TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2019

(Unaudited)

(Expressed in millions of U.S. dollars)

TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

Millions of U.S. dollars		**September 30, 2019**		December 31, 2018
Assets				
Current assets:				
Cash and cash equivalents	**$**	**168.0**	$	122.2
Value-added tax receivables		**31.2**		33.8
Inventory (Note 5)		**122.9**		58.3
Prepaid expenses and other current assets		**10.1**		21.8
		332.2		236.1
Restricted cash (Note 6)		**-**		26.8
Value-added tax receivables		**9.6**		15.7
Other non-current assets		**11.0**		8.6
Property, plant and equipment (Note 7)		**910.3**		984.2
Total assets	**$**	**1,263.1**	$	1,271.4
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**76.4**	$	93.4
Income tax payable		**51.6**		18.0
Debt (Note 8)		**86.7**		82.8
Derivative contracts		**0.8**		0.3
		215.5		194.5
Other non-current liabilities		**1.7**		-
Debt (Note 8)		**169.0**		250.7
Decommissioning liabilities		**17.0**		15.2
Deferred income tax liabilities		**61.4**		51.4
		464.6		511.8
Shareholders' equity:				
Share capital		**1,022.3**		1,014.9
Contributed surplus		**32.3**		36.9
Other reserves		**(62.5)**		(62.5)
Deficit		**(193.6)**		(229.7)
		798.5		759.6
Total liabilities and shareholders' equity	**$**	**1,263.1**	$	1,271.4

Commitments (Note 14)
Subsequent event (Note 8)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

(unaudited)

	Three Months Ended		Nine Months Ended	
Millions of U.S. dollars, except per share amounts	**September 30, 2019**	September 30, 2018	**September 30, 2019**	September 30, 2018
Revenue				
Metal sales	**$ 198.2**	$ 126.4	**$ 450.8**	$ 312.2
Cost of sales				
Production costs	**70.7**	58.5	**192.8**	152.4
Royalties	**5.9**	3.7	**13.5**	9.5
Depreciation and amortization	**53.5**	32.5	**124.6**	76.3
Earnings from mine operations	**$ 68.1**	$ 31.7	**$ 119.9**	$ 74.0
General and administrative	**4.3**	4.6	**15.0**	16.2
Exploration and evaluation expenditures	**1.2**	1.2	**2.0**	3.7
Blockade and other charges	**-**	-	**-**	4.1
	$ 5.5	$ 5.8	**$ 17.0**	$ 24.0
Other expenses (income):				
Derivative (gain) loss, net	**(0.3)**	(1.0)	**1.0**	(1.9)
Finance costs (income), net (Note 9)	**3.8**	(0.2)	**16.4**	13.1
Foreign exchange gain	**-**	(1.3)	**(1.1)**	(1.2)
	$ 3.5	(2.5)	**$ 16.3**	$ 10.0
Income before income tax expense	**59.1**	28.4	**86.6**	40.0
Current income tax expense	**32.8**	3.2	**40.4**	8.8
Deferred income tax (recovery) expense	**(1.1)**	1.3	**10.1**	9.4
Net income and comprehensive income	**$ 27.4**	$ 23.9	**$ 36.1**	$ 21.8
Earnings per share (Note 12)				
Basic	**$ 0.32**	$ 0.28	**$ 0.42**	$ 0.26
Diluted	**$ 0.32**	$ 0.28	**$ 0.42**	$ 0.26

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders’ Equity
(unaudited)

Millions of U.S. dollars, except number of common shares	**Number of Common Shares**	**Common Shares**	**Contributed Surplus**	**Other Reserves**	**Deficit**	**Total Shareholders' Equity**
Balance, January 1, 2018	79,854,746	$ 966.4	$ 29.9	$ (62.5)	$ (252.9)	$ 680.9
Redemption of restricted share units	32,360	0.3	(0.3)	-	-	-
Share-based compensation	-	-	5.7	-	-	5.7
Issue of shares, net of share issuance costs	5,025,500	48.1	-	-	-	48.1
Net income	-	-	-	-	21.8	21.8
Balance, September 30, 2018	84,912,606	$ 1,014.8	$ 35.3	$ (62.5)	$ (231.1)	$ 756.5

Millions of U.S. dollars, except number of common shares	**Number of Common Shares**	**Common Shares**	**Contributed Surplus**	**Other Reserves**	**Deficit**	**Total Shareholders' Equity**
Balance, January 1, 2019	**84,917,606**	**$ 1,014.9**	**$ 36.9**	**$ (62.5)**	**$ (229.7)**	**$ 759.6**
Exercise of stock options	345,177	4.7	(2.6)	-	-	**2.1**
Redemption of restricted share units	18,385	0.3	(0.3)	-	-	**-**
Redemption of EPSUs and ERSUs (Note 11)	97,769	2.4	(4.4)	-	-	**(2.0)**
Reclassification of RSUs (Note 11)	-	-	(1.3)	-	-	**(1.3)**
Share-based compensation	-	-	4.0	-	-	**4.0**
Net income	-	-	-	-	36.1	**36.1**
Balance, September 30, 2019	**85,378,937**	**$ 1,022.3**	**$ 32.3**	**$ (62.5)**	**$ (193.6)**	**$ 798.5**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

Millions of U.S. dollars	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Operating activities:				
Net income for the period	**$ 27.4**	$ 23.9	**$ 36.1**	$ 21.8
Adjustments for:				
Share-based compensation expense	**1.1**	1.7	**4.0**	5.7
Settlement of share-based compensation	**-**	-	**(1.7)**	-
Modification of debt	**(1.8)**	-	**(1.8)**	-
Depreciation, amortization and accretion	**54.3**	32.6	**126.5**	78.0
Unrealized (gain) loss on derivative contracts	**(0.3)**	(1.1)	**1.0**	(2.0)
Unrealized foreign exchange gain	**(1.2)**	(2.9)	**(1.3)**	(3.2)
Finance costs	**4.1**	7.7	**17.6**	23.2
Deferred income taxes	**(1.1)**	1.3	**10.1**	9.4
Income taxes paid	**(0.2)**	-	**(6.8)**	(4.6)
Cash generated from operating activities before changes in non-cash working capital balances	**$ 82.3**	$ 63.2	**$ 183.7**	$ 128.3
Changes in non-cash working capital balances:				
Value-added tax receivables, net	**2.6**	(4.9)	**7.9**	(10.6)
Inventory	**(14.9)**	1.1	**(32.3)**	(0.1)
Prepaid expenses and other current assets	**1.0**	(0.6)	**11.7**	2.4
Accounts payable and accrued liabilities	**16.9**	15.8	**(9.8)**	38.7
Income taxes payable	**32.8**	3.2	**40.4**	8.8
Net cash generated from operating activities	**$ 120.7**	$ 77.8	**$ 201.6**	$ 167.5
Investing activities:				
Additions to property, plant and equipment	**(23.8)**	(40.4)	**(85.8)**	(85.2)
Borrowing costs capitalized to property, plant and equipment	**(0.1)**	-	**(0.3)**	-
Value-added tax receivables, net	**(0.1)**	14.3	**0.8**	18.9
Restricted cash	**32.3**	(0.1)	**26.8**	(12.7)
Net cash generated from (used) in investing activities	**$ 8.3**	$ (26.2)	**$ (58.5)**	$ (79.0)
Financing activities:				
Issuance of share capital, net of share issuance costs	**-**	-	**-**	48.1
Repayment of debt	**(39.5)**	(15.8)	**(81.9)**	(41.3)
Transaction costs	**(2.6)**	-	**(2.6)**	-
Interest paid	**(3.0)**	(6.2)	**(14.6)**	(18.8)
Exercise of stock options	**0.9**	-	**2.2**	-
Net cash used in financing activities	**$ (44.2)**	$ (22.0)	**$ (96.9)**	$ (12.0)
Effect of foreign exchange rate changes on cash and cash equivalents	**(0.3)**	0.6	**(0.4)**	0.2
Net increase in cash and cash equivalents	**$ 84.5**	$ 30.2	**$ 45.8**	$ 76.7
Cash and cash equivalents, beginning of the period	**$ 83.5**	$ 91.4	**$ 122.2**	$ 44.9
Cash and cash equivalents, end of the period	**$ 168.0**	$ 121.6	**$ 168.0**	$ 121.6

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Note 1. Corporation Information

Torex Gold Resources Inc. (the "Company" or "Torex") is an intermediate gold producer based in Canada, engaged in the exploration, development and operation of its 100% owned Morelos Gold Property, located southwest of Mexico City. The Company's principal assets are the El Limón Guajes mining complex (the "ELG Mine Complex"), comprising the El Limón, Guajes and El Limón Sur open pits, the El Limón Guajes underground mine including zones referred to as Sub-Sill and El Limón Deep, and the processing plant and related infrastructure, and the Media Luna deposit, which is an early stage development project.

The Company is a corporation governed by the *Business Corporations Act* (Ontario). The Company's shares are listed on the Toronto Stock Exchange under the symbol TXG. Its registered address is 130 King Street West, Suite 740, Toronto, Ontario, Canada, M5X 2A2.

These unaudited condensed consolidated interim financial statements (herein referred to as "consolidated financial statements") of the Company as at and for the three and nine months ended September 30, 2019 include the accounts of the Company and its subsidiaries.

Note 2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") under the historical cost convention, as modified by revaluation of derivative contracts and certain financial instruments. These consolidated financial statements do not include all of the disclosures required for full financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on October 29, 2019.

Note 3. Significant Accounting Policies

The accounting policies followed in these consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2018, except as described below.

Research and development costs

Research costs are expensed as incurred. Development expenditures are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the asset will generate probable future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Share-based payments

Employee Share Unit Plan (the "ESU Plan")

Awards granted under the ESU Plan are settled in shares, unless a participant elects a cash settlement, subject to the consent of the Company. ESU Plan awards granted to date have been accounted for as equity settled. In relation to the ESU Plan awards granted in 2016 and settled in the first quarter of 2019, certain employees elected, and the Company consented, to settle certain ESU Plan awards in cash at fair value on settlement date. These awards are treated as cash-settled awards with changes in fair value recognized in general and administrative expenses in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income. All remaining ESU Plan awards continue to be treated as equity-settled awards as the Company intends to settle in equity.

Restricted Share Unit Plan (the "RSU Plan")

An amendment was made to the RSU Plan in January 2019 that allows participants to elect, subject to the Company's consent, cash settlement. A liability is recognized for the fair value of the outstanding RSUs at each reporting date, with changes in fair value recognized in general and administrative expenses in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income.

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For short-term leases and leases of low-value assets, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company computes this rate by using a rate of interest that the Company would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use-asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the option; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented in Debt in the Condensed Consolidated Interim Statements of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, and any initial direct costs and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in property, plant and equipment in the Condensed Consolidated Interim Statements of Financial Position. The Company applies IAS 36, *Impairment of Assets* to determine whether right-of-use assets are impaired.

Recent Accounting Pronouncements

New and amended standards and interpretations issued and effective:

(a) IFRS 16, *Leases* ("IFRS 16")

The Company adopted IFRS 16, *Leases* effective January 1, 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. IFRS 16 introduced significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement date for all leases, except for short-term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Company is the lessee in the contractual arrangements that contain a lease.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach, the Company has not restated prior period comparative information.

Impact of the new definition of a lease

The new definition of a lease mainly relates to the incorporation of the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time, in exchange for consideration. The Company has reassessed relevant contractual arrangements that existed at January 1, 2019 to determine if they contain a lease.

<u>*Impact of the adoption of the new standard*</u>

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were previously off-balance sheet.

Applying IFRS 16, for all leases (excepted as noted below), the Company:

i. Recognizes "right-of-use" assets and lease liabilities in the Condensed Consolidated Interim Statements of Financial Position, initially measured at the present value of future lease payments;
ii. Recognizes depreciation of right-of-use assets and interest on lease liabilities in the Condensed Consolidated Interim Statements of Operations; and
iii. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the Condensed Consolidated Interim Statements of Cash Flows.

On transition, the Company elected to measure all right-of-use assets at an amount equal to the lease liability.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Company recognize as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's consolidated financial statements.

Practical expedients

The Company has elected to use the following practical expedients:

- Apply IFRS 16 to a portfolio of leases with similar characteristics as opposed to an individual lease and the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
- The accounting for lease payments on leases for which the underlying asset is of a low dollar value on a straight-line basis over the term of the lease;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Not to separate non-lease from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. This expedient was elected on an asset-class by asset-class basis.

Adoption of the new standard resulted in the recognition of additional right-of-use assets and leases liabilities of $3.9 as of January 1, 2019 and no cumulative adjustment to opening deficit.

The difference between operating lease commitments in applying IAS 17 as at December 31, 2018 discounted using the incremental borrowing rate at the date of initial application of IFRS 16 and the lease liability recognized in the Condensed Consolidated Statement of Financial Position as at January 1, 2019 is primarily driven by the Company's election to classify certain leases as low-value and short-term leases.

The weighted average incremental borrowing rate applied to the additional lease liabilities recognized on January 1, 2019 was 9.66%.

(b) IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* (“IFRIC Interpretation 23”)

The Company adopted IFRIC Interpretation 23 with a date of initial application of January 1, 2019. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The adoption of this interpretation did not impact the Company’s consolidated financial statements.

Note 4. Significant Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Judgments, estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates. The significant judgments, estimates and assumptions made by management in applying the Company’s accounting policies were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2018 except as described below.

Leases

The application of IFRS 16 requires significant judgments and certain key estimations. Critical judgments required in the application of IFRS 16 include identifying whether a contract (or part of a contract) contains a lease and determining whether it is reasonably certain that an extension or termination option will be exercised. Key sources of estimation uncertainty in the application of IFRS 16 relate to the determination of the appropriate rate to discount the lease payments.

Note 5. Inventory

		September 30, 2019		December 31, 2018
Ore stockpiled	**$**	**68.2**		20.0
In-circuit		**7.9**		5.2
Finished goods		**13.4**		6.9
Materials and supplies		**33.4**		26.2
	$	**122.9**	$	58.3

The amount of depreciation included in inventory as at September 30, 2019 is $46.0 (December 31, 2018 - $13.7). For the nine months ended September, 2019, a total charge of $21.5 was recorded to adjust long term, low grade stockpile inventory to net realizable value, $9.4 and $12.1 through production costs and depreciation and amortization, respectively (nine months ended September 30, 2018 - nil). The Debt Facility (Note 8) is secured by all of the assets of Minera Media Luna, S.A. de C.V. (“MML”), including inventory.

Note 6. Restricted Cash

Pursuant to the 2017 Debt Facility (Note 8), the Company was required to maintain a restricted cash account for estimated reclamation obligations. As part of the refinancing completed in July 2019, the Company is no longer required to maintain a restricted cash account and the entire balance was transferred to cash and cash equivalents in July 2019 (Note 8). As at September 30, 2019, the restricted cash balance was nil (December 31, 2018 - $26.8).

Note 7. Property, Plant and Equipment

	Mexico			Canada	Total
	Mineral Property	Property & Equipment	Construction in Progress	Property & Equipment	
Cost					
As at January 1, 2018	$ 270.1	$ 880.5	$ 3.0	$ 1.6	$ 1,155.2
Additions	88.4	43.4	12.8	-	144.6
Disposals	-	(0.6)	-	-	(0.6)
As at December 31, 2018	$ 358.5	$ 923.3	$ 15.8	$ 1.6	$ 1,299.2
Adoption of IFRS 16	-	2.3	-	1.6	3.9
As at, January 1, 2019 (restated)	$ 358.5	$ 925.6	$ 15.8	$ 3.2	$ 1,303.1
Additions	45.6	25.1	19.6	3.2	93.5
Disposals	-	(0.3)	-	-	(0.3)
As at September 30, 2019	**$ 404.1**	**$ 950.4**	**$ 35.4**	**$ 6.4**	**$ 1,396.3**
Accumulated depreciation					
As at January 1, 2018	$ 39.0	$ 141.0	$ -	$ 1.3	$ 181.3
Depreciation	31.2	102.5	-	0.1	133.8
Disposals	-	(0.1)	-	-	(0.1)
As at December 31, 2018	$ 70.2	$ 243.4	$ -	$ 1.4	$ 315.0
Depreciation	53.8	116.0	-	1.5	171.3
Disposals	-	(0.3)	-	-	(0.3)
As at September 30, 2019	**$ 124.0**	**$ 359.1**	**$ -**	**$ 2.9**	**$ 486.0**
Net book value					
As at December 31, 2018	$ 288.3	$ 679.9	$ 15.8	$ 0.2	$ 984.2
As at September 30, 2019	**$ 280.1**	**$ 591.3**	**$ 35.4**	**$ 3.5**	**$ 910.3**

As at September 30, 2019, property and equipment includes, net of depreciation, $15.5 in capitalized borrowing costs (December 31, 2018 - $17.7), $6.8 (December 31, 2018 – nil) in capitalized costs pertaining to the Muckahi Mining System, which is an intangible asset, and $10.3 (December 31, 2018 - $10.7) related to the decommissioning liability for the ELG Mine Complex. Mineral property includes, net of accumulated depreciation, $155.7 (December 31, 2018 - $142.2) of capitalized deferred stripping costs, which includes $50.8 (December 31, 2018 - $45.7) of capitalized depreciation of property and equipment. Included within property and equipment are right-of-use assets for leases of light vehicles, mobile equipment, heavy mining equipment, office space and other office equipment (Note 8).

Note 8. Debt

		September 30, 2019		December 31, 2018
Debt:				
Debt Facility (a)	**$**	**240.5**	$	316.5
Equipment Loan		**0.4**		1.6
Leases (b)		**14.8**		15.4
Total debt, net of deferred finance charges	**$**	**255.7**	$	333.5
Less: current portion, net of deferred finance charges		**86.7**		82.8
Long-term portion, net of deferred finance charges	**$**	**169.0**	$	250.7

Contractual undiscounted debt repayments

2019	**$**	**17.5**
2020		**93.0**
2021		**44.5**
2022		**110.2**
2023 and thereafter		**1.3**
Total debt repayments	**$**	**266.5**

(a) *Debt Facility*

2017 Debt Facility

On July 21, 2017, the Company, through its subsidiary MML, signed an Amended and Restated Credit Agreement ("ARCA") with BNP Paribas, Commonwealth Bank of Australia, ING Capital LLC., and SG Americas Securities, LLC, as joint bookrunners, and BMO Harris Bank N.A. and The Bank of Nova Scotia (the "2017 Banks") in connection with a secured $400.0 debt facility (the "2017 Debt Facility"). The 2017 Debt Facility comprised a $300.0 term loan (the "2017 Term Facility") and a $100.0 revolving loan facility (the "2017 Revolving Facility"). On July 25, 2017, the Company drew the full amount of the 2017 Term Facility and $75.0 of the 2017 Revolving Facility to repay the loan facility that was previously entered into. The Company was permitted to use the 2017 Revolving Facility for MML's general corporate purposes, including development expenditures, subject to the conditions of the 2017 Debt Facility.

The 2017 Debt Facility bore interest at a rate of LIBOR plus 4.00% for the first two years, LIBOR plus 4.25% for years three and four, and LIBOR plus 4.50% thereafter and included standard and customary finance terms and conditions. The 2017 Debt Facility was secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries. The 2017 Revolving Facility and the 2017 Term Facility were to mature June 30, 2020 and June 30, 2022, respectively. The first scheduled repayment of the 2017 Term Facility of $9.3 was made on March 31, 2018, and varying repayments would continue in quarterly instalments until maturity. The 2017 Revolving Facility and the 2017 Term Facility could be repaid in full at any time without penalty or premium. On July 30, 2019, the 2017 Debt Facility was amended and restated as described below. Immediately prior to the refinancing, the principal amount outstanding under the 2017 Revolving Facility and the 2017 Term Loan was $75.0 and $212.4, respectively.

2019 Debt Facility

On July 30, 2019, the Company through its subsidiary MML (as borrower) signed a Second Amended and Restated Credit Agreement ("SARCA") with the Bank of Montreal, BNP Paribas, ING Bank N.V., Dublin Branch, Société Générale and the Bank of Nova Scotia (the "Banks") in connection with a secured $335.0 debt facility (the "Debt Facility"). The Debt Facility is comprised of a $185.0 term loan (the "Term Facility") and a $150.0 revolving loan facility (the "Revolving Facility"). As of July 30, 2019, the full amount of the Term Facility and $100.0 of the Revolving Facility was outstanding. On the date of the refinancing, the Company repaid $2.4 in relation to the 2017 Term Facility. Proceeds of the Revolving Facility may be used for general corporate purposes, including certain development expenditures and acquisitions, in all cases subject to the conditions of the Debt Facility. The Debt Facility contains cross-default provisions with certain of the Company's leases and equipment loan. The Debt Facility also restricts the Company from making distributions, except that the Company may distribute the Muckahi Subsidiaries or the Muckahi System Rights (including by way of a "spin out" transaction) if there is no default or event of default. A Muckahi Subsidiary is a direct or indirect subsidiary of the Company whose assets are primarily comprised of the rights to and interest in the design of the Muckahi mining system or assets related thereto (the "Muckahi System Rights").

The Debt Facility has a lower interest rate and a revised repayment schedule for the Term Facility as compared to the 2017 Debt Facility. The Debt Facility permits, including by use of the Revolving Facility, potential spending to facilitate the development of the Media Luna Project, the Muckahi mining system, and other existing and future projects of the Company, subject to the conditions of the Debt Facility, including compliance with (i) financial covenants related to maintaining a net leverage ratio of 3.0, a debt service coverage ratio of 1.15 and minimum liquidity of $50.0 and (ii) certain thresholds with respect to the quantum of development expenditures and the amount spent on the Muckahi mining system. The Debt Facility also includes a Reserve Tail Test that replaces the Reserve Tail Ratio (as it was in the 2017 Debt Facility). Non-compliance with the Reserve Tail Test is not an event of default, but instead restricts the amount that can be drawn under the Revolving Facility, and depending on the amount drawn, may also require prepayments of the Debt Facility. At September 30, 2019, $140.0 of the Revolving Facility is available based on the Reserve Tail Test, of which $80.0 is drawn.

The Debt Facility bears interest at a rate of LIBOR +3%. It includes standard and customary finance terms and conditions including with respect to fees, representations, warranties, covenants and conditions precedent to additional draws under the Revolving Facility. The Debt Facility is secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries with a direct or indirect interest in the ELG Mine Complex and or the Media Luna Project. The Revolving Facility will be reduced to $100.0 on December 31, 2021. The Revolving Facility and the Term Facility will mature June 30, 2022. The Term Facility may be repaid in full at any time without penalty or premium.

As at September 30, 2019, the Company is in compliance with the financial and other covenants under the Debt Facility.

During the nine months ended September 30, 2019, the Company made principal repayments of $75.5, including $40.5 under the 2017 Debt Facility (nine months ended September 30, 2018 - $36.3) and a $20.0 prepayment to the Revolving Facility in September 2019.

Transaction costs

Previously capitalized financing charges pertaining to the 2017 Debt Facility in the amount of $6.2, as well as capitalized financing fees of $2.6 and a gain on the non-substantial modification of $1.8 associated with the refinanced Debt Facility (net of $0.7 previously capitalized financing charges expensed upon modification), were proportionately allocated based on the respective drawn down amounts of the Term Facility and Revolving Facility, and are presented net of the Debt Facility. These amounts will be amortized within finance costs (Note 9) over the terms of the Term Facility and Revolving Facility, respectively. During the nine months ended September 30, 2019, the amortization expense relating

to the deferred finance charges is calculated using an effective interest rate ranging between 0.973% and 3.277% and results in unamortized deferred finance charges of $9.5 as at September 30, 2019 (December 31, 2018 - $9.0).

(b) *Leases*

The Company leases several assets including light vehicles, mobile equipment, heavy mining equipment, office space and other office equipment. The average lease term is 2.5 years.

The Company's right-of-use assets are as follows:

	Mexico	Canada	**Total**
	Property & Equipment	Property & Equipment	
Cost			
As at January 1, 2019	$ 29.3	$ 1.6	$ 30.9
Additions and adjustments	0.7	-	0.7
As at September 30, 2019	**$ 30.0**	**$ 1.6**	**$ 31.6**
Accumulated depreciation			
As at January 1, 2019	$ 10.5	$ -	$ 10.5
Depreciation	5.6	0.1	5.7
As at September 30, 2019	**$ 16.1**	**$ 0.1**	**$ 16.2**
Net book value			
As at January 1, 2019	$ 18.8	$ 1.6	$ 20.4
As at September 30, 2019	**$ 13.9**	**$ 1.5**	**$ 15.4**

For the nine months ended September 30, 2019, the total cash outflows for leases amounted to $6.2. The weighted average incremental borrowing rate applied to the lease liabilities was 6.98%. The total lease liabilities are as follows:

	September 30, 2019	January 1, 2019
Current	**$ 7.7**	$ 6.9
Non-current	**7.1**	12.4
	$ 14.8	$ 19.3

The remaining contractual undiscounted maturities of the Company's lease liabilities are as follows:

		September 30, 2019		January 1, 2019
Not later than 1 year	**$**	**8.3**	$	8.1
Later than 1 year and not later than 5 years		**6.9**		12.5
Later than 5 years		**0.9**		1.0
	$	**16.1**	$	21.6

The Company does not face significant liquidity risk with regards to its lease liabilities.

In October 2019, the Company repaid the remaining balance on the finance lease agreement with Parilease SAS for $11.2, including accrued interest up to the repayment date. The lease was executed on December 31, 2015 to finance certain mining equipment for up to $17.4. Advances under the agreement bore interest at a rate of LIBOR plus 4.00% and was repayable in quarterly instalments, maturing on December 31, 2020.

Note 9. Finance Costs (Income)

The following table shows net finance costs for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended				**Nine Months Ended**			
		September 30, 2019		September 30, 2018		**September 30, 2019**		September 30, 2018
Finance costs, excluding lease liabilities	**$**	**4.2**	$	7.3	**$**	**17.7**	$	22.0
Interest income		**(0.9)**		(8.0)		**(2.7)**		(10.5)
Accretion of decommissioning liabilities		**0.2**		0.1		**0.5**		0.4
Interest on lease liabilities		**0.3**		0.4		**0.9**		1.2
	$	**3.8**	$	(0.2)	**$**	**16.4**	$	13.1

Note 10. Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Note 11. Share-based Payments

The Company has three share-based compensation plans: the Stock Option Plan (the "SOP Plan"), the RSU Plan and the ESU Plan.

The ESU Plan allows for the issuance of Employee Restricted Share Units ("ERSUs") and Employee Performance Share Units ("EPSUs") to employees of the Company.

	Number Outstanding	Share-based Payment Expense			
		Three Months Ended		Nine Months Ended	
	September 30, 2019	**September 30, 2019**	September 30, 2018	**September 30, 2019**	September 30, 2018
Common share options	**245,527**	**$ -**	$ -	**$ 0.2**	$ 0.5
RSUs	**100,407**	**-**	-	**0.7**	0.5
ERSUs	**373,432**	**0.4**	0.6	**1.1**	1.6
EPSUs	**545,705**	**0.7**	1.1	**2.0**	3.1
	1,265,071	**$ 1.1**	$ 1.7	**$ 4.0**	$ 5.7

A summary of changes in the number of Options issued by the Company for the nine months ended September 30, 2019 and for the year ended December 31, 2018 is presented as follows:

	Number of Options	Weighted Average Exercise Price (C$)
Balance, January 1, 2018	1,062,801	$ 16.02
Granted	126,394	12.46
Exercised	(5,000)	11.40
Forfeited	(18,457)	11.55
Expired	(354,314)	21.29
Balance, December 31, 2018	811,424	$ 13.31
Granted	**37,584**	**13.89**
Exercised	**(601,981)**	**11.80**
Expired	**(1,500)**	**11.50**
Balance, September 30, 2019	**245,527**	**$ 17.10**

The fair value of the Options granted was calculated using a Black-Scholes option pricing model. The expected volatility is estimated taking into consideration the historical volatility of the Company's share price over the expected life of the option. The weighted average fair value of Options granted during the nine months ended September 30, 2019 was C$5.99 (year ended December 31, 2018 - C$4.94). The following is a summary of the weighted average of assumptions used in the Black-Scholes option pricing model for Options granted during the three and nine months ended September 30, 2019 and 2018:

	Nine Months Ended	
	September 30, 2019	September 30, 2018
Risk-free interest rate	**1.93%**	1.84%
Expected price volatility	**63%**	63%
Expected option life (in years)	**3.00**	2.50
Annual dividend rate	**0%**	0%
Estimated forfeiture rate	**0%**	0%

Restricted share units

RSU Plan

Restricted share units comprise both RSUs issued under the RSU Plan and ERSUs granted under the ESU Plan.

An amendment was made to the RSU Plan in January 2019 to allow participants to request cash settlement subject to the Company's consent. A liability of $1.3 was recognized for the fair value of the awards under the RSU Plan at January 24, 2019, and at each reporting date, changes in fair value are recognized in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income. As at September 30, 2019, the fair value of the RSUs outstanding is $1.2. RSUs granted in 2019 had a fair value of $0.7 at grant date.

ESU Plan

For ESU Plan awards, which includes ERSUs and EPSUs, granted in 2016 and settled in the first quarter of 2019, certain employees elected, and the Company consented, to settle certain ESU Plan awards in cash at fair value on settlement date.

A summary of changes in the number of RSUs and ERSUs issued by the Company for the nine months ended September 30, 2019 and the year ended December 31, 2018 is presented below:

	Number of RSUs and ERSUs		**Weighted Average Value (C$)**
Balance, January 1, 2018	239,437	$	25.98
Granted	270,422		11.02
Settled	(32,360)		17.01
Forfeited	(34,536)		19.56
Balance, December 31, 2018	442,963	$	18.00
Granted	**232,136**		**13.85**
Settled	**(170,813)**		**24.84**
Forfeited	**(30,447)**		**14.56**
Balance, September 30, 2019	**473,839**	**$**	**13.73**

Performance share units

A summary of changes in the number of EPSUs issued by the Company for the nine months ended September 30, 2019 and the year ended December 31, 2018 is presented below:

	Number of EPSUs		Weighted Average Value (C$)
Balance, January 1, 2018	274,394	$	44.10
Granted	311,385		9.38
Forfeited	(51,796)		23.50
Balance, December 31, 2018	533,983	$	25.85
Granted	**242,914**		**20.84**
Settled	**(128,629)**		**41.14**
Forfeited	**(102,563)**		**25.80**
Balance, September 30, 2019	**545,705**	**$**	**20.03**

The fair value of EPSUs granted is calculated using a Monte Carlo simulation option pricing model. The Monte Carlo simulation option pricing model requires the use of subjective assumptions including expected share price volatility, risk-free interest rate, and estimated forfeiture rate. Historical data is considered in setting the assumptions. The estimated fair value of EPSUs is amortized on a straight-line basis over the related performance period. Under this method, a portion of the fair value of the EPSUs is recognized at each reporting period based on the pro-rated number of months the eligible employees are employed by the Company compared to the vesting period of each grant.

The EPSUs granted during the nine months ended September 30, 2019 have a performance period that ends on December 31, 2021 and have an estimated weighted average unit fair value at the grant date of C$20.84 (US$15.61 at the date of grant). The EPSUs are earned over time and expensed accordingly. Therefore, the estimated forfeiture rate is zero. The following is a summary of the assumptions used in the Monte Carlo simulation option pricing model for EPSUs granted during the nine months ended September 30, 2019 and 2018:

	Nine Months Ended	
	September 30, 2019	September 30, 2018
Risk-free interest rate	**2.29%**	1.86%
Expected price volatility	**63%**	61%
Expected life of units (in years)	**2.90**	2.97
Annual dividends	**0%**	0%
Estimated forfeiture rate	**0%**	0%

Note 12. Earnings per Share

Earnings per share has been calculated using the weighted average number of common shares outstanding for the three and nine months ended September 30, 2019 and 2018 as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Net income for the period	**$ 27.4**	$ 23.9	**$ 36.1**	$ 21.8
Basic weighted average shares outstanding	**85,315,517**	84,912,606	**85,219,953**	84,195,319
Weighted average shares dilution adjustments:				
Share options	**67,957**	-	**82,250**	-
Restricted share units	**321,699**	155,920	**234,755**	121,265
Performance share units	**137,653**	-	**113,634**	-
Diluted weighted average shares outstanding	**85,842,826**	85,068,526	**85,650,592**	84,316,584
Earnings per share				
Basic	**$ 0.32**	$ 0.28	**$ 0.42**	$ 0.26
Diluted	**$ 0.32**	$ 0.28	**$ 0.42**	$ 0.26

For the three months ended September 30, 2019, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 86,404 share options and 5,482 EPSUs as their exercise or settlement would be anti-dilutive in the earnings per share calculation.

For the nine months ended September 30, 2019, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 107,284 share options, 9,068 ERSUs and 182,674 EPSUs as their exercise or settlement would be anti-dilutive in the earnings per share calculation.
For the three months ended September 30, 2018, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes all share options, all EPSUs, all RSUs and 177,988 ERSUs as their exercise would be anti-dilutive in the earnings per share calculation.

For the nine months ended September 30, 2018, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes all share options, all EPSUs, all RSUs and 63,012 ERSUs as their exercise would be anti-dilutive in the earnings per share calculation.

Note 13. Financial Instruments and Financial Risk Management

The Company’s financial instruments consist of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, derivative contracts and debt. Other than the derivative contracts, these financial instruments are recorded at amortized cost on the Condensed Consolidated Interim Statements of Financial Position. Other than the debt, the fair values of these financial instruments approximate their carrying values due to their short-term maturity. The derivative contracts are recorded at fair value and revalued through income at the end of each reporting period.

The carrying values and fair values of the Company's financial instruments as at September 30, 2019 and December 31, 2018 are as follows:

	As at September 30, 2019		As at December 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	**$ 168.0**	**$ 168.0**	$ 122.2	$ 122.2
Derivative contracts	**0.5**	**0.5**	-	-
Restricted cash	**-**	**-**	26.8	26.8
	$ 168.5	**$ 168.5**	$ 149.0	$ 149.0
Financial Liabilities				
Accounts payable and accrued liabilities	**$ 76.4**	**$ 76.4**	$ 93.4	$ 93.4
Derivative contracts	**1.7**	**1.7**	0.3	0.3
Debt	**240.5**	**244.5**	316.5	325.0
	$ 318.6	**$ 322.6**	$ 410.2	$ 418.7

The carrying amount of debt is presented net of unamortized deferred finance charges. The fair value of the Company's debt is determined by using a discounted cash flow approach whereby future cash flows associated with the debt were discounted at a rate that equates to the risk-free rate plus a credit spread based on comparable publicly traded instruments of similar credit quality and industry. The fair value of derivative contracts is estimated using a combination of quoted prices and market-derived inputs.

The Company's financial risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk:

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. All of the Company's cash and cash equivalents, VAT receivables, and derivative assets are held with reputable financial institutions or government agencies as at September 30, 2019. The carrying amount of the Company's cash and cash equivalents, VAT receivables and derivative assets represents the maximum exposure to credit risk as at September 30, 2019.

The Company is exposed to liquidity risk and credit risk with respect to its VAT receivables if the Mexican tax authorities are unable or unwilling to make payments in a timely manner in accordance with the Company's monthly filings. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. As at September 30, 2019, the Company's VAT receivables balance is $40.8, and in respect of this balance, the Company expects to recover $31.2 over the next 12 months and a further $9.6 thereafter. The Company's approach to managing liquidity risk with respect to its VAT receivables is to file its refund requests on a timely basis, monitor actual and projected collections of its VAT receivables, and cooperate with the Mexican tax authorities in providing information as required.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company is exposed to liquidity risks in meeting its expenditures in instances where cash positions are insufficient or appropriate financing is unavailable.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2019, the Company had cash balances of $168.0 (December 31, 2018 - cash balances of $122.2, excluding restricted cash of $26.8). The Company maintains its cash in fully liquid business accounts.

As at September 30, 2019, the amounts outstanding under the Debt Facility and Equipment Loan totalled $250.0, and $0.4 respectively (December 31, 2018 - $325.5, and $1.6, respectively).

Cash flows that are expected to fund the operation of the ELG Mine Complex and settle current liabilities are dependent on, among other things, proceeds from gold sales. If operations at the ELG Mine Complex are shut down as a result of an illegal blockade or other disruption to operations, the Company may not be able to generate sufficient cash flow to meet its obligations or satisfy the financial covenants under the Debt Facility, including but not limited to the minimum liquidity threshold and debt service coverage, and service its debt on a timely basis.

The following tables detail the Company's expected remaining contractual cash flow requirements for its financial liabilities on repayment or maturity periods. The amounts presented are based on the contractual undiscounted cash flows and may not agree with the carrying amounts on the Condensed Consolidated Interim Statements of Financial Position.

			As at September 30, 2019
	Up to 1 year	1-5 years	Over 5 years	**Total**
Accounts payable and accrued liabilities	**$ 76.4**	**$ -**	-	**$ 76.4**
Derivative contracts	**0.8**	**0.9**	-	**1.7**
Debt (Note 8)	**79.2**	**171.3**	**-**	**250.5**
	$ 156.4	**$ 172.2**	**-**	**$ 328.6**

			As at December 31, 2018	
	Up to 1 year	1-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 93.4	$ -	-	$ 93.4
Derivative contracts	0.3	-	-	0.3
Debt (Note 8)	77.5	249.6	-	327.1
	$ 171.2	$ 249.6	-	$ 420.8

(c) Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(i) Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument or its fair value will fluctuate because of changes in market interest rates. The Debt Facility (Note 8) bears interest at a rate of LIBOR +3%, while amounts outstanding under the Equipment Loan bear interest at a rate of LIBOR plus 3.75%. In February 2019, the Company entered into interest rate swap contracts for a fixed LIBOR of 2.492% on interest payments related to $150.0 of the term loan to hedge against unfavourable changes in interest rates.

As at September 30, 2019, a 100 basis points change in the LIBOR would result in a decrease or increase of $0.6 (using the LIBOR rate as at September 30, 2019 of 2.02%) in the Company's net income for the nine months relating to the interest rate swap contracts.

The Company does not consider its interest rate risk exposure to be significant as at September 30, 2019 with respect to its cash and cash equivalent positions.

(ii) Foreign currency risk:

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada and Mexico and has exposure to financial risk arising from fluctuations in foreign exchange rates. The Company expects the majority of its exploration, project development, operating and decommissioning expenditures associated with the Morelos Gold Property to be paid in Mexican pesos and U.S. dollars.

As at September 30, 2019, the Company had cash and cash equivalents, VAT receivables, accounts payable and accrued liabilities and income taxes payable that are denominated in Mexican pesos and in Canadian dollars. A 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $0.6 in the Company's net income for the nine months. A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $0.1 in the Company's net income for the nine months.

(iii) Commodity price risk:

Gold prices have fluctuated widely in recent years and there is no assurance that a profitable market will exist for gold produced by the Company. In August 2019, the Company entered into a series of zero-cost collars to hedge against changes in gold prices for a total of 96,000 ounces of gold sales over the next 12 months. The floor price of the monthly gold collars has been set at $1,400 per ounce with the ceiling price of the collars ranging from $1,666 per ounce in September 2019 to $1,768 per ounce in August 2020.

As at September 30, 2019, a 10% change in the gold price would not result in a decrease or increase (using the spot rate as at September 30, 2019 of $1,473) in the Company's net income for the quarter relating to the zero-cost collar hedges.

Note 14. Commitments

Purchase commitments

As at September 30, 2019, the total purchase commitments for the ELG Mine Complex amounted to $26.2, which is expected to settle over the next 12 months.

ELG royalties

Production revenue from certain concessions is subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and is payable on a quarterly basis. In the nine months ended September 30, 2019, the Company paid $9.6 for the 2.5% royalty relating to the fourth quarter of 2018 and the first two quarters of 2019. As at September 30, 2019, the Company has accrued $4.9 relating to 2019 for the 2.5% royalty.

The Company is subject to a mining tax of 7.5% on taxable earnings before the deduction of taxes, interest, and depreciation and amortization, and a royalty of 0.5% on sales of gold, silver and platinum. Both the mining tax and royalty are payable on an annual basis in the following year. The mining tax is considered an income tax for IFRS purposes. In April 2019, the Company paid $8.0 relating to amounts due for 2018 for the 7.5% and 0.5% royalties. As at September 30, 2019, the Company has $29.2 and $2.2 accrued for the 7.5% and 0.5% royalties, respectively.