TOREX GOLD RESOURCES INC.

Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

(Expressed in millions of U.S. dollars)

Management's Responsibility for Financial Reporting

The accompanying audited consolidated statements of financial position as of December 31, 2017 and 2016 and the related consolidated statements of operations and comprehensive (loss) income, changes in shareholders' equity and cash flows for the years ended December 31, 2017 and 2016 of Torex Gold Resources Inc. (the "Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the audited annual consolidated financial statements, including responsibility for significant judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management maintains accounting systems and internal controls to produce reliable consolidated financial statements and provide reasonable assurance that assets are properly safeguarded.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board of Directors carries out this responsibility through its Audit Committee. The Audit Committee meets periodically with management and the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to recommending the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by KPMG LLP, Chartered Professional Accountants, on behalf of the shareholders. Their report follows.

"Fred Stanford"
Fred Stanford (signed)
President and Chief Executive Officer

"Jeff Swinoga"
Jeff Swinoga (signed)
Chief Financial Officer

February 21, 2018

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Torex Gold Resources Inc.

We have audited the accompanying consolidated financial statements of Torex Gold Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of operations and comprehensive (loss) income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Torex Gold Resources Inc. as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 21, 2018
Toronto, Canada

TOREX GOLD RESOURCES INC.

Consolidated Statements of Financial Position

Millions of U.S. dollars		**December 31, 2017**		December 31, 2016
Assets				
Current assets:				
Cash and cash equivalents	**$**	**44.9**	$	104.0
Derivative contracts (Note 11)		**-**		8.6
Value-added tax receivables (Note 8)		**31.4**		21.9
Inventory (Note 5)		**63.1**		53.4
Prepaid expenses and other current assets		**12.2**		9.0
		151.6		196.9
Restricted cash (Note 6)		**13.9**		23.4
Value-added tax receivables (Note 8)		**23.4**		39.9
Other non-current assets		**5.3**		5.2
Property, plant and equipment (Note 7)		**973.9**		940.9
Total assets	**$**	**1,168.1**	$	1,206.3
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**50.9**	$	50.4
Income tax payable		**9.8**		10.7
Debt (Note 9)		**56.2**		5.5
Derivative contracts (Note 11)		**1.8**		5.7
		118.7		72.3
Derivative contracts (Note 11)		**0.4**		4.5
Debt (Note 9)		**329.4**		401.2
Decommissioning liabilities (Note 12)		**14.0**		10.2
Deferred income tax liabilities		**26.3**		34.2
		488.8		522.4
Shareholders' equity:				
Share capital (Note 14)		**966.4**		962.9
Contributed surplus		**29.9**		25.4
Other reserves (Note 14)		**(62.5)**		(62.5)
Deficit		**(254.5)**		(241.9)
		679.3		683.9
Total liabilities and shareholders' equity	**$**	**1,168.1**	$	1,206.3

Commitments (Note 24)
Subsequent events (Notes 9(a), 17(b))

Approved on behalf of the Board of Directors:

"Fred Stanford"
Fred Stanford (signed)
Director

"Andrew Adams"
Andrew Adams (signed)
Director

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

Consolidated Statements of Operations and Comprehensive (Loss) Income

Millions of U.S. dollars, except per share amounts	Year Ended December 31, 2017	Year Ended December 31, 2016
Revenue		
Metal sales	**$ 314.9**	$ 312.5
Cost of sales		
Production costs	**169.4**	125.0
Royalties	**9.6**	9.3
Depreciation and amortization	**81.2**	58.3
Earnings from mine operations	**$ 54.7**	$ 119.9
General and administrative (Note 19)	**19.1**	15.4
Exploration and evaluation expenditures (Note 20)	**6.5**	3.7
Blockade and other charges (Note 21)	**14.4**	-
	$ 40.0	$ 19.1
Other expenses (income):		
Derivative costs, net (Note 11)	**1.4**	40.9
Finance costs, net (Note 10)	**27.3**	20.6
Foreign exchange (gain) loss	**(0.7)**	13.5
	$ 28.0	$ 75.0
(Loss) income before income tax expense (recovery)	**(13.3)**	25.8
Current income tax expense (Note 13)	**7.2**	10.5
Deferred income tax (recovery) expense (Note 13)	**(7.9)**	12.1
Net (loss) income and comprehensive (loss) income	**$ (12.6)**	$ 3.2
(Loss) earnings per share (Note 16)		
Basic	**$ (0.16)**	$ 0.04
Diluted	**$ (0.16)**	$ 0.04

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

Consolidated Statements of Changes in Shareholders' Equity

Millions of U.S. dollars, except number of common shares	**Number of Common Shares** (Note 14)	**Common Shares**	**Contributed Surplus**	**Other Reserves** (Note 14)	**Deficit**	**Total Shareholders' Equity**
Balance, January 1, 2016	78,544,682	$ 942.1	$ 35.5	$ (62.5)	$ (245.1)	$ 670.0
Exercise of stock options	831,885	16.9	(11.0)	-	-	5.9
Settlement of restricted share units	278,999	3.9	(3.9)	-	-	-
Amortization of stock options	-	-	1.1	-	-	1.1
Amortization of restricted share units	-	-	3.0	-	-	3.0
Amortization of performance share units	-	-	0.7	-	-	0.7
Net income	-	-	-	-	3.2	3.2
Balance, December 31, 2016	79,655,566	$ 962.9	$ 25.4	$ (62.5)	$ (241.9)	$ 683.9

Millions of U.S. dollars, except number of common shares	**Number of Common Shares** (Note 14)	**Common Shares**	**Contributed Surplus**	**Other Reserves** (Note 14)	**Deficit**	**Total Shareholders' Equity**
Balance, January 1, 2017	**79,655,566**	**$ 962.9**	**$ 25.4**	**$ (62.5)**	**$ (241.9)**	**$ 683.9**
Exercise of stock options	109,202	2.2	(1.2)	-	-	**1.0**
Settlement of restricted share units	89,978	1.3	(1.3)	-	-	**-**
Amortization of stock options	-	-	0.5	-	-	**0.5**
Amortization of restricted share units	-	-	2.7	-	-	**2.7**
Amortization of performance share units	-	-	3.8	-	-	**3.8**
Net loss	-	-	-	-	(12.6)	**(12.6)**
Balance, December 31, 2017	**79,854,746**	**$ 966.4**	**$ 29.9**	**$ (62.5)**	**$ (254.5)**	**$ 679.3**

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

Consolidated Statements of Cash Flows

Millions of U.S. dollars	Year Ended **December 31, 2017**	December 31, 2016
Operating activities:		
Net (Loss) income	**$ (12.6)**	$ 3.2
Adjustments for:		
Share-based compensation	**7.0**	4.8
Depreciation, amortization and accretion	**84.6**	58.7
Unrealized loss on derivative contracts	**0.6**	30.4
Unrealized foreign exchange (gain) loss	**(2.3)**	10.0
Finance costs	**30.6**	21.2
Deferred income taxes	**(7.9)**	12.1
Income taxes paid	**(8.1)**	(1.1)
Cash generated from operating activities before changes in non-cash working capital balances	**$ 91.9**	$ 139.3
Changes in non-cash working capital balances:		
Value-added tax receivables, net	**(6.4)**	(23.3)
Inventory	**(11.0)**	6.1
Prepaid expenses and other current assets	**(3.3)**	(5.8)
Accounts payable and accrued liabilities	**(4.8)**	40.3
Income taxes payable	**7.2**	10.8
Net cash generated from operating activities	**$ 73.6**	$ 167.4
Investing activities:		
Additions to property, plant and equipment	**(108.6)**	(137.8)
Proceeds from pre-production sales	**-**	38.7
Borrowing costs capitalized to property, plant and equipment	**-**	(5.6)
Working capital for property, plant and equipment	**6.4**	(28.4)
Value-added tax receivables, net	**17.6**	3.3
Restricted cash	**9.5**	20.3
Net cash used in investing activities	**$ (75.1)**	$ (109.5)
Financing activities:		
Proceeds from value-added tax loan	**-**	24.3
Repayment of debt	**(26.4)**	(6.5)
Deferred finance charges	**(6.5)**	(0.9)
Working capital for finance charges	**-**	(1.9)
Interest paid	**(26.4)**	(19.1)
Exercise of stock options	**1.0**	5.8
Net cash (used in) generated from financing activities	**$ (58.3)**	$ 1.7
Effect of foreign exchange rate changes on cash and cash equivalents	**0.7**	(1.7)
Net (decrease) increase in cash and cash equivalents during the period	**$ (59.1)**	$ 57.9
Cash and cash equivalents, beginning of the year	**$ 104.0**	$ 46.1
Cash and cash equivalents, end of the year	**$ 44.9**	$ 104.0

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

Note 1. Corporation Information

Torex Gold Resources Inc. (the "Company" or "Torex") is a growth-oriented, Canadian-based resource company engaged in the exploration, development and operation of its 100% owned Morelos Gold Property, located 180 kilometres southwest of Mexico City. The Company's principal assets are the El Limón Guajes mining complex (the "ELG Mine Complex"), comprised of the El Limón, Guajes and El Limón Sur open pits, the El Limón Guajes underground mine including zones referred to as Sub-Sill, El Limón Deep and 71, and the processing plant and related infrastructure, which is in the commercial production stage as of April 1, 2016, and the Media Luna deposit, which is an early stage development project, and for which the Company issued a preliminary economic assessment in 2015.

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 consolidated financial statements of the Company as at and for the years ended December 31, 2017 and 2016 include the accounts of the Company and its subsidiaries (herein referred to as "consolidated financial statements").

Note 2. Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Accounting policies are consistently applied to all years presented, unless otherwise stated. These consolidated financial statements were approved for issuance by the Board of Directors on February 21, 2018.

(b) Basis of Consolidation

These consolidated financial statements comprise the financial statements of Torex and the accounts of the Company's wholly owned subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intragroup assets, liabilities, equity, revenue, expenses and cash flows relating to transactions between entities of the group have been eliminated. The Company's significant subsidiaries are as follows:

- 2290456 Ontario Inc.
- TGRXM, S.A. de C.V.
- Minera Media Luna, S.A. de C.V. ("MML")
- TGRXM2010, S.A. de C.V.

Note 3. Significant Accounting Policies

Effective April 1, 2016, upon reaching the production stage at the ELG Mine Complex, the Company transitioned from accounting for certain costs as a development stage company to accounting for certain costs as an operating company. This involved financial reporting changes including the following:

- Capitalized ELG Mine Complex construction costs were transferred from construction in progress to the relevant asset categories including mineral property, and property and equipment, inventory, and other assets;
- Capitalized costs included within mineral property, and property and equipment began to be depreciated consistent with the Company's established accounting policies;
- Capitalization of pre-production stage revenues, borrowing costs, and operating costs ceased; and
- Mine operating results are recorded in the Consolidated Statements of Operations and Comprehensive (Loss) Income since April 1, 2016.

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

A. Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in Note 3(G).

B. Foreign Currency

Functional and presentation currency

The consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Company and its significant subsidiaries.

Transactions in foreign currencies are translated into the entities' functional currencies at the exchange rates at the date of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the U.S. dollar are translated using exchange rates prevailing at the dates of the Consolidated Statements of Financial Position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on the dates of the initial transactions or valuation where items are remeasured. Income and expense items are translated at the exchange rates in effect at the date of the underlying transaction, except for depletion and depreciation related to non-monetary assets and share-based payments, which are translated at historical exchange rates. Exchange rate differences are recognized in the Consolidated Statements of Operations and Comprehensive (Loss) Income in the period in which they arise. The impact of foreign exchange on deferred income taxes is recognized in the income tax (recovery) expense.

C. Development Costs and Exploration and Evaluation Expenditures

Exploration costs include costs directly related to exploration and evaluation activities in the area of interest. Exploration and evaluation expenditures are expensed in the Consolidated Statements of Operations and Comprehensive (Loss) Income until the determination of the technical feasibility and commercial viability of a project. To determine whether technical feasibility and commercial viability of extracting a mineral resource exists, the Company considers various factors. Once the above determination has been completed, subsequent development expenses are capitalized in mineral properties. Expenditures, including engineering to design the size and scope of the project, environmental assessment and permitting, and surface rights acquisitions are capitalized in mineral properties.

The development stage ends and the production stage begins when the mine is in the condition necessary for it to be capable of operating in the manner intended by management. To assess when the mine is substantially complete and ready for its intended use, certain of the criteria considered include the following:

- Substantial completion of the construction activities;
- The level of capital expenditures in relation to the project budget;
- Producing saleable material;
- Completion of a reasonable period of testing of the plant and equipment in the mine and/or mill;
- Achieving a certain level of recoveries from the ore mined and processed; and
- Reaching a certain level of production and sustaining ongoing production.

Upon reaching the production stage, costs are transferred from construction in progress into the appropriate asset classes including mineral property, and plant and equipment, inventory, and other assets, and depreciation commences. Once in the production stage, gold sales are recognized as revenue and production costs as a component of mine operating costs.

Development expenditures incurred during the production stage to provide access to ore reserves in future periods, expand existing capacity, or generally provide future economic benefits, will continue to be capitalized under the Company's accounting policy for property, and plant and equipment.

D. Property, Plant and Equipment

Mineral property

Mineral property acquisition costs are capitalized as mineral property, which is included in property, plant and equipment in the Consolidated Statements of Financial Position.

Capitalized stripping costs

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of removing overburden and waste materials is referred to as stripping. Prior to the commencement of the production phase, stripping costs are capitalized as part of mineral properties.

Stripping costs incurred in the production stage are included in the cost of inventory produced during the period unless the costs are expected to provide a future economic benefit to an identifiable component of the ore body. Capitalized stripping costs are calculated by multiplying the stripping tonnes to be capitalized during the period by the current mining cost per tonne. Capitalized stripping costs are amortized using the unit-of-production method over the estimated proven and probable reserves to which they relate.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation and amortization

The cost of property, plant and equipment, less their residual value (if any), is depreciated over the estimated useful life of the asset on a straight-line basis or, on a unit-of-production basis over the remaining life of the mine if shorter:

Machinery and equipment	7 to 10 years
Vehicles	4 years
Computer and software	3 years
Office equipment and furniture	5 years
Leasehold improvements	Term of lease

Amortization of equipment used for development activities is included in construction in progress until the project enters the production stage.

Where components of an item of property, plant and equipment have different useful lives or for which different depreciation rates would be appropriate, they are accounted for as separate items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or replacement. Any gain or loss arising on recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statements of Operations and Comprehensive (Loss) Income when the asset is derecognized.

Capitalized interest

Interest costs for qualifying assets are capitalized. Qualifying assets are assets that require a significant amount of time to prepare for their intended use, including projects that are in the development or construction stages. Capitalized interest costs are considered an element of the cost of the qualifying asset. Capitalization ceases when the asset is available for use in the manner intended by management or if active development is suspended or ceases. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the year. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalized represents the borrowing costs specific to the qualifying asset. Borrowing costs capitalized to property, plant and equipment are presented as part of investing activities in the Consolidated Statements of Cash Flows.

Capitalized underground mine development costs

Underground mine development costs are capitalized when they are expected to have a future economic benefit for a period greater than one year. Activities that are typically capitalized include costs incurred to build shafts, drifts, ramps and access corridors which enables the Company to extract ore underground. The amount of development capitalized is calculated by multiplying the metres of development advanced to be capitalized during the period by the current development cost per metre. Capitalized underground mine development costs are amortized using the unit-of-production method over the estimated proven and probable reserves to which they relate.

E. Leasing Arrangements

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Minimum lease payments are apportioned between the interest element and the reduction of the lease obligation so as to achieve a constant rate of interest of the remaining balance of the obligation. An asset acquired under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are classified as operating leases. Operating lease payments are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

F. Impairment

The carrying amount of the Company's non-financial assets (which include mineral property, and plant and equipment) are reviewed for impairment at each reporting date for events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use, which for a mine is often the present value of the future cash flows expected to be derived from an asset using a discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, or "CGUs"). The Company has one CGU pertaining to the Mexican operations. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

G. Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is recorded in the Consolidated Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the Consolidated Statements of Operations and Comprehensive (Loss) Income. Gains and losses arising from changes in fair value are presented in the Consolidated Statements of Operations and Comprehensive (Loss) Income in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond 12 months of the dates of the Consolidated Statements of Financial Position, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within 12 months, or management expects to dispose of them within 12 months.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's short-term loans and receivables comprise trade receivables and short-term value-added tax receivables, and are included in current assets due to their short-term nature. The Company's long-term loans and receivables comprise long-term value-added tax receivables and restricted cash, and are included in non-current assets due to their long-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade and debt. Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, financing fees and a discount to reduce the liability to fair value, and are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Financial assets

The Company's financial assets include cash and cash equivalents and amounts receivable, including long-term receivables and derivative contracts.

Cash and cash equivalents

Cash and cash equivalents include cash and other highly liquid investments, such as term deposits with major financial institutions, which have a term to maturity of three months or less at the time of acquisition and are readily convertible to specified amounts of cash. The Company classifies cash equivalents as financial assets at fair value through profit or loss and accounts for them at fair value, with fair value adjustments charged to profit or loss.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, derivative contracts and debt. These obligations are classified as current liabilities except for payments due more than 12 months after the end of the reporting period, which are classified as non-current liabilities. Debt is recognized at amortized cost using the effective interest method.

In accordance with IAS 39 *Financial Instruments*, when a debt instrument is restructured or refinanced and the terms have been substantially modified, the transaction is accounted for as an extinguishment with a gain or loss recognized in profit or loss.

If there has been a modification in the terms of a debt instrument that does not meet the de-recognition conditions, then the carrying amount of the liability is adjusted for fees and transaction costs incurred and no gain or loss is recognized in profit or loss. Any difference in present value arising as a result of a non-substantial modification is recognized as an adjustment to the effective interest rate and amortized over the remaining life of the modified financial liability.

Management takes into account both quantitative and qualitative factors in assessing whether terms have been substantially modified, and often judgment is required in conducting the assessment. Terms are considered to have been substantially modified when the net present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate differs by at least 10 percent from the present value of the remaining cash flows under the original terms. If the difference in the present values of the cash flows is less than 10 percent, then a qualitative assessment is performed to determine whether the terms of the two instruments are substantially different. The purpose of a qualitative assessment is to identify substantial differences in terms that by their nature are not captured by a quantitative assessment.

In determining whether the terms of a debt arrangement have been substantially modified, management considers several factors, including, but not limited to, timing of cash flows, interest rate and fees, covenants, restrictions on use of proceeds, capital structure or liquidity, and other changes that are not otherwise considered in the quantitative analysis.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statements of Financial Position only if there is an enforceable legal right to offset the recognized amounts and the intention is to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative instruments and hedge accounting derivative instruments

The Company may enter into derivative instruments to mitigate economic exposures to commodity price and currency exchange rate fluctuations. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as fair value through profit or loss and recorded at fair value with realized gains or losses arising from changes in the fair value recorded in the Consolidated Statements of Operations and Comprehensive (Loss) Income in the period they occur. Fair values for derivative instruments classified as fair value through profit or loss are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date. Pursuant to the Debt Facility described in Note 9, the Company entered into gold contracts and currency swap agreements in 2014.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract. All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded on the Consolidated Statements of Financial Position at fair value and mark-to-market adjustments on these instruments are included in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

Derivative instruments are classified as current or non-current assets or liabilities, depending on their maturity dates.

H. Inventory

Inventory classifications include stockpiled ore, in-circuit, finished goods and materials and supplies. The value of all production inventory is measured on a weighted average basis and includes direct production costs and attributable overhead and depreciation incurred to bring the materials to their current point in the processing cycle. All inventory is valued at the lower of cost and net realizable value, with net realizable value determined with reference to market prices, less estimated future production costs (including royalties) to convert inventory into saleable form.

(i) Stockpiled ore represents unprocessed ore that has been mined and is available for future processing. Stockpiled ore is measured by estimating the number of tonnes added to or removed from the stockpile, the number of contained ounces and the estimated gold recovery percentage. Stockpile ore tonnages are verified by periodic surveys. Stockpiled ore value is based on the costs incurred (including applicable overhead, depreciation, and applicable depletion) in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average cost per tonne of ore in the stockpile.

(ii) In-circuit represents material that is currently being treated in the processing plant to extract the contained gold and to transform it to a saleable form. The in-circuit inventory is valued at the average of the beginning inventory and the costs of material fed into the processing stream plus in-circuit conversion costs including applicable overhead, and depreciation related to the processing facilities.

(iii) Finished goods inventory is saleable goods in the form of doré bars that have been poured, gold bullion, and carbon fines shipped to the refiner. Included in the costs are the direct costs of mining and processing operations as well as overheads and depreciation.

(iv) Materials and supplies inventory consists mostly of equipment parts and other consumables required in the mining and ore processing activities. Materials and supplies inventory is valued at the lower of weighted average cost and net realizable value.

I. Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effect.

J. Share-based Payments

The Company has three share-based compensation plans: the Stock Option Plan (the "SOP Plan"), the Employee Share Unit Plan (the "ESU Plan"), and the Restricted Share Unit Plan (the "RSU Plan"). The Company measures share-based awards based on the fair value of the options or units on the date of grant. Cash-settled awards are subsequently remeasured at fair value at each reporting date until the awards are settled using the Company's share price.

Stock Option Plan

The fair value of options granted under the Stock Option Plan is measured at grant date using generally accepted valuation techniques, taking into account the terms and conditions upon which the options are granted. The expected volatility is estimated taking into consideration the historical volatility of the Company's share price. The estimated fair value of the Options is amortized using graded vesting, over the period in which the options vest. One-third of the Options granted to officers and employees vest on grant, and the remainder vest over two years. For those options that vest on a single date, either on issuance or on the achievement of certain milestones, the fair value is amortized using graded vesting over the anticipated vesting period. The fair value of the awards is adjusted by the estimated number of options that are expected to vest as a result of non-market conditions, and is expensed over the vesting period using a graded vesting method of amortization with a corresponding increase in contributed surplus. Any consideration paid by the option holder on the exercise of stock options is credited to share capital, together with the related share-based compensation originally recorded in contributed surplus. Under the Stock Option Plan, a participant may elect a cashless exercise and have the Company satisfy the payment of the in-the-money amount by issuing common shares.

Employee Share Unit Plan

The Company has an ESU Plan to provide employee performance share units (“EPSUs”) and Employee Restricted Share Units (“ERSUs”) to participants in the plan as a form of remuneration. Subject to adjustment in accordance with the ESU Plan, an EPSU represents the right to receive a common share of the Company at vesting, or at the election of the participant and subject to the consent of the Company, the cash equivalent of a common share less applicable withholdings. The number of EPSUs that will ultimately vest is determined by multiplying the number of EPSUs granted to the participant by an adjustment factor, which ranges from 0 to 2.0. Therefore, the number of EPSUs that will vest and be issued may be higher or lower than the number of EPSUs originally granted to a participant. The adjustment factor is based on the Company’s total shareholder return relative to a selected group of comparable companies over the term of the applicable EPSU performance period. Under the terms of the ESU Plan, the Board of Directors is authorized to determine the adjustment factor.

The fair value and vesting terms for EPSUs granted are specific to each individual grant as determined and approved by the Board of Directors. The fair value of the EPSUs is expensed over the vesting period specific to the grant.

Restricted Share Unit Plan

The Company has an RSU Plan to provide common shares to participants in the plan as a form of remuneration.

Each RSU has the same value as one common share at the date of grant based on the prior day’s closing price. The vesting terms for RSUs granted are specific to each individual grant as determined by the Board of Directors. The fair value of the RSUs is expensed over the vesting period specific to the grant.

K. Revenue Recognition

Revenue includes sales of refined gold, silver, and carbon fines. Revenue is recognized when the significant risks and rewards of ownership have passed to the buyer; it is probable that economic benefits associated with the transaction will flow to the Company; the sales price can be measured reliably; the Company has no significant continuing involvement; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. For the Company, these factors generally occur when the bullion is sold to the customer on the trade date for spot sales and on the settlement date for gold delivered under gold commodity contracts. Changes in the fair value of outstanding gold commodity contracts are recognized in income or loss. Revenues from sales of carbon fines are recognized on the settlement date.

L. Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current income tax

Current income tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred income tax

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating in investment in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences if it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

M. (Loss) Earnings per Share

Basic (loss) earnings per share is calculated by dividing the (loss) earnings for the year by the weighted average number of common shares issued and outstanding during the year. Diluted (loss) earnings per share amounts are calculated using the treasury stock method whereby proceeds deemed to be received on the exercise of options in the per share calculation are assumed to be used to repurchase common shares at the average market price during the year. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and has not been considered.

N. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

These provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax risk free rate. The increase in the provision due to passage of time is recognized as interest expense.

On recognition of a provision for decommissioning liabilities, an addition is made to the asset category the provision relates to and charged against profit on a unit-of-production basis. A decommissioning liability is recognized by the Company when a legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises as a result of environmental disturbances caused by the exploration, development or ongoing production of a mineral property. Decommissioning liabilities are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk free rate. The effect of any changes to the decommissioning liability, including changes to the underlying estimates and changes in market interest rates used to discount the obligation, is added to or deducted from the cost of the related assets for an operating mine.

O. Accounting Pronouncements

New and amended standards and interpretations issued and effective:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information for the current period in Note 9(e).

Recent accounting pronouncements issued but not yet effective:

(a) IFRS 9 – *Financial Instruments*

IFRS 9, *Financial Instruments* ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39*, Financial Instruments: Recognition and Measurement*. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 also introduces a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for periods beginning on or after January 1, 2018, with early adoption permitted. The Company intends to adopt IFRS 9 in its consolidated financial statements for the period beginning on January 1, 2018. The Company is currently assessing the impact of adopting this new standard.

(b) IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued by the IASB in May 2014, and will replace IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 15 in its consolidated financial statements for the period beginning on January 1, 2018. The Company does not expect any adjustments as a result of adopting this standard.

(c) IFRS 16 – *Leases*

IFRS 16, *Leases* ("IFRS 16"), issued in January 2016, replaces IAS 17, *Leases*. IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease. IFRS 16 is effective for periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15. The Company intends to adopt IFRS 16 in its consolidated financial statements for the period beginning on January 1, 2019. The Company is in the process of conducting a systems evaluation, developing an implementation plan and a preliminary review of leases has begun with additional analysis and impact quantification planned for 2018. The Company anticipates the impact of adopting this new standard will be to increase property, plant and equipment, debt, depreciation and amortization expense, finance costs, and cash flows from operating activities as well as decrease lease expense and financing cash flows as more lease payments will be recorded as financing outflows in the Company's statements of cash flows.

(d) *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2)

On June 30, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for periods beginning on or after January 1, 2018. The Company does not expect any adjustments as a result of adopting this amendment.

(e) IFRIC Interpretation 22 – *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The interpretation is applicable for periods beginning on or after January 1, 2018. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary assets or non-monetary liability arising from the payment or receipt of advance consideration. The Company intends to adopt the interpretation in its consolidated financial statements for the period beginning on January 1, 2018. The Company does not expect any adjustments as a result of this interpretation.

(f) IFRIC Interpretation 23 – *Uncertainty over Income Tax Treatments*

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 interpretation is applicable for periods beginning on or after January 1, 2019. Under this interpretation, the key test is whether it is probable that the tax authorities will accept a chosen tax treatment. If it is probable, then the amount recorded in the consolidated financial statements must be the same as the treatment in the tax return. If it is not probable, then the amount recorded in the consolidated financial statements would be different than in the tax return and would be measured as either the most likely amount or the expected value. The interpretation also requires companies to reassess the judgments and estimates applied if facts and circumstances change, such as a result of examination or actions by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires. The Company intends to adopt the interpretation in its consolidated financial statements for the period beginning on January 1, 2019. The Company does not expect any adjustments as a result of this interpretation.

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 areas that require management to make significant judgments, estimates and assumptions in applying the Company's accounting policies in determining carrying values include, but are not limited to:

Functional currency

The Company's functional currency and each of its significant subsidiaries is the U.S. dollar, as it was assessed by management as being the primary currency of the economic environment in which the Company and its significant subsidiaries operate.

Production stage

Significant judgment is required to determine when an asset is able to operate at expected levels and requires an assessment of both qualitative and quantitative factors. The Company uses several criteria to determine when an asset is able to operate at expected levels. These are complex and depend on each development property's plan and its economic, political and environmental conditions. The criteria that the Company has assessed is presented in Note 3 to the consolidated financial statements.

Development stage

As presented in Note 3 to the consolidated financial statements, to determine whether technical feasibility and commercial viability of extracting a mineral resource exists, the Company considers various factors. Significant judgment is required to determine when the Company's Media Luna deposit entered the development stage.

Mineral reserves and resources

The Company estimates its mineral reserves and resources based on information compiled by qualified persons as defined in accordance with National Instrument 43-101, *Standards of Disclosure for Mineral Projects* requirements. The estimation of mineral reserves and resources requires judgment to interpret available geological data, select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs and recovery rates. There are numerous uncertainties inherent in estimating mineral reserves and resources and assumptions that are valid at the time of estimation and may change significantly when new information becomes available. New geological data as well as changes in the above assumptions may change the economic status of reserves and may, ultimately, result in the reserves being revised.

Changes in the proven and probable mineral reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, inventory valuation, the calculation of depreciation and depletion expense, the capitalization of production phase stripping costs, decommissioning liabilities and recognition of deferred tax amounts.

In May 2016, the Company completed a Life of Mine ("LOM") plan update for the ELG Mine Complex. The updated LOM formed the basis for the calculation of depreciation and depletion expense, inventory valuation, the capitalization of production phase stripping costs and decommissioning liabilities.

Inventory of ore stockpiled, in-circuit and finished goods

The determination of the carrying values of inventory, the average cost of finished goods sold, the net realizable value and the allocation of costs to inventory involve the use of estimates. There is significant judgment used in estimating future costs, future production levels, contained gold ounces, quantities of gold-in-circuit and ore stockpiled, gold recovery levels and market prices. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying values of inventory, which can also materially affect the amounts recognized in cost of sales in the Consolidated Statements of Operations and Comprehensive (Loss) Income. Significant judgment is required to determine the value of ore stockpiled, in-circuit inventory and finished goods transferred from construction in progress to inventory on April 1, 2016 upon declaring commercial production at the ELG Mine Complex.

Taxes

The Company is subject to income tax in several jurisdictions. Significant judgment is required in determining the provision for income taxes, due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the ultimate tax determination is different from the amounts that were initially recorded, such differences can materially impact the current and deferred tax amounts recognized in the Consolidated Statements of Financial Position and the Consolidated Statements of Operations and Comprehensive (Loss) Income.

Deferred income taxes

The Company has historical tax losses that may be carried forward to reduce tax payments in future years. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income tax assets. The Company recognizes the deferred tax benefit related to historical losses or other deferred income to the extent there is sufficient evidence to support that recovery is probable. Changes in estimates can materially affect deferred tax balances and the related expenses and recoveries in the Consolidated Statements of Operations and Comprehensive (Loss) Income. The Company has not recorded a deferred income tax asset as at December 31, 2017.

Value-added tax (“VAT”) receivable

Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The Company assesses the recoverability of the amounts receivable at each reporting date. Changes in these estimates can materially affect the amount recognized as VAT receivable and could result in an increase in other expenses recognized in the Consolidated Statements of Operations and Comprehensive (Loss) Income. As at December 31, 2017, the Company determined the full balance to be recoverable. Significant judgment is required to determine the presentation of current and non-current VAT receivable.

Impairment of assets

The carrying value of property, plant and equipment is reviewed at each reporting period to determine whether there is any indication of impairment. The Company evaluates both external and internal sources of information to determine if indicators of impairment exist.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

If indicators of impairment are identified an impairment test is conducted. The assessment of the recoverability of an asset's carrying value requires judgment about future production and sales volumes, future commodity prices, recoverable mineral reserves, discount rates, foreign exchange rates, and future operating and capital costs. Changes in estimates and assumptions could materially impact the carrying value of property, plant and equipment, and result in an impairment loss to be recognized in the Consolidated Statements of Operations and Comprehensive (Loss) Income. At as December 31, 2017, no indicators of impairment were identified.

Decommissioning liabilities

The Company has recognized a decommissioning liability relating to its ELG Mine Complex, and has determined that no significant decommissioning liabilities exist in connection with the activities at its Media Luna Project. Assumptions have been made, based on the current economic environment, which management believes are a reasonable basis upon which to estimate the future liability. As discussed in Note 12 to the consolidated financial statements, these assumptions include a pre-tax discount rate, and the timing and nature of reclamation expenditures. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend on future market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. Significant judgment is involved in determining whether a constructive obligation has occurred. Changes in these factors can materially impact the decommissioning liability and related assets recognized in the Consolidated Statements of Financial Position.

Debt refinancing

Significant judgment is required in applying IAS 39 *Financial Instruments: Recognition and Measurement* to determine whether amended terms of the loan agreement are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original financial liability. Management must take into account both quantitative and qualitative factors in assessing whether terms have been substantially modified, and often judgment is required in conducting such an assessment. Management considered several factors in assessing whether the amended terms of its Debt Facility agreement constituted a substantial modification including, among other factors, timing of cash flows, revisions to financial and operating covenants, restrictions on use of proceeds and the nature of the revolving credit facility and management's intentions with respect to its utilization.

Note 5. Inventory

		December 31, 2017		December 31, 2016
Ore stockpiled	**$**	**16.9**	$	18.9
In-circuit		**13.9**		12.4
Finished goods		**3.0**		4.1
Materials and supplies		**29.3**		18.0
	$	**63.1**	$	53.4

The amount of depreciation included in inventory as at December 31, 2017 is $13.8 (December 31, 2016 - $15.1).

Note 6. Restricted Cash

Pursuant to the Debt Facility (Note 9), the Company maintains restricted cash of $13.9 (December 31, 2016 - $23.4) held for potential reclamation obligations in the event of an unplanned temporary closure of the ELG Mine Complex.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

Subsequent to the debt refinancing (Note 9), the Company is no longer required to maintain restricted cash for accrued tax and royalty liabilities, which represented $9.7 of the restricted cash balance as at December 31, 2016.

Note 7. Property, Plant and Equipment

	Mexico			Canada	**Total**
	Mineral Property	Property & Equipment	Construction in Progress	Equipment	
Cost					
As at January 1, 2016	$ 198.6	$ 5.6	$ 728.7	$ 1.4	$ 934.3
Additions	24.2	65.0	46.2	-	135.4
Transfer on commercial production	1.8	728.6	(774.9)	-	(44.5)
As at December 31, 2016	224.6	799.2	-	1.4	1,025.2
Additions	**45.5**	**83.4**	**3.0**	**0.2**	**132.1**
Disposals	**-**	**(2.1)**	**-**	**-**	**(2.1)**
As at December 31, 2017	**$ 270.1**	**$ 880.5**	**$ 3.0**	**$ 1.6**	**$ 1,155.2**
Accumulated depreciation					
As at January 1, 2016	$ -	$ 2.5	$ -	$ 1.0	$ 3.5
Depreciation	15.5	65.1	-	0.2	80.8
As at December 31, 2016	$ 15.5	$ 67.6	$ -	$ 1.2	$ 84.3
Depreciation	**23.5**	**74.2**	**-**	**0.1**	**97.8**
Disposals	**-**	**(0.8)**	**-**	**-**	**(0.8)**
As at December 31, 2017	**$ 39.0**	**$ 141.0**	**$ -**	**$ 1.3**	**$ 181.3**
Net book value					
As at December 31, 2016	$ 209.1	$ 731.6	$ -	$ 0.2	$ 940.9
As at December 31, 2017	**$ 231.1**	**$ 739.5**	**$ 3.0**	**$ 0.3**	**$ 973.9**

Effective April 1, 2016, the Company entered the production stage at the ELG Mine Complex. The Company transferred the following amounts from construction in progress: $36.9 to inventory, $7.6 to prepaid expenses, $1.8 to mineral property and $728.6 to property and equipment.

As at December 31, 2017, property and equipment includes, net of depreciation, $19.6 in capitalized borrowing costs (December 31, 2016 - $21.5) and $11.5 (December 31, 2016 - $9.2) related to the decommissioning liability for the ELG Mine Complex (Note 12). Mineral property includes, net of depreciation, $63.9 (December 31, 2016 - $26.0) of capitalized deferred stripping costs, which includes $22.1 (December 31, 2016 - $9.9) of depreciation of property and equipment.

Note 8. Value-added Tax Receivables

Value-added tax ("VAT") receivables are generated on the purchase of supplies and services and are refundable from the Mexican government. As at December 31, 2017, the amount of VAT due from the Mexican tax authorities is $54.8 (or 1,081.5 million Mexican pesos) (December 31, 2016 - $61.8 or 1,279.0 million Mexican pesos), of which $31.4 is expected to be collected within the next year and is presented as a current asset, with the remaining $23.4 presented as a non-current asset. In the year ended December 31, 2017, the Company received $58.6 (or 1,093.3

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

million Mexican pesos) for VAT claims for 2015, 2016 and 2017. As at December 31, 2017, a full recovery is expected by the Company.

Note 9. Debt

		December 31, 2017		December 31, 2016
Debt:				
Debt Facility (a)	**$**	**362.7**	$	365.7
Equipment Loan (b)		**3.1**		5.4
VAT Loan (c)		**-**		17.5
Finance Lease (d)		**19.8**		18.1
Total debt, net of deferred finance charges	**$**	**385.6**	$	406.7
Less: current portion, net of deferred finance charges		**56.2**		5.5
Long-term portion, net of deferred finance charges	**$**	**329.4**	$	401.2

Contractual undiscounted debt repayments

		December 31, 2017
2018	$	56.2
2019		82.9
2020		165.0
2021		43.4
2022		51.0
Total debt	**$**	**398.5**
Less: unamortized deferred finance charges		12.9
Total debt, net of deferred finance charges	**$**	**385.6**
Less: current portion, net of deferred finance charges		56.2
Long-term debt, net of deferred finance charges	**$**	**329.4**

(a) *Debt Facility*

2014 Loan Facility

On August 11, 2014, the Company, through its subsidiary MML, signed a credit agreement with BMO Harris Bank N.A., BNP Paribas, Commonwealth Bank of Australia, ING Bank N.V., Société Générale (collectively referred to as "Mandated Lead Arrangers"), and The Bank of Nova Scotia with respect to its syndicated senior secured $375.0 project finance facility (the "Loan Facility") that had a maturity date of June 30, 2022. The Loan Facility comprised two separate facilities – a project finance facility of $300.0 (the "PFF") and a cost overrun facility of $75.0 (the "COF"). Advances under the PFF bore interest at a rate of London Interbank Offered Rate ("LIBOR") plus 4.25% to 4.75% and advances under the COF bore interest at the same rate plus 1% until project completion. The Credit Agreement was subsequently amended on March 30, 2015. Included in the amendment was the deferral of the starting date for the Loan Facility's scheduled repayments, as well as amendments to the amounts of scheduled repayments. The Loan Facility was supported by secured guarantees from the Company and each of its material subsidiaries.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

The Loan Facility was subject to a Final Completion Test ("FCT"), which required the Company to meet certain operational and legal criteria, as well as financial covenants related to the Company's ability to service its debt obligations, expected to be applicable as at March 31, 2018 and measured on a quarterly basis thereafter.

The Loan Facility was replaced by the Debt Facility as explained below.

2017 Debt Facility

On July 25, 2017, the Company, through its subsidiary MML, signed an amended and restated credit agreement 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 "Banks") in connection with a secured $400.0 debt facility (the "Debt Facility"). The Debt Facility is comprised of a $300.0 term loan (the "Term Facility") and a $100.0 revolving loan facility (the "Revolving Facility"). On July 25, 2017, the Company drew the full amount of the Term Facility and $75.0 of the Revolving Facility to repay the Loan Facility that was previously entered into with the Mandated Lead Arrangers. The Company may use the Revolving Facility for MML's general corporate purposes, including development expenditures, subject to the conditions of the Debt Facility.

The Debt Facility bears interest at a rate of LIBOR plus 4% for the first two years, LIBOR plus 4.25% for years three and four, and LIBOR plus 4.5% thereafter and includes standard and customary finance terms and conditions. The Debt Facility continues to be secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries. The Revolving Facility and the Term Facility will mature June 30, 2020 and June 30, 2022, respectively. The first scheduled repayment of the Term Facility is March 31, 2018, and repayments continue in quarterly instalments until maturity. The Revolving Facility and the Term Facility may be repaid in full at any time without penalty or premium.

The Debt Facility provides for, as part of the permitted payments, potential spending to facilitate the Company's Media Luna Project and the Sub-Sill from ELG cash flow, subject to satisfaction of the terms of the Debt Facility, including compliance with financial covenants related to maintaining a minimum cash balance, leverage, and mandatory cash sweeps as described below.

The Debt Facility removes various covenants and restrictions imposed under the Loan Facility, including the FCT, the requirement for mandatory hedging and reduces certain restrictions on cash. Mandatory cash sweeps have also been removed provided that (i) if the ELG Mine Complex does not meet 90% of certain projected operating and economic performance parameters by December 31, 2018 or (ii) if any mine plan or base case financial model requiring approval of the majority lenders does not receive such approval, a mandatory cash sweep shall be reintroduced until $50.0 of the Term Facility has been repaid. Pursuant to the Debt Facility, the Company is required to maintain the following financial covenants:

	Requirement	**As at December 31, 2017**
Net Leverage Ratio	=/<3.0:1.0	2.9
Debt Service Coverage Ratio	=/>1.2:1.0	N/A
Reserve Tail Ratio	=/>30%	80%
Liquidity Requirement as at December 31, 2017	=/>$30.0	52.6

The net leverage ratio means, as at any calculation date, the ratio of MML's net indebtedness divided by four quarter rolling Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") as defined by the Credit Agreement. The debt service coverage ratio is calculated beginning with the March 31, 2018 calculation date.

In December 2017, an illegal blockade led to the suspension of operations and as a result, the Company obtained a temporary reduction until January 31, 2018 and subsequently until February 28, 2018 to the minimum liquidity covenant from a minimum of $50.0 to a minimum of $30.0, which includes undrawn amounts under the Revolving Facility. Undrawn amounts under the Revolving Facility cannot be drawn by the Company until the temporary reduction to the minimum liquidity ends. The Company is required to be at or above $30.0 at all times from January 1, 2018 to February 28, 2018. As at December 31, 2017, the Company is in compliance with the financial and other covenants.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

Transaction costs

Previously capitalized financing charges pertaining to the Loan Facility, in the amount of $7.9, as well as capitalized financing fees associated with the refinanced Debt Facility of $6.5 were proportionately allocated based on the respective drawn amounts of the Term Facility and the Revolving Facility, and are presented net of the Debt Facility, and will be amortized over the terms of the Term Facility and Revolving Facility, respectively. The costs capitalized were primarily Banks' fees and legal costs. During the year ended December 31, 2017, the amortization expense relating to the deferred finance charges is included in finance costs as interest and financing fees, is calculated using an effective interest rate ranging between 1.336% and 1.350%. The unamortized deferred finance charges represent $12.3 as at December 31, 2017 (December 31, 2016 - $9.3).

Scheduled principal repayments, reflecting amounts drawn as of December 31, 2017 are as follows:

2018	$	49.5
2019		75.9
2020		159.3
2021		39.3
2022		51.0
Debt Facility	$	375.0

(b) *Equipment Loan*

On December 23, 2015, the Company through its subsidiary MML, executed a $7.6 four-year loan agreement with BNP Paribas (the "Equipment Loan"). The Equipment Loan, secured by certain mining vehicles that are owned by the Company, is due to mature on December 31, 2019, is repayable in quarterly instalments starting March 31, 2016, and bears interest at a rate of LIBOR plus 3.75%. The loan is carried at amortized cost on the Consolidated Statements of Financial Position. The loan obligation was recorded net of finance charges of $0.1, which are being amortized over the term of the loan agreement, using an effective interest rate of 3.118%. In 2017, the Company made principal repayments of $2.5.

(c) *VAT Loan*

On June 3, 2016, the Company, through its subsidiary MML, executed a line of credit agreement with Banco Nacional de Comercio Exterior for an amount equivalent to 84.2% of 95% of the Company's outstanding VAT filings, up to 800 million Mexican pesos (approximately $40.5 as at December 31, 2017) (the "VAT Loan"). The VAT Loan was secured by the Company's VAT receivable amounts, and advances under the facility bore interest equal to the 91-day Interbank Equilibrium Interest Rate as published by the Bank of Mexico plus 2.99%. Interest payments were due quarterly and a final payment of all principal and any accrued interest was due 24 months following the date of the first advance. Upon signing the agreement, the Company paid 0.5% of the total amount committed and paid 0.5% on each advance.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

The Company drew down its first advance on June 24, 2016, in the amount of 450.5 million Mexican pesos (approximately $24.3 at the time of the advance). As at December 31, 2017, the Company has fully repaid the VAT Loan.

(d) *Finance Lease*

On December 31, 2015, the Company, through its subsidiary MML, executed a finance lease agreement for up to $17.4 with Parilease SAS (the "Finance Lease Arrangement") to finance certain mining equipment. Advances under the Finance Lease Arrangement bear interest at a rate of LIBOR plus 4.0%, and are repayable in quarterly instalments over five years. On December 26, 2016 and August 7, 2017, the Company signed amendments to the Finance Lease Arrangement that included increases of $6.3 and $1.2, respectively, in available funds, bringing the total funds available to $24.9.

The weighted average effective interest on the finance leases is 4.93%. The future minimum annual payments, interest and balance of obligations are as follows:

		December 31, 2017		December 31, 2016
No later than 1 year	**$**	**6.1**	$	4.5
Later than 1 year but no later than 5 years		**16.3**		15.9
Later than 5 years		**-**		-
Total minimum lease payments	**$**	**22.4**	$	20.4
Future finance charges on finance leases		**(2.6)**		(2.3)
Present value of finance lease liabilities	**$**	**19.8**	$	18.1

The future value of the finance lease liabilities is as follows:

		December 31, 2017		December 31, 2016
No later than 1 year	**$**	**6.1**	$	4.5
Later than 1 year but no later than 5 years		**13.7**		13.6
Later than 5 years		**-**		-
Present value of finance lease liabilities	**$**	**19.8**	$	18.1

As at December 31, 2017, the Company has utilized $24.5 of the amount available, and has made principal repayments of $4.2, and of which $3.6 were paid in the year ended December 31, 2017.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

(e) *Reconciliation of movements of liabilities to cash flows arising from financing activities*

		Debt
Balance, January 1, 2017	**$**	**406.7**
Changes from financing cash flows		
Repayment of debt		(26.4)
Deferred finance charges		(6.5)
Interest paid		(26.4)
Exercise of stock options		-
Total changes from financing cash flows	**$**	**(59.3)**
The effect of changes in foreign exchange rates	**$**	**2.5**
Changes in fair value	**$**	**-**
Liability-related other changes		
New finance leases		5.1
Interest expense		26.4
Amortization of deferred finance charges		4.2
Total liability-related other changes	**$**	**35.7**
Total equity-related other changes	**$**	**-**
Balance, December 31, 2017	**$**	**385.6**

Note 10. Finance Costs

The following table shows net finance costs for the years ended December 31, 2017 and 2016:

	Year Ended			
		December 31, 2017		December 31, 2016
Interest and financing fees	**$**	**30.6**	$	21.2
Interest income		**(3.7)**		(0.9)
Accretion of decommissioning liabilities		**0.4**		0.3
	$	**27.3**	$	20.6

Note 11. Derivative Contracts

Currency and gold commodity contracts

In connection with the Loan Facility, the Company entered into commitments to deliver 204,361 ounces of gold over an 18-month period commencing in January 2016 to the Mandated Lead Arrangers, at an average flat forward gold price of $1,241 per ounce. The gold hedges provided gold price protection for the Company’s debt obligations. Of the total 248,797 ounces sold in 2017, 76,113 ounces of gold were delivered into the gold contracts. Of the total 275,613 ounces of gold sold in 2016, 77,350 ounces of gold were delivered into the gold contracts. As at December 31, 2017, no ounces remain to be delivered under the gold contracts.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

The Company also executed, as required by the Loan Facility, foreign exchange currency contracts, which covered 75% of the Company's estimated non-U.S. dollar denominated capital expenditures for the ELG Mine Complex from November 2014 to the second quarter of 2017, of which none are outstanding as at December 31, 2017, as well as for 75%, 50% and 25% annually of the Company's estimated non-U.S. dollar denominated operating expenditures for the ELG Mine Complex from May 2016 to December 2018. The contracts are secured on an equal basis with the Loan Facility and documented in the form of International Swaps and Derivatives Association Agreements.

The table below provides a summary of the currency contracts outstanding as at December 31, 2017 and 2016:

Currency Contracts					
Notional Amount (MXN millions)	**Contract Price (MXN)**	**Notional Amount by Term to Maturity (MXN millions)**			
		Within 1 Year	**Within 2 to 3 years**	**Total**	**Fair Value as at December 31, 2017**
67.2	18.54	420.0	84.0	504.0	$ (2.2)
201.6	18.55				
67.2	18.69				
168.0	19.18				
504.0					

Currency Contracts					
Notional Amount (MXN millions)	Contract Price (MXN)	Notional Amount by Term to Maturity (MXN millions)			
		Within 1 Year	Within 2 to 3 years	Total	Fair Value as at December 31, 2016
7.6	13.80	779.0	504.0	1,283.0	$ (10.2)
3.8	13.81				
3.8	13.82				
3.8	13.83				
203.0	18.54				
609.0	18.55				
203.0	18.69				
249.0	19.18				
1,283.0					

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

The following table shows the classification of the fair value of the gold and currency contracts in the Consolidated Statements of Financial Position as at December 31, 2017 and 2016:

	Classification	**Fair Value as at December 31, 2017**	Fair Value as at December 31, 2016
Gold contracts	Current assets	**$ -**	$ 8.6
Total derivative assets		**$ -**	$ 8.6
Currency contracts	Current liabilities	**(1.8)**	(5.7)
Currency contracts	Long-term liabilities	**(0.4)**	(4.5)
Total derivative liabilities		**$ (2.2)**	$ (10.2)

Derivatives arising from the currency swaps and gold contracts are intended to manage the Company's risk management objectives associated with changing market values, but they do not meet the strict hedge effectiveness criteria designated in a hedge accounting relationship. Accordingly, these derivatives have been classified as "non-hedge derivatives". Changes in the fair value of the gold and foreign exchange currency contracts are recognized as derivative costs in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

The following table shows the losses (gains) on derivative contracts for the years ended December 31, 2017 and 2016:

	Year Ended	
	December 31, 2017	December 31, 2016
Unrealized loss on gold contracts	**$ 8.6**	$ 25.8
Unrealized (gain) loss on currency contracts	**(8.0)**	4.6
Realized loss on gold contracts	**0.5**	2.1
Realized loss on currency contracts	**0.3**	8.4
	$ 1.4	$ 40.9

Note 12. Decommissioning Liabilities

The Company has calculated the estimated fair value of the decommissioning liability as at December 31, 2017 using a pre-tax discount rate of 3.61% (December 31, 2016 - 4.33%) based on inflation-adjusted Mexican bond yields, with expenditures expected to be incurred between 2018 and 2032. The estimated total future undiscounted cash flows to settle the decommissioning liability as at December 31, 2017 are $20.3 (December 31, 2016 - $15.5). The total decommissioning liability for the ELG Mine Complex as at December 31, 2017 is $14.0 (December 31, 2016 - $10.5).

As the liability is a monetary liability denominated largely in Mexican pesos, it is translated at the spot exchange rate as at each reporting date. Foreign exchange differences arising from the revaluation of the decommissioning liability are capitalized as part of property, plant and equipment (Note 7).

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

The following table shows the decommissioning liability as at December 31, 2017 and 2016:

		December 31, 2017		December 31, 2016
Balance, beginning of the year	**$**	**10.5**	$	9.4
Revisions to expected discounted cash flows		**2.8**		2.5
Accretion expense		**0.4**		0.3
Foreign exchange movement		**0.3**		(1.7)
Balance, end of the year	**$**	**14.0**	$	10.5
Less: current portion		**-**		0.3
Long-term portion	**$**	**14.0**	$	10.2

Note 13. Income Taxes

The components of income tax expense for the years ended December 31, 2017 and 2016 are as follows:

		Year Ended		
		December 31, 2017		December 31, 2016
Current income tax expense	**$**	**7.2**	$	10.5
Deferred income tax (recovery) expense		**(7.9)**		12.1
Income tax (recovery) expense	**$**	**(0.7)**	$	22.6

For the years ended December 31, 2017 and 2016, the Company's effective rate of income tax differs from the statutory rate of 26.5% as follows:

		Year Ended		
		December 31, 2017		December 31, 2016
(Loss) income before income tax expense	**$**	**(13.3)**	$	25.8
Canadian federal and provincial tax rates		**26.5%**		26.5%
Expected income tax (recovery) expense		**(3.5)**		6.8
Tax effect:				
Mexican mining royalty		**6.4**		9.2
Impact of foreign tax rates		**(0.5)**		1.7
Non-deductible expenses		**2.8**		3.0
Impact of foreign exchange		**(7.0)**		30.9
Change in unrecognized deferred income tax assets		**1.1**		(29.0)
Income tax (recovery) expense	**$**	**(0.7)**	$	22.6

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

The significant components of recognized deferred income tax assets and liabilities are as follows:

		December 31, 2017		December 31, 2016
Liabilities				
Property, plant and equipment	**$**	**71.3**	$	58.0
Derivative gold contracts		**-**		3.2
Accrued withholding tax liability		**5.9**		4.6
Other deferred income tax liabilities		**8.0**		4.7
Total deferred income tax liabilities	**$**	**85.2**	$	70.5
Other deferred income tax assets		**(8.5)**		(0.8)
Future deductibility of Mexican mining royalties		**(8.1)**		(8.1)
Tax losses		**(42.3)**		(27.4)
Balance, end of the year	**$**	**26.3**	$	34.2

Deferred tax income assets have not been recognized in respect of the following deductible temporary differences as management does not consider their utilization to be probable in the foreseeable future:

		December 31, 2017		December 31, 2016
Canadian tax losses (expiring 2029 to 2036)		**75.0**		66.7
Deductible equity issuance cost and other		**3.0**		4.6
Decommissioning liabilities and other reserves		**14.0**		12.0
Total unrecognized deductible temporary differences	**$**	**92.0**	$	83.3

Note 14. Share Capital and Other Reserves

Authorized

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

Issued

During the year ended December 31, 2017, 109,202 common shares were issued (year ended December 31, 2016 - 831,885) as a result of 176,977 stock options being exercised, of which 94,429 were exercised under the Company's stock option plan's cashless exercise option.

During the year ended December 31, 2017, 89,978 common shares were issued to settle vested restricted share units (year ended December 31, 2016 - 278,999).

Share consolidation

On June 9, 2016, the shareholders approved a special resolution for the Company to consolidate its issued and outstanding common shares on a ten-to-one basis. All references in these consolidated financial statements to common shares issued and outstanding stock options, and restricted share units have been retrospectively restated to reflect the share consolidation.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

Other reserves

Other reserves in the Consolidated Statements of Financial Position represent exchange rate differences, which arose from translating the functional currency amounts due to the change of the Company's functional currency as of November 1, 2014.

Note 15. Share-based Payments

The Company has three share-based compensation plans: the Stock Option Plan (the "SOP Plan"), the Restricted Share Unit Plan (the "RSU Plan"), and the Employee Share Unit Plan (the "ESU Plan"). Under the terms of each plan, the aggregate number of securities that may be issued or outstanding under all share-based compensation arrangements of the Company is limited.

The ESU Plan allows for the issuance of restricted share units ("ERSUs") and performance share units ("EPSUs") to employees of the Company.

The following is a summary of the number of common share options ("Options") issued under the SOP Plan, restricted share units ("RSUs") issued under the RSU Plan, and ERSUs and EPSUs outstanding as at December 31, 2017 and the amounts of share-based compensation expense recognized for the years ended December 31, 2017 and 2016.

	Number Outstanding	**Year Ended**	
	December 31, 2017	**December 31, 2017**	December 31, 2016
Common share options	**1,062,801**	**$ 0.5**	$ 1.1
RSUs	**56,510**	**0.9**	2.6
ERSUs	**182,927**	**1.8**	0.4
EPSUs	**274,394**	**3.8**	0.7
	1,576,632	**$ 7.0**	$ 4.8

Common share options

The SOP Plan authorizes the Board of Directors to grant Options to directors, officers, consultants or employees. The term of any Option grant may not exceed five years.

The SOP Plan also limits the aggregate number of securities that may be granted to a non-executive director in any given year under all share-based compensation arrangements of the Company.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

As at December 31, 2017, options held by directors, officers, employees and consultants are as follows:

	Outstanding			**Exercisable**		
Range (CDN)	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (CDN)	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (CDN)
$11.40-$11.45	190,718	2.57	$ 11.40	190,718	2.57	$ 11.40
$11.46-$11.65	349,431	1.36	11.50	349,431	1.36	11.50
$11.66-$21.05	138,696	2.41	15.62	132,574	2.37	15.64
$21.06-$24.46	330,000	0.19	21.70	330,000	0.19	21.70
$24.47-$29.62	43,952	4.08	27.22	43,952	4.08	27.22
$29.63-$32.02	10,004	3.67	32.02	10,004	3.67	32.02
	1,062,801	**1.43**	**$ 16.02**	**1,056,679**	**1.42**	**$ 16.04**

A summary of changes in the number of Options issued by the Company for the years ended December 31, 2017 and 2016 is presented as follows:

	Number of options (Note 14)	Weighted average exercise price (CDN) (Note 14)
Balance, January 1, 2016	3,318,679	$ 14.10
Granted	112,837	17.13
Exercised	(2,001,315)	13.26
Forfeited	(41,329)	12.28
Expired	(189,049)	14.59
Balance, December 31, 2016	1,199,823	$ 15.77
Granted	43,952	27.22
Exercised	(176,977)	17.28
Forfeited	(3,997)	11.40
Balance, December 31, 2017	**1,062,801**	**$ 16.02**

The fair value of Options granted during the year ended December 31, 2017 was CDN$9.67 (year ended December 31, 2016 - CDN$6.53). The following is a summary of the weighted average of assumptions used in the Black-Scholes option pricing model for Options granted during the years ended December 31, 2017 and 2016:

	Year Ended	
	December 31, 2017	December 31, 2016
Risk-free interest rate	**0.84%**	0.63% - 0.80%
Expected price volatility	**57.1%**	53.3% - 54.2%
Expected option life (in years)	**2.50**	4.00
Annual dividend rate	**0%**	0%
Estimated forfeiture rate	**2.55%**	2.35% - 2.55%

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

The weighted average share price at the date of exercise of options exercised during the year ended December 31, 2017 was CDN$26.55.

Restricted share units

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

RSUs and ERSUs are valued based on the market price of the common shares of the Company at the date of grant and are recognized in the Consolidated Statements of Operations and Comprehensive (Loss) Income over the vesting period.

Under this method, a portion of the fair value of the ERSUs is recognized in each reporting period based on the pro-rated number of days the eligible employees are employed by the Company compared to the vesting period of each grant. Upon settlement, each RSU and ERSU converts into one common share of the Company. ERSUs may be settled by cash payment at the election of the participant and subject to the consent of the Company.

Eligible participants under the RSU Plan include directors, officers, contractors and employees. Under the RSU Plan, qualified participants may elect to defer the receipt of all or any part of their entitlement to the RSUs.

A summary of changes in the number of RSUs and ERSUs issued by the Company for the years ended December 31, 2017 and 2016 is presented below:

	Number of RSUs and ERSUs (Note 14)		Weighted average value (CDN) (Note 14)
Balance, January 1, 2016	182,146	$	14.90
Granted	329,749		21.75
Settled	(278,999)		16.59
Forfeited	(1,457)		21.45
Balance, December 31, 2016	231,439	$	22.59
Granted	99,954		27.40
Settled	(89,978)		18.81
Forfeited	(1,978)		27.58
Balance, December 31, 2017	**239,437**	**$**	**25.98**

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

Performance share units

A summary of changes in the number of EPSUs issued by the Company for the years ended December 31, 2017 and 2016 is presented below:

	Number of EPSUs		Weighted average value (CDN)
Balance, January 1, 2016	**-**	**$**	**-**
Granted	170,473		45.62
Forfeited	(337)		45.62
Balance, December 31, 2016	170,136	$	45.62
Granted	107,225		41.68
Forfeited	(2,967)		43.74
Balance, December 31, 2017	**274,394**	**$**	**44.10**

The fair value of the EPSUs granted was 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 year ended December 31, 2017 vest on December 31, 2019 and 2018, and had an estimated weighted average unit fair value at the grant date of CDN$41.68 (US$31.44 at the date of grant).

The following is a summary of the assumptions used in the Monte Carlo simulation option pricing model for EPSUs granted during the years ended December 31, 2017 and 2016:

	Year Ended	
	December 31, 2017	December 31, 2016
Risk-free interest rate	**0.83%**	0.50%
Expected price volatility	**56.5%**	56.0%
Expected life of units (in years)	**3.0**	2.4
Annual dividends	**0%**	0%
Estimated forfeiture rate	**0%**	0%

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

Note 16. (Loss) earnings per Share

(Loss) earnings per share has been calculated using the weighted average number of common shares outstanding for the years ended December 31, 2017 and 2016 as follows:

	Year Ended	
	December 31, 2017	December 31, 2016
Net (loss) income	**$ (12.6)**	$ 3.2
Basic weighted average shares outstanding	**79,796,545**	79,096,487
Weighted average shares dilution adjustments:		
Share options	**-**	579,833
Restricted share units	**-**	127,971
Diluted weighted average shares outstanding	**79,796,545**	79,804,291
(Loss) earnings per share		
Basic	**$ (0.16)**	$ 0.04
Diluted	**$ (0.16)**	$ 0.04

For the year ended December 31, 2017, the diluted weighted average number of common shares outstanding used in the calculation of diluted (loss) earnings per share excludes 1,062,801 share options, 182,927 ERSUs, 56,510 RSUs and 274,394 EPSUs as their exercise or settlement would be anti-dilutive in the (loss) earnings per share calculation.

For the year ended December 31, 2016, the diluted weighted average number of common shares outstanding used in the calculation of diluted (loss) earnings per share excludes 32,448 share options and 165,920 RSUs and 170,136 performance share units as their exercise or settlement would be anti-dilutive in the (loss) earnings per share calculation.

Note 17. 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 Consolidated 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.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

The carrying values and fair values of the Company's financial instruments as at December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	**$ 44.9**	**$ 44.9**	$ 104.0	$ 104.0
Derivative contracts	**-**	**-**	8.6	8.6
Restricted cash	**13.9**	**13.9**	23.4	23.4
	$ 58.8	**$ 58.8**	$ 136.0	$ 136.0
Financial liabilities				
Accounts payable and accrued liabilities	**$ 50.9**	**$ 50.9**	$ 50.4	$ 50.4
Derivative contracts	**2.2**	**2.2**	10.2	10.2
Debt	**385.6**	**398.5**	406.7	416.9
	$ 438.7	**$ 451.6**	$ 467.3	$ 477.5

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 restricted cash are held with reputable financial institutions or government agencies and, as such, the Company does not consider its credit risk to be significant as at December 31, 2017. The carrying amount of the Company's cash and cash equivalents, VAT receivables and restricted cash represents the maximum exposure to credit risk as at December 31, 2017.

(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 operating expenditure in instances where cash positions are unable to be maintained 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 December 31, 2017, the Company had cash and cash equivalents balances of $44.9 (excluding restricted cash of $13.9) (December 31, 2016 - cash balance of $104.0, excluding restricted cash of $23.4). The Company maintains its cash in fully liquid business accounts.

During the year ended December 31, 2017, the Company drew down a total of $5.5 from its Finance Lease Arrangement (Note 9) to finance certain mining equipment. As at December 31, 2017, the amounts outstanding under the Loan Facility, Equipment Loan, and Finance Lease Arrangement totalled $375.0, $3.2 and $20.3, 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.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

As a result of the illegal blockade, the Company obtained a temporary reduction to the minimum liquidity covenant from $50.0 to $30.0, with the proviso that the remaining $25.0 available under the credit agreement, and not yet drawn, is counted towards meeting the liquidity covenant threshold but it may not be drawn. The Company has engaged in continuous dialogue with the local communities, state authorities, the Labour Board and others, has undertaken a number of actions to reduce cash outflows, suspended employment contracts in Mexico, managed its debt and working capital, and is monitoring the situation closely. The Company continues to implement the restart plan and is monitoring operating results for the next twelve months.

On January 29, 2018, the Company announced that it entered into an agreement with a syndicate of underwriters led by BMO Capital Markets, under which the underwriters have agreed to buy on a “bought deal” basis, 4,370,000 common shares at a price of C$12.6 per common share for gross proceeds of approximately C$55.0 million (the “Offering”). The Offering closed on February 7, 2018 and resulted in aggregate net proceeds of C$58.5 million to the Company. As part of the Offering, the underwriters partially exercised their over-allotment option and purchased an additional 12% of the Offering with the remainder of the over-allotment option being exercised and closed on February 16, 2018, for aggregate net proceeds of C$60.0 million to the Company pursuant to the Offering.

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 December 31, 2017, the Company expects to recover $31.4 over the next 12 months and a further $23.4 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.

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 Consolidated Statements of Financial Position.

			December 31, 2017
	Up to 1 year	1-5 years	**Total**
Accounts payable and accrued liabilities	$ 50.9	$ -	**$ 50.9**
Derivative contracts (Note 11)	1.8	0.4	**2.2**
Debt (Note 9)	56.2	342.3	**398.5**
	$ 108.9	**$ 342.7**	**$ 451.6**

			December 31, 2016
	Up to 1 year	1-5 years	Total
Accounts payable and accrued liabilities	$ 50.4	$ -	$ 50.4
Derivative contracts (Note 11)	5.7	4.5	10.2
Debt (Note 9)	5.5	411.4	416.9
	$ 61.6	$ 415.9	$ 477.5

(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. As discussed in Note 9, the Company through its subsidiary MML, entered into an amended and restated credit agreement in July 2017. Amounts outstanding under the Debt Facility bear interest at a rate of LIBOR plus 4% for the first two years, LIBOR plus 4.25% for years three and four, and LIBOR plus 4.5% thereafter, while amounts outstanding under the Equipment Loan bear interest at a rate of LIBOR plus 3.75%. The Company has not entered into any agreements to hedge against unfavourable changes in interest rates.

The Company deposits cash in fully liquid bank business accounts. As such, the Company does not consider its interest rate risk exposure to be significant as at December 31, 2017 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 December 31, 2017, the Company has hedged its exposure to 50% and 25% annually over the next two years of the Company's estimated non-U.S. dollar denominated operating expenditures for the ELG Mine Complex. As at December 31, 2017, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would result in a decrease of $2.5 or increase of $1.6 (using the spot rate as at December 31, 2017 of 19.7 Mexican pesos per U.S. dollar) in the Company's net (loss) income for the year relating to the derivative currency contracts.

As at December 31, 2017, 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 and Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $2.3 and $0.1 in the Company's net (loss) income for the year, respectively.

(iii) Commodity price risk:

Gold prices have fluctuated widely in recent years and the market price of gold has increased by 12% during the year ended December 31, 2017. There is no assurance that a profitable market will exist for gold produced by the Company. Under requirements from the Loan Facility, the Company entered into commitments to deliver 204,361 ounces of gold over an 18-month period commencing in January 2016 to the lenders, at an average flat forward gold price of $1,241 per ounce. As at December 31, 2017, no ounces remained to be delivered under these derivative contracts.

(d) Fair value:

Fair market value represents the amount that would be exchanged in an arm's-length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

The following tables illustrate the classification of the Company's financial instruments measured at fair value within the fair value hierarchy. The levels in the hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

			December 31, 2017
	Level 1	**Level 2**	**Level 3**
Financial liabilities			
Derivative currency contracts	-	2.2	-
	$ -	**$ 2.2**	**$ -**

			December 31, 2016
	Level 1	**Level 2**	**Level 3**
Financial assets			
Derivative gold contracts	$ -	$ 8.6	$ -
	$ -	$ 8.6	$ -
Financial liabilities			
Derivative currency contracts	$ -	$ 10.2	$ -
	$ -	$ 10.2	$ -

Note 18. Capital Management

Capital consists of the Company's shareholders' equity and debt. As at December 31, 2017, the Company's shareholders' equity was $679.3 (December 31, 2016 - $683.9), and debt, comprising the Debt Facility, Equipment Loan and Finance Lease Arrangement, net of deferred finance charges was $385.6 (December 31, 2016 - $406.7). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long-term.

The capital required for the development of the ELG Mine Complex was raised through the issuance of common shares through bought deal financings, and debt financing. The net proceeds raised were used to advance the development of the ELG Mine Complex and provide sufficient working capital to meet the Company's ongoing obligations. The ELG Mine Complex reached commercial production effective April 1, 2016.

Refer to Note 17(b) for details on the recent illegal blockade and the Company's resulting capital management.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

Note 19. General and Administrative Costs

The following is a summary of general and administrative costs for the years ended December 31, 2017 and 2016:

	Year Ended	
	December 31, 2017	December 31, 2016
Salaries and benefits	**$ 7.9**	$ 7.1
Share-based compensation	**7.0**	4.8
Professional fees	**1.8**	1.7
Administration and office	**1.6**	1.2
Depreciation and amortization	**0.1**	0.1
Travel	**0.7**	0.5
Total	**$ 19.1**	$ 15.4

In 2017, the Company incurred $26.9 in salaries and benefits (2016 - $21.1).

Note 20. Exploration and Evaluation Costs

The following is a summary of exploration and evaluation costs for the years ended December 31, 2017 and 2016:

	Year Ended	
	December 31, 2017	December 31, 2016
Exploration		
Salaries, services, consulting fees, and others	**$ 5.7**	$ 2.1
Drilling and sampling	**0.7**	1.1
Rights, permits and licensing	**0.1**	-
	6.5	3.2
Evaluation	**-**	0.5
Total	**$ 6.5**	$ 3.7

Note 21. Blockade and other charges

On November 3, 2017, a group of unionized workers commenced an illegal blockade at the main gate to the ELG Mine Complex, demanding a change in labour union. On January 26, 2018, the illegal blockade was removed. Blockade and other charges of $14.4 relate to idle costs incurred during the blockade, and the resulting suspension of operations and comprise $11.8 of labour and contractor costs, supplies and incremental consulting and advisory fees, and $2.6 of depreciation and amortization.

Note 22. Segmented Information

The Company's mineral property and equipment is located substantially in Mexico. The Company operates one reportable operating segment, being mineral exploration and mine development and operation in Mexico. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)

Note 23. Key Management Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, President & CEO, the Chief Operating Officer, and the Chief Financial Officer are key management personnel.

The remuneration of key management personnel, paid or payable, during the years ended December 31, 2017 and 2016 was as follows:

		Year Ended		
		December 31, 2017		December 31, 2016
Salaries and benefits	**$**	**2.5**	$	2.4
Share-based compensation		**4.3**		3.6
Total	**$**	**6.8**	$	6.0

Note 24. Commitments

Purchase commitments

As at December 31, 2017, the total purchase commitments for the ELG Mine Complex amounted to $30.9, which are expected to settle over the next 12 months.

ELG royalties

Production revenue from the "Reducción Morelos Norte" concession 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 year ended December 31, 2017, the Company paid $2.4 relating to the fourth quarter of 2016, $2.2 for the first quarter of 2017, $2.2 for the second quarter of 2017 and $2.5 for the third quarter of 2017 for the 2.5% royalty.

In 2014, the Mexican government enacted a tax reform introducing a mining tax of 7.5% on taxable earnings before the deduction of taxes, interest, 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 March of the following year. In March 2017, the Company paid $9.0 relating to royalties due for 2016 for the 7.5% and 0.5% royalties. As at December 31, 2017, the Company has $8.9 and $1.6 accrued for the 7.5% and 0.5% royalties, respectively.