks will not have an adverse effect on our Seabee Gold Operation and therefore profitability.

11. RELATED PARTY TRANSACTIONS

We did not enter into any related party transactions during the six months ended June 30, 2016.

12. NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES

The non-GAAP financial measures presented do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be directly comparable to similar measures presented by other issuers. The data presented 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. These non-GAAP measures should be read in conjunction with our consolidated financial statements.

Additional GAAP measures are line items, headings or subtotals that are relevant to an understanding of the financial statements but are not mandated by IFRS.

Non-GAAP financial measures - Cash costs and AISC per payable ounce of precious metals sold

We use the non-GAAP financial measures of cash costs and AISC per payable ounce of precious metals sold to manage and evaluate operating performance. We believe that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate our performance and ability to generate cash flows. Cash costs per ounce metrics, net of by-product credits, are also used in our internal decision making processes. Accordingly, the data presented 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 GAAP.

In line with the guidance published by the World Gold Council, AISC reflect the full cost of operating our consolidated business as they include the cost of replacing ounces through exploration, cost of sustaining capital and general and administrative expenses. Expansionary capital is not included in this measure.

The following table provides a reconciliation of our condensed consolidated interim statements of income (loss) to cash costs and AISC per payable ounce of precious metals sold for the three month periods indicated below:

	Q2 2016 $000s	Q1 2016 $000s	Q4 2015 $000s	Q3 2015 $000s	Q2 2015 $000s
Marigold mine					
Cost of sales (A)	**41,556**	46,515	60,034	36,548	42,563
Add: Treatment and refining costs	**21**	61	54	39	41
Less: By-product revenue	**(9)**	(9)	(8)	(13)	(12)
Less: Depreciation, depletion and amortization	**(10,321)**	(11,687)	(14,513)	(8,192)	(8,102)
Cash costs	**31,247**	34,880	45,567	28,382	34,490
Sustaining capital expenditure	**9,660**	3,233	3,641	8,931	5,255
Exploration and evaluation costs (sustaining)	**1,597**	1,102	731	1,944	1,978
Reclamation cost accretion	**535**	158	157	156	137
Capitalized stripping costs	**7,231**	1,435	—	—	—
AISC	**50,270**	40,808	50,096	39,413	41,860
Seabee Gold Operation (1)					
Cost of sales (B)	**13,221**	—	—	—	—
Add: Treatment and refining costs	**6**	—	—	—	—
Less: By-product revenue	**(28)**	—	—	—	—
Less: Adjustment for fair value at acquisition	**(5,708)**	—	—	—	—
Less: Depreciation, depletion and amortization	**—**	—	—	—	—
Cash costs	**7,491**	—	—	—	—
Sustaining capital expenditure	**1,140**				
Exploration and evaluation costs (sustaining)	**117**				
Reclamation cost accretion	**16**				
AISC	**8,764**	—	—	—	—
Pirquitas mine					
Cost of sales (C)	**19,936**	31,700	51,043	48,039	36,936
Add: Treatment and refining costs	**4,454**	5,555	3,181	4,633	3,880
Less: By-product revenue	**(503)**	—	(186)	(1,206)	(3,884)
Less: Inventory NRV write-down	**—**	—	(19,922)	(7,716)	—
Less: Restructuring costs	**—**	—	(4,654)	—	—
Less: Depreciation, depletion and amortization	**(2,070)**	(8,165)	(8,022)	(11,610)	(12,570)
Less: Export duties on silver concentrate	**—**	(1,497)	(1,444)	(2,995)	(1,440)
Cash costs	**21,817**	27,593	19,996	29,145	22,922
Sustaining capital expenditure	**2,136**	1,578	2,305	2,500	2,962
Exploration and evaluation costs (sustaining)	**—**	—	234	1,124	1,912
Reclamation cost accretion	**725**	707	770	770	770
AISC	**24,678**	29,878	23,305	33,539	28,566
Cost of sales, per consolidated statement of (loss) income (A+B+C)	**74,713**	78,215	111,077	84,587	79,499
AISC (total for both mines)	83,712	70,686	73,401	72,952	70,426
General and administrative costs	12,466	4,361	4,274	5,700	7,203
Consolidated AISC	96,178	75,047	77,675	78,652	77,629

	Q2 2016 $000s	Q1 2016 $000s	Q4 2015 $000s	Q3 2015 $000s	Q2 2015 $000s
Marigold mine					
Payable ounces of gold sold (oz)	**47,100**	48,500	62,685	39,500	48,100
Cash costs per gold ounce sold ($/oz)	**663**	719	727	719	717
AISC per gold ounce sold ($/oz)	**1,067**	841	799	998	870
Seabee Gold Operation (1)					
Payable ounces of gold sold (oz)	**11,300**	—	—	—	—
Cash costs per gold ounce sold ($/oz)	**663**	—	—	—	—
AISC per gold ounce sold ($/oz)	**776**	—	—	—	—
Pirquitas mine					
Payable ounces of silver sold (oz)	**2,460,205**	3,089,476	1,823,970	2,644,933	2,425,701
Cash costs per silver ounce sold ($/oz)	**8.87**	8.93	10.96	11.02	9.45
AISC per silver ounce sold ($/oz)	**10.03**	9.67	12.78	12.68	11.78
Realized gold price ($/oz)	**1,263**	1,189	1,084	1,110	1,205
Realized silver price ($/oz)	**16.52**	14.94	15.00	14.97	16.72
Precious metals equivalency					
Equivalent payable gold ounces sold (2)	**90,579**	87,320	87,924	75,171	81,758
Cash costs per equivalent gold ounce sold ($/oz)	**669**	715	746	765	702
Consolidated AISC per equivalent gold ounce sold ($/oz)	**1,062**	859	883	1,046	949

(1) The data presented for the Seabee Gold Operation is for the period from May 31, 2016, to June 30, 2016, the period for which we were entitled to all economic benefits of the Seabee Gold Operation following our acquisition of Claude Resources.

(2) Gold equivalent ounces have been established using realized gold and silver prices in the period and applied to the recovered metal content of the gold and silver sold by the Marigold mine, the Seabee Gold Operation and the Pirquitas mine. We have not included zinc as it is considered a by-product.

Non-GAAP financial measures - realized metal prices

Average realized price per ounce of silver sold in each reporting period excludes the period end price adjustments and final settlements on concentrate shipments. The price adjustments do not apply to gold bullion sales.

Non-GAAP financial measures - adjusted net income (loss)

We have included the non-GAAP financial performance measures of adjusted income (loss) before tax, adjusted income tax (expense), adjusted net income (loss) and adjusted basic earnings (loss) per share. Adjusted net income (loss) excludes gains/losses and other costs incurred for acquisitions and disposals of mineral properties, impairment charges, unrealized and realized gains/losses on financial instruments, significant non-cash foreign exchange impacts as well as other significant non-cash, non-recurring items. We exclude these items from net income (loss) to provide a measure which allows investors to evaluate the operating results of our underlying core operations and our ability to generate liquidity through operating cash flow to fund working capital requirements, future capital expenditures and service outstanding debt. We believe that, in addition to conventional measures prepared in accordance with GAAP, certain investors may use this information to evaluate our performance. Accordingly, the data presented 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 GAAP.

The following table provides a reconciliation of adjusted net income (loss) to the consolidated financial statements:

	Three months ended June 30	
	2016	2015
	$000s	$000s
Net income before tax per consolidated statement of income	**15,521**	(3,316)
Adjusted for:		
Business acquisition costs	**3,928**	—
Non-cash finance income and expense	**3,870**	3,488
Non-cash foreign exchange loss	**21**	1,040
Other items	**3,321**	421
Adjusted income before tax	**26,661**	1,633
Income tax expense per consolidated statement of income	**(3,039)**	(4,011)
Adjusted for:		
Recognition of Argentine withholding taxes	—	350
Adjusted income tax expense	**(3,039)**	(3,661)
Adjusted net income (loss)	**23,622**	(2,028)
Weighted average shares outstanding (000's), per consolidated statement of income	**93,329**	80,754
Adjusted basic income (loss) per share ($)	**0.25**	(0.03)

	Six months ended June 30	
	2016	2015
	$000s	$000s
Net income before tax per consolidated statement of income	**21,380**	9,252
Adjusted for:		
Business acquisition costs	**3,928**	—
Non-cash finance income and expense	**7,664**	6,668
Non-cash foreign exchange loss	**2,365**	2,396
Other items	**2,924**	155
Adjusted income before tax	**38,261**	**18,471**
Income tax expense per consolidated statement of income	**(6,597)**	(7,416)
Adjusted for:		
Tax effects of asset impairment charges and write-downs	—	(3,760)
Change in prior period estimates	—	(3,319)
Adjusted income tax expense	(6,597)	(14,495)
Adjusted net income	**31,664**	3,976
Weighted average shares outstanding (000's), per consolidated statement of income	**87,078**	80,754
Adjusted basic income per share ($)	0.36	0.05

Additional GAAP financial measures - income from mine operations

Income from mine operations represents the amount of revenues less mining and processing expenses, export duties, royalties, and depreciation and depletion expense. It also includes non-cash adjustments to inventories and restructuring provision, where applicable.

Additional GAAP financial measures - gross margin from mine operations

Gross margin from mine operations is the difference between revenue and cost of sales, divided by revenue, expressed as a percentage.

Additional GAAP financial measures - operating loss

Operating loss represents the income from mine operations less operating costs like general and administrative expenses, exploration and evaluation costs and impairment charges. This measure excludes foreign exchange, interest and other non-operating costs.

13. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Basis of preparation and accounting policies

Our condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The comparative information has also been prepared on this basis.

The accounting policies applied in the preparation of our condensed consolidated interim financial statements are consistent with those applied and disclosed in our audited consolidated financial statements for the year ended December 31, 2015.

On April 1, 2015, we adopted all of the requirements of IFRS 9, *Financial Instruments: Recognition and Measurement*. The 2015 balances shown in the condensed consolidated interim statements of changes in shareholders' equity reflect this change.

Following our acquisition of Claude Resources on May 31, 2016, we have applied the following new accounting policies that were not previously applicable to our business. All other accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in our audited consolidated financial statements for the year ended December 31, 2015.

(i) Underground mineral properties

At our underground mining operation, we incur development costs to build new shafts, drifts and ramps that enable us to access ore underground. The time over which we will continue to incur these costs depends on the mine life. These underground development costs are capitalized as incurred.

Capitalized underground development costs incurred to enable access to specific areas of the underground mine, and which only provide an economic benefit over the period of mining that area, are depreciated on a units-of-production basis, whereby the denominator is estimated ounces of gold in Proven and Probable Mineral Reserves in the related areas.

(ii) Property, plant and equipment

The valuation attributed to estimated Mineral Resources conversion from the acquisition of Claude Resources is considered to be a mineral property not subject to depreciation. As these Mineral Resources are converted into Mineral Reserves, the asset is subject to depreciation over the recoverable ounces corresponding to the specific area of the mine plan. Exploration potential is recognized as exploration and evaluation assets.

(iii) Goodwill

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the acquisition amount over such fair value being recorded as goodwill and allocated to cash generating units ("CGUs"). CGUs are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each individual mining interest that is an operating mine is typically a CGU.

Goodwill arises principally because of the following factors: (1) the going concern value of our capacity to sustain and grow by replacing and augmenting Mineral Reserves through new discoveries; (2) the ability to capture buyer-specific synergies arising upon a transaction; and (3) the requirement to record a deferred tax liability for the difference between the assigned values and the tax bases of the assets acquired and liabilities assumed in a business combination.

Goodwill is not amortized; instead it is tested annually for impairment. In addition, at each reporting period we assess whether there is an indication that goodwill is impaired and, if there is such an indication, we would test for goodwill impairment at that time.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. The critical judgments and estimates applied in the preparation of the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2016 are consistent with those applied and disclosed in note 2(u) to our audited consolidated financial statements for the year ended December 31, 2015 other than those which related to the acquisition of Claude Resources, as discussed below.

(i) Business combination: Acquisition of Claude Resources

Judgment is required to determine whether we acquired a business under the definition of IFRS 3, Business combinations ("IFRS 3"), and also the acquisition date when we obtained control over the acquiree, which was the date that consideration is transferred and when we assumed the assets and liabilities of the acquiree.

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at their fair values at the date of acquisition. The valuation of certain assets and liabilities requires significant management estimates and judgment. Property, plant and equipment requires judgment over the appropriate fair value methodology to appraise the assets and various assumptions around estimated useful lives and current replacement costs. The mineral property assets valuations are based upon estimates of Mineral Reserves and Mineral Resources used in the life of mine plan, as well as estimates of future metal prices, production, costs, and economic assumptions around inflation rates and discount rates. The exploration and evaluation assets valuations are based upon estimates of future Mineral Resource discovery. The inventory valuation requires estimates of costs to convert inventory into saleable form. The reclamation provision requires an estimate of the timing of future cash flows and economic assumptions around inflation and discount rates.

(ii) Functional currency

The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which the subsidiary operates may not be clear. We have determined that the functional currency of Claude Resources is the U.S. dollar, as it is the currency in which Claude Resources primarily generates cash.

14. FUTURE ACCOUNTING CHANGES

The below new standards have been issued but are not yet effective:

Revenue from contracts with customers
The IASB has replaced IAS 18, *Revenue* in its entirety with IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which is intended to establish a new control-based revenue recognition model and change the basis for deciding whether revenue is to be recognized over time or at a point in time. IFRS 15 is effective for annual periods commencing on or after January 1, 2018. We are currently evaluating the impact the standard is expected to have on our consolidated financial statements.

Leases
The IASB has replaced IAS 17, *Leases* in its entirety with IFRS 16, *Leases* ("IFRS 16"), which will require lessees to recognize nearly all leases on the balance sheet to reflect their right to use an asset for a period of time and the associated liability to pay rentals. IFRS 16 is effective for annual periods commencing on or after January 1, 2019. We are currently evaluating the impact the standard is expected to have on our consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on our consolidated financial statements.

15. INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in our internal control over financial reporting or disclosure controls and procedures during the three months ended June 30, 2016, that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

The scope of our internal control over financial reporting or disclosure controls and procedures for the period covered by this report excludes the Seabee Gold Operation. We completed the acquisition of the Seabee Gold Operation on May 31, 2016, and proceeded to integrate the operations and administration of the acquired operation immediately thereafter. Although the Seabee Gold Operation is currently subject to similar controls as our other operations for the consolidation and financial reporting of period-end results, we will formally expand our internal control over financial reporting or disclosure controls and procedures to include the Seabee Gold Operation in the first quarter of 2017. The Seabee Gold Operation represents $322.8 million of net assets (36%), $14.4 million of consolidated revenues (12% and 6.5% for the three and six months ended June 30, 2016, respectively), and $0.3 million of net earnings as at and for the three and six months ended June 30, 2016.

16. CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS AND MINERAL RESERVES AND MINERAL RESOURCES ESTIMATES

This MD&A contains forward-looking information within the meaning of Canadian securities laws and forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). All statements, other than statements of historical fact, are forward-looking statements.

Generally, forward-looking statements can be identified by the use of words or phrases such as "expects," "anticipates," "plans," "projects," "estimates," "assumes," "intends," "strategy," "goals," "objectives," "potential," "believes," or variations thereof, or stating that certain actions, events or results "may," "could," "would," "might" or “will” be taken, occur or be achieved, or the negative of any of these terms or similar expressions. The forward-looking statements in this MD&A relate to, among other things: future production of gold, silver and other metals; future costs of inventory, and cash costs, total costs and AISC per payable ounce of gold, silver and other metals sold; expected exploration and development expenditures; the prices of gold, silver and other metals; the timing of cessation of San Miguel open pit mining activities and stockpile processing at the Pirquitas mine; the effects of laws, regulations and government policies affecting our operations or potential future operations; future successful development of our projects; the anticipated benefits from the Acquisition; expected timing to complete engineering studies at the Chinchillas project and make a decision about whether to move forward with the project; the timing of the issuance by the CRA of new notices of reassessment and repayment of the Deposit; the sufficiency of our current working capital, anticipated operating cash flow or our ability to raise necessary funds; estimated production rates for gold, silver and other metals produced by us; timing of production and the cash costs and total costs of production at the Marigold mine, the Seabee Gold Operation and the Pirquitas mine; the estimated cost of sustaining capital; ongoing or future development plans and capital replacement, improvement or remediation programs; the expected timing and benefits of the new leach pad at the Marigold mine; expected timing for release of updated production and cost outlook for the Marigold mine; the timing for discontinuing zinc data; the estimates of expected or anticipated economic returns from our mining projects, including future sales of metals, concentrate or other products produced by us; and our plans and expectations for our properties and operations.

These forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied, including, without limitation, the following: uncertainty of production, development plans and cost estimates for the Marigold mine, the Seabee Gold Operation, the Pirquitas mine and our projects; our ability to replace Mineral Reserves; our ability to successfully integrate the acquisition of Claude Resources; subject to exercising our election to proceed, our ability to complete and successfully integrate Golden Arrow’s Chinchillas project, on a joint venture basis, into our current operations; commodity price fluctuations; political or economic instability and unexpected regulatory changes; currency fluctuations; the possibility of future losses; general economic conditions; fully realizing the value of our shareholdings in Pretium and our other marketable securities, due to changes in price, liquidity or disposal cost of such marketable securities; potential export duty and related interest on past production and sales of silver concentrate from the Pirquitas mine; counterparty and market risks related to the sale of our concentrate and metals; uncertainty in the accuracy of Mineral Reserves and Mineral Resources estimates and in our ability to extract mineralization profitably; differences in U.S. and Canadian practices for reporting Mineral Reserves and Mineral Resources; lack of suitable infrastructure or damage to existing infrastructure; future development risks, including start-up delays and cost overruns; our ability to obtain adequate financing for further exploration and development programs and opportunities; uncertainty in acquiring additional commercially mineable mineral rights; delays in obtaining or failure to obtain governmental permits, or non-compliance with our permits; our ability to attract and retain qualified personnel and management; potential labour unrest, including labour actions by our unionized employees at the Pirquitas mine; the impact of governmental regulations, including health, safety and environmental regulations, including increased costs and restrictions on operations due to compliance with such regulations; reclamation and closure requirements for our mineral properties; social and economic changes following closure of a mine, including the expected closure of the Pirquitas mine in 2017, may lead to adverse impacts and unrest; unpredictable risks and hazards related to the development and operation of a mine or mineral property that are beyond our control; indigenous peoples’ title claims and rights to consultation and accommodation may affect our existing operations as well as development projects and future acquisitions; assessments by taxation authorities in multiple jurisdictions, including the reassessment by the CRA; recoverability of VAT and changes to the collection process in Argentina; claims and legal proceedings, including adverse rulings in litigation against us and/or our directors or officers; compliance with anti-corruption laws and internal controls, and increased regulatory compliance costs; complying with emerging climate change regulations and the impact of climate change; uncertainties related to title to our mineral properties and the ability to obtain surface rights; the sufficiency of our insurance coverage; civil disobedience in the countries where our mineral properties are located; operational safety and security risks; actions required to be taken by us under human rights law; competition in the mining industry for mineral properties; shortage or poor quality of equipment or supplies; an event of default under our 2013 Notes may significantly reduce our liquidity and adversely affect our business; failure to meet covenants under our senior secured revolving credit facility; conflicts of interest that could arise from certain of our directors' involvement with other natural resource companies; information systems security threats; and those other various risks and uncertainties identified under the heading "Risk Factors" in our most recent Annual Information Form filed with the Canadian securities regulatory authorities and included in our most recent Annual Report on Form 40-F filed with the SEC.

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Our forward-looking statements are based on what our management considers to be reasonable assumptions, beliefs, expectations and opinions based on the information currently available to it. Assumptions have been made regarding, among other things, our ability to carry on our exploration and development activities, our ability to meet our obligations under our property agreements, the timing and results of drilling programs, the discovery of Mineral Resources and Mineral Reserves on our mineral properties, the timely receipt of required approvals and permits, including those approvals and permits required for successful project permitting, construction and operation of our projects, the price of the minerals we produce, the costs of operating and exploration expenditures, our ability to operate in a safe, efficient and effective manner, our ability to obtain financing as and when required and on reasonable terms, and our ability to continue operating the Marigold mine, the Seabee Gold Operation and the Pirquitas mine. You are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. We cannot assure you that actual events, performance or results will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. Our forward-looking statements reflect current expectations regarding future events and operating performance and speak only as of the date hereof and we do not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change other than as required by applicable law. For the reasons set forth above, you should not place undue reliance on forward-looking statements.

Qualified Persons

The scientific and technical information contained in this MD&A relating to the Marigold mine has been reviewed and approved by Thomas Rice and James N. Carver, each of whom is a SME Registered Member and a Qualified Person under National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"). Mr. Rice is our Technical Services Manager and Mr. Carver is our Chief Geologist at the Marigold mine. The scientific and technical data contained in this MD&A relating to the Seabee Gold Operation has been reviewed and approved by Gordon Reed, P.Eng., and F. Carl Edmunds, P. Geo., each of whom is a Qualified Person under NI 43-101. Mr. Reed is our General Manager at the Seabee Gold Operation and Mr. Edmunds is our Chief Geologist, Exploration. The scientific and technical information contained in this MD&A relating to the Pirquitas mine has been reviewed and approved by Bruce Butcher, P.Eng., and F. Carl Edmunds, P. Geo., each of whom is a Qualified Person under NI 43-101. Mr. Butcher is our Director, Mine Planning.

Cautionary Note Regarding Mineral Reserves and Mineral Resources Estimates

This MD&A includes Mineral Reserves and Mineral Resources classification terms that comply with reporting standards in Canada and the Mineral Reserves and the Mineral Resources estimates are made in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These standards differ significantly from the requirements of the SEC set out in SEC Industry Guide 7. Consequently, Mineral Reserves and Mineral Resources information included in this MD&A is not comparable to similar information that would generally be disclosed by domestic U.S. reporting companies subject to the reporting and disclosure requirements of the SEC. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically produced or extracted at the time the reserve determination is made.

In addition, the SEC's disclosure standards normally do not permit the inclusion of information concerning "Measured Mineral Resources," "Indicated Mineral Resources" or "Inferred Mineral Resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. U.S. investors should understand that "Inferred Mineral Resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. Moreover, the requirements of

NI 43-101 for identification of “reserves” are also not the same as those of the SEC, and reserves reported by us in compliance with NI 43-101 may not qualify as “reserves” under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.