TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2017

(Unaudited)

(Expressed in millions of U.S. dollars)

TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position

Millions of U.S. dollars		**September 30, 2017**		December 31, 2016
		(Unaudited)		
Assets				
Current assets:				
Cash and cash equivalents	**$**	**66.5**	$	104.0
Derivative contracts (Note 11)		**-**		8.6
Value-added tax receivables (Note 8)		**35.8**		21.9
Inventory (Note 5)		**61.4**		53.4
Prepaid expenses and other current assets		**9.4**		9.0
		173.1		196.9
Restricted cash (Note 6)		**13.8**		23.4
Value-added tax receivables (Note 8)		**43.0**		39.9
Other non-current assets		**4.5**		5.2
Property, plant and equipment (Note 7)		**971.6**		940.9
Total assets	**$**	**1,206.0**	$	1,206.3
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**68.2**	$	50.4
Income tax payable		**9.4**		10.7
Debt (Note 9)		**43.0**		5.5
Derivative contracts (Note 11)		**0.2**		5.7
		120.8		72.3
Derivative contracts (Note 11)		**0.3**		4.5
Debt (Note 9)		**343.0**		401.2
Decommissioning liabilities (Note 12)		**11.6**		10.2
Deferred income tax liabilities		**27.5**		34.2
		503.2		522.4
Shareholders' equity:				
Share capital (Note 13)		**966.3**		962.9
Contributed surplus		**28.5**		25.4
Other reserves		**(62.5)**		(62.5)
Deficit		**(229.5)**		(241.9)
		702.8		683.9
Total liabilities and shareholders' equity	**$**	**1,206.0**	$	1,206.3

Commitments (Note 19)
Subsequent event (Note 20)

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)
(unaudited)

	Three months ended		Nine months ended	
Millions of U.S. dollars, except per share amounts	**September 30, 2017**	September 30, 2016	**September 30, 2017**	September 30, 2016
Revenue				
Metal sales	**$ 100.5**	$ 108.1	**$ 274.1**	$ 210.2
Cost of sales				
Production costs	**54.6**	39.1	**146.5**	82.5
Royalties	**3.0**	3.2	**8.3**	6.2
Depreciation and amortization	**25.8**	21.4	**71.3**	35.4
Earnings from mine operations	**$ 17.1**	$ 44.4	**$ 48.0**	$ 86.1
General and administrative	**5.2**	4.4	**14.9**	11.5
Exploration and evaluation	**1.9**	0.4	**6.0**	1.8
	$ 7.1	$ 4.8	**$ 20.9**	$ 13.3
Other expenses (income):				
Derivative (gain) costs, net (Note 11)	**(0.2)**	2.9	**(0.8)**	56.2
Finance costs, net (Note 10)	**6.6**	6.9	**21.6**	13.6
Foreign exchange loss (gain)	**1.1**	1.1	**(6.1)**	4.7
	$ 7.5	$ 10.9	**$ 14.7**	$ 74.5
Income (loss) before income tax expense (recovery)	**2.5**	28.7	**12.4**	(1.7)
Current income tax expense	**1.5**	5.4	**6.7**	9.3
Deferred income tax expense (recovery)	**2.6**	(0.3)	**(6.7)**	(3.4)
Net (loss) income and comprehensive (loss) income	**$ (1.6)**	$ 23.6	**$ 12.4**	$ (7.6)
(Loss) earnings per share (Note 15)				
Basic	**$ (0.02)**	$ 0.30	**$ 0.16**	$ (0.10)
Diluted	**$ (0.02)**	$ 0.30	**$ 0.15**	$ (0.10)

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(unaudited)

Millions of U.S. dollars, except number of common shares	**Number of Common Shares** (Note 13)	**Common Shares**	**Contributed Surplus**	**Other Reserves**	**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	774,969	16.0	(10.7)	-	-	5.3
Settlement of restricted share units	277,259	3.8	(3.8)	-	-	-
Amortization of stock options	-	-	1.0	-	-	1.0
Amortization of restricted share units	-	-	2.6	-	-	2.6
Amortization of performance share units	-	-	0.3	-	-	0.3
Net loss	-	-	-	-	(7.6)	(7.6)
Balance, September 30, 2016	79,596,910	$ 961.9	$ 24.9	$ (62.5)	$ (252.7)	$ 671.6

Millions of U.S. dollars, except number of common shares	**Number of Common Shares** (Note 13)	**Common Shares**	**Contributed Surplus**	**Other Reserves**	**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	2.1	(1.2)	-	-	**0.9**
Settlement of restricted share units	86,993	1.3	(1.3)	-	-	**-**
Amortization of stock options	-	-	0.5	-	-	**0.5**
Amortization of restricted share units	-	-	2.2	-	-	**2.2**
Amortization of performance share units	-	-	2.9	-	-	**2.9**
Net income	-	-	-	-	12.4	**12.4**
Balance, September 30, 2017	**79,851,761**	**$ 966.3**	**$ 28.5**	**$ (62.5)**	**$ (229.5)**	**$ 702.8**

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

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

	Three months ended		Nine months ended	
Millions of U.S. dollars	**September 30, 2017**	September 30, 2016	**September 30, 2017**	September 30, 2016
Operating activities:				
Net (loss) income	**$ (1.6)**	$ 23.6	**$ 12.4**	$ (7.6)
Adjustments for:				
Share-based compensation	**1.3**	1.0	**5.6**	3.9
Depreciation, amortization and other	**27.5**	22.3	**74.8**	37.1
Unrealized (gain) loss on derivative contracts	**-**	(0.8)	**(1.1)**	46.4
Unrealized foreign exchange loss (gain)	**0.7**	1.8	**(6.9)**	5.8
Finance costs	**6.1**	6.4	**20.5**	12.6
Deferred income taxes	**2.6**	(0.3)	**(6.7)**	(3.4)
Income taxes paid	**-**	-	**(7.9)**	(0.6)
Cash generated from operating activities before changes in non-cash working capital balances	**$ 36.6**	$ 54.0	**$ 90.7**	$ 94.2
Changes in non-cash working capital balances:				
Value-added tax receivables	**(2.9)**	(4.7)	**(17.9)**	(13.6)
Inventory	**(1.4)**	-	**(10.8)**	8.7
Prepaid expenses and other current assets	**1.0**	2.2	**(0.5)**	(7.2)
Accounts payable and accrued liabilities	**10.4**	(6.7)	**12.1**	24.3
Income taxes payable	**1.4**	5.4	**6.6**	9.3
Net cash generated from operating activities	**$ 45.1**	$ 50.2	**$ 80.2**	$ 115.7
Investing activities:				
Additions to property, plant and equipment	**(36.2)**	(19.6)	**(94.1)**	(115.2)
Proceeds from pre-production sales	**-**	-	**-**	38.7
Borrowing costs capitalized to property, plant and equipment	**-**	-	**-**	(5.6)
Working capital for property, plant and equipment	**7.2**	(18.6)	**6.3**	(25.5)
Value-added tax receivables, net	**3.8**	2.1	**9.8**	2.3
Restricted cash	**1.9**	9.7	**9.6**	26.4
Net cash used in investing activities	**$ (23.3)**	$ (26.4)	**$ (68.4)**	$ (78.9)
Financing activities:				
Proceeds from value-added tax loan	**-**	-	**-**	24.3
Repayment of debt	**(3.6)**	(1.1)	**(24.8)**	(2.1)
Deferred finance charges	**(6.5)**	-	**(6.5)**	(0.9)
Working capital for finance charges	**(1.3)**	-	**-**	-
Interest paid	**(6.1)**	(6.4)	**(20.5)**	(12.6)
Exercise of stock options	**0.1**	4.3	**0.9**	5.3
Net cash (used in) generated from financing activities	**$ (17.4)**	$ (3.2)	**$ (50.9)**	$ 14.0
Effect of foreign exchange rate changes on cash and cash equivalents	**0.6**	(1.0)	**1.6**	(3.2)
Net increase (decrease) in cash and cash equivalents during the period	**$ 5.0**	$ 19.6	**$ (37.5)**	$ 47.6
Cash and cash equivalents, beginning of the period	**$ 61.5**	$ 74.1	**$ 104.0**	$ 46.1
Cash and cash equivalents, end of the period	**$ 66.5**	$ 93.7	**$ 66.5**	$ 93.7

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

Note 1. Corporation Information

Torex Gold Resources Inc. (the "Company" or "Torex") is 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. Within this property, Torex has two assets: The El Limón Guajes mine (the "ELG Mine"), which is in the production stage effective April 1, 2016, and the Media Luna Project for which the Company issued a Preliminary Economic Assessment.

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, Suite 740, Toronto, Ontario, Canada, M5X 2A2.

These unaudited condensed consolidated interim financial statements (herein referred to as "consolidated financial statements") of the Company as at and for the three and nine months ended September 30, 2017 include the accounts of the Company and its subsidiaries.

Note 2. Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") under the historical cost convention, as modified by revaluation of derivative contracts and certain financial instruments. These consolidated financial statements do not include all of the information required for full financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 8, 2017.

(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.

(c) Accounting Pronouncements

Recent accounting pronouncements issued but not yet effective:

International Financial Reporting Standards ("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.

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 anticipates the impact of adopting this new standard to be minimal.

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 financing cash flows as more lease payments will be recorded as financing outflows in the Company's statements of cash flows.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2, Share-based Payment ("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 anticipates the impact of adopting this new standard to be minimal.

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

Note 3. Significant Accounting Policies

The accounting policies followed in these consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2016.

Note 4. Significant Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates. The significant judgments, estimates and assumptions made by management in applying the Company's accounting policies were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2016.

Note 5. Inventory

		September 30, 2017		December 31, 2016
Ore stockpiled	**$**	**12.7**	$	18.9
In-circuit		**13.6**		12.4
Finished goods		**5.5**		4.1
Materials and supplies		**29.6**		18.0
	$	**61.4**	$	53.4

The amount of depreciation included in inventory as at September 30, 2017 is $12.3 (December 31, 2016 - $15.1).

Note 6. Restricted Cash

Pursuant to the Debt Facility (Note 9), the Company maintains restricted cash of $13.8 (December 31, 2016 - $23.4) held for potential reclamation obligations in the event of an unplanned temporary closure of the ELG Mine. 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 at December 31, 2016.

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

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	**41.8**	**71.0**	**1.3**	**0.1**	**114.2**
Disposals	**-**	**(1.4)**	**-**	**-**	**(1.4)**
As at September 30, 2017	**$ 266.4**	**$ 868.8**	**$ 1.3**	**$ 1.5**	**$ 1,138.0**
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	**19.9**	**62.5**	**-**	**0.1**	**82.5**
Disposals	**-**	**(0.4)**	**-**	**-**	**(0.4)**
As at September 30, 2017	**$ 35.4**	**$ 129.7**	**$ -**	**$ 1.3**	**$ 166.4**
Net book value					
As at December 31, 2016	$ 209.1	$ 731.6	$ -	$ 0.2	$ 940.9
As at September 30, 2017	**$ 231.0**	**$ 739.1**	**$ 1.3**	**$ 0.2**	**$ 971.6**

Effective April 1, 2016, the Company entered the production stage at the ELG Mine. 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 September 30, 2017, property and equipment includes, net of depreciation, $19.8 in capitalized borrowing costs (December 31, 2016 - $21.5) and $9.3 (December 31, 2016 - $9.2) related to the decommissioning liability for the ELG Mine (Note 12). Mineral property includes, net of depreciation, $61.8 (December 31, 2016 - $26.0) of capitalized deferred stripping costs, which includes $21.5 (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 September 30, 2017, the amount of VAT due from the Mexican tax authorities is $78.8 (or 1,434.0 million Mexican pesos) (December 31, 2016 - $61.8 or 1,279.0 million Mexican pesos), of which $35.8 is expected to be collected within the next year and is presented as a current asset, with the remaining $43.0 presented as a non-current asset. For the nine months ended September 30, 2017, the Company received $31.7 (or 583.6 million Mexican pesos) for VAT claims for 2015, 2016 and 2017. At each reporting period, VAT receivables are reviewed for collectability. Any allowance is based on the determination that the Mexican government may not allow the complete refund of these taxes. As at September 30, 2017, a full recovery is expected by the Company.

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

Note 9. Debt

		September 30, 2017		December 31, 2016
Debt:				
Debt Facility (a)	**$**	**361.5**	$	365.7
Equipment Loan (b)		**3.5**		5.4
VAT Loan (c)		**-**		17.5
Finance Lease (d)		**21.0**		18.1
Total debt, net of deferred finance charges	**$**	**386.0**	$	406.7
Less: current portion, net of deferred finance charges		**43.0**		5.5
Long-term portion, net of deferred finance charges	**$**	**343.0**	$	401.2

Contractual undiscounted debt repayments

		September 30, 2017
2017	$	1.6
2018		56.3
2019		82.9
2020		165.0
2021		43.3
2022		51.0
Total debt	**$**	**400.1**
Less: unamortized deferred finance charges		14.1
Total debt, net of deferred finance charges	**$**	**386.0**
Less: current portion, net of deferred finance charges		43.0
Long-term debt, net of deferred finance charges	**$**	**343.0**

(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 and other definitive documentation 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 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 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 Loan Facility was supported by secured guarantees from the Company and each of its material subsidiaries.

The Loan Facility was subject to a Final Completion Test ("FCT"). The deadline for completion of the FCT was March 31, 2018. Successful completion of the FCT 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.

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, for the construction of the ELG Mine. 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 has a revised repayment schedule and 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. As at September 30, 2017, the Company is in compliance with the financial covenants.

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 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.

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.

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 nine months ended September 30, 2017, the amortization expense relating to the deferred finance charges is included in finance costs for the Debt Facility, is calculated using an effective interest rate ranging between 1.336% and 1.350%, and results in unamortized deferred finance charges of $13.5 as at September 30, 2017 (December 31, 2016 - $9.3).

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

Scheduled principal repayments, reflecting amounts drawn as of September 30, 2017 are as follows:

2017	$	-
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 Condensed Consolidated Interim 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%. During the nine months ended September 30, 2017, the Company made principal repayments of $2.1.

(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 $44.0 as at September 30, 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.

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 September 30, 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. As at September 30, 2017, the Company has utilized $24.5 of the amount available, and has made principal repayments of $3.0, and of which $2.4 were paid in the nine months ended September 30, 2017.

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

Note 10. Finance Costs

The following table shows net finance costs for the three and nine months ended September 30, 2017 and September 30, 2016:

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Interest and financing fees	**$ 7.5**	$ 7.1	**$ 23.4**	$ 14.0
Interest income	**(1.0)**	(0.3)	**(2.1)**	(0.6)
Accretion of decommissioning liabilities	**0.1**	0.1	**0.3**	0.2
	$ 6.6	$ 6.9	**$ 21.6**	$ 13.6

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. On July 5, 2017, the Company settled the remaining 4,095 ounces under the gold contracts.

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 from November 2014 to the second quarter of 2017, of which none are outstanding as at September 30, 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 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 September 30, 2017:

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 September 30, 2017**
101.0	18.54	505.0	168.0	673.0	$ (0.5)
303.0	18.55				
101.0	18.69				
168.0	19.18				
673.0					

(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 Condensed Consolidated Interim Statements of Financial Position as at September 30, 2017 and December 31, 2016:

	Classification	Fair Value as at September 30, 2017	Fair Value as at December 31, 2016
Gold contracts	Current assets	$ -	$ 8.6
Total derivative assets		$ -	$ 8.6
Currency contracts	Current liabilities	(0.2)	(5.7)
Currency contracts	Long-term liabilities	(0.3)	(4.5)
Total derivative liabilities		$ (0.5)	$ (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 in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss).

The following table shows the (gains) losses on derivative contracts for the three and nine months ended September 30, 2017 and 2016:

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Unrealized (gain) loss on gold contracts	$ -	$ (3.5)	$ 8.6	$ 44.8
Unrealized loss (gain) on currency contracts	-	2.7	(9.7)	1.6
Realized loss on gold contracts	-	2.5	0.5	3.1
Realized (gain) loss on currency contracts	(0.2)	1.2	(0.2)	6.7
	$ (0.2)	$ 2.9	$ (0.8)	$ 56.2

Note 12. Decommissioning Liabilities

The Company has recognized a decommissioning liability relating to its ELG Mine, 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. 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.

The Company has calculated the estimated fair value of the decommissioning liability as at September 30, 2017 using a pre-tax discount rate of 3.10% (December 31, 2016 - 4.33%) based on inflation-adjusted Mexican bond yields, with expenditures expected to be incurred between 2017 and 2030. The estimated total future undiscounted cash flows to settle the decommissioning liability as at September 30, 2017 are $15.5 (December 31, 2016 - $15.5). The total decommissioning liability for the ELG Mine as at September 30, 2017 is $11.7 (December 31, 2016 - $10.5).

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

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).

The following table shows the decommissioning liability as at September 30, 2017 and December 31, 2016:

		September 30, 2017		December 31, 2016
Balance, beginning of the period	**$**	**10.5**	$	9.4
Revisions to expected discounted cash flows		**-**		2.5
Accretion expense		**0.3**		0.3
Foreign exchange movement		**0.9**		(1.7)
Balance, end of the period	**$**	**11.7**	$	10.5
Less: current portion		**0.1**		0.3
Long-term portion	**$**	**11.6**	$	10.2

Note 13. Share Capital

Authorized

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

Issued

During the nine months ended September 30, 2017, 109,202 common shares were issued (nine months ended September 30, 2016 – 774,969) 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 nine months ended September 30, 2017, 86,993 common shares were issued to settle vested restricted share units (nine months ended September 30, 2016 – 277,259).

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.

Note 14. 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.

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

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 September 30, 2017 and the amounts of share-based compensation expense recognized for the three and nine months ended September 30, 2017 and 2016.

	Number Outstanding	**Three months ended**		**Nine months ended**	
	September 30, 2017	**September 30, 2017**	September 30, 2016	**September 30, 2017**	September 30, 2016
Common share options	**1,065,802**	**$ -**	$ 0.1	**$ 0.5**	$ 1.0
RSUs	**59,495**	**-**	0.5	**0.9**	2.5
ERSUs	**182,927**	**0.4**	0.1	**1.3**	0.1
EPSUs	**274,394**	**0.9**	0.3	**2.9**	0.3
	1,582,618	**$ 1.3**	$ 1.0	**$ 5.6**	$ 3.9

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.

As at September 30, 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	2.89	$ 11.40	190,718	2.89	$ 11.40
$11.46-$11.65	349,431	1.60	11.50	349,431	1.60	11.50
$11.66-$21.05	141,697	2.52	15.49	132,574	2.53	15.55
$21.06-$24.46	330,000	0.02	21.70	330,000	0.02	21.70
$24.47-$29.62	43,952	4.33	27.22	43,952	4.33	27.22
$29.63-$32.02	10,004	3.92	32.02	10,004	3.92	32.02
	1,065,802	**1.60**	**$ 16.01**	**1,056,679**	**1.60**	**$ 16.02**

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

A summary of changes in the number of Options issued by the Company for the nine months ended September 30, 2017 and for the year ended December 31, 2016 is presented as follows:

	Number of options (Note 13)		Weighted average exercise price (CDN) (Note 13)
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	(996)		11.40
Balance, September 30, 2017	**1,065,802**	**$**	**16.01**

The fair value of the Options granted was calculated using a Black-Scholes option pricing model. The expected volatility is estimated taking into consideration the historical volatility of the Company's share price. The estimated fair value of 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 Options granted during the nine months ended September 30, 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 nine months ended September 30, 2017 and 2016:

	Nine months ended	
	September 30, 2017	September 30, 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%

The weighted average share price at the date of exercise of options exercised during nine months ended September 30, 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.

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

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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) 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 nine months ended September 30, 2017 and the year ended December 31, 2016 is presented below:

	Number of RSUs and ERSUs (Note 13)		Weighted average value (CDN) (Note 13)
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	(86,993)		18.80
Forfeited	(1,978)		27.58
Balance, September 30, 2017	**242,422**	**$**	**25.89**

Performance share units

Under the ESU Plan, EPSUs may be granted to employees of the Company. 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.

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 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.

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

A summary of changes in the number of EPSUs issued by the Company for the nine months ended September 30, 2017 and the year ended December 31, 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, September 30, 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 nine months ended September 30, 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 nine months ended September 30, 2017 and 2016:

	Nine months ended	
	September 30, 2017	September 30, 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 15. Earnings (Loss) per Share

Earnings (loss) per share has been calculated using the weighted average number of common shares outstanding for the three and nine months ended September 30, 2017 and 2016 as follows:

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Net (loss) income	**$ (1.6)**	$ 23.6	**$ 12.4**	$ (7.6)
Basic weighted average shares outstanding	**79,826,579**	79,084,348	**79,777,568**	78,846,278
Weighted average shares dilution adjustments:				
Share options	**-**	718,042	**380,712**	-
Restricted share units	**-**	174,837	**103,365**	-
Diluted weighted average shares outstanding	**79,826,579**	79,977,227	**80,261,645**	78,846,278
Earnings (loss) per share				
Basic	**$ (0.02)**	$ 0.30	**$ 0.16**	$ (0.10)
Diluted	**$ (0.02)**	$ 0.30	**$ 0.15**	$ (0.10)

For the nine months ended September 30, 2017, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 53,956 share option and 274,394 EPSUs as their exercise or settlement would be anti-dilutive in the earnings per share calculation.

For the three months ended September 30, 2016, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 170,136 EPSUs as their exercise or settlement would be anti-dilutive in the earnings per share calculation.

For the three months ended September 30, 2017 and the nine months ended September 30, 2016, basic loss per share is equal to diluted loss per share, as all options, ERSUs and EPSUs outstanding for these periods are anti-dilutive.

Note 16. Financial Instruments and Risk Management

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

(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 September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	**$ 66.5**	**$ 66.5**	$ 104.0	$ 104.0
Derivative contracts	**-**	**-**	8.6	8.6
Restricted cash	**13.8**	**13.8**	23.4	23.4
	$ 80.3	**$ 80.3**	$ 136.0	$ 136.0
Financial liabilities				
Accounts payable and accrued liabilities	**$ 68.2**	**$ 68.2**	$ 50.4	$ 50.4
Derivative contracts	**0.5**	**0.5**	10.2	10.2
Debt	**386.0**	**400.1**	406.7	416.9
	$ 454.7	**$ 468.8**	$ 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, restricted cash, and derivative contracts 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 September 30, 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's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2017, the Company had cash and cash equivalents balances of $66.5 (excluding restricted cash of $13.8) (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 nine months ended September 30, 2017, the Company drew down a total of $5.5 from its Finance Lease Arrangement (Note 9) to finance certain mining equipment. As at September 30, 2017, the amounts outstanding under the Loan Facility, Equipment Loan, and Finance Lease Arrangement totalled $375.0, $3.6 and $21.5, respectively.

Cash flows that are expected to fund the operation of the ELG Mine and settle current liabilities are dependent on, among other things, proceeds from gold sales. The Company is exposed to liquidity risk and credit risk with respect to its VAT receivables if the Mexican tax authorities are unable or unwilling to make payments in a timely manner in accordance with the Company's monthly filings. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. As at September 30, 2017, the Company expects to recover $35.8 over the next 12 months and a further $43.0 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.

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

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

				September 30, 2017
	Up to 1 year	1-5 years	Over 5 years	**Total**
Accounts payable and accrued liabilities	$ 68.2	$ -	$ -	**$ 68.2**
Derivative contracts (Note 11)	0.2	0.3	-	**0.5**
Debt (Note 9)	43.0	357.1	-	**400.1**
	$ 111.4	**$ 357.4**	**$ -**	**$ 468.8**

				December 31, 2016
	Up to 1 year	1-5 years	Over 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 September 30, 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

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

Company expects the majority of its exploration, project development, operating and decommissioning expenditures associated with the Morelos Gold Property to be paid in Mexican pesos and U.S. dollars.

As at September 30, 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. As at September 30, 2017, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would result in a decrease of $1.6 or increase of $2.4 (using the spot rate as at September 30, 2017 of 18.2 Mexican pesos per U.S. dollar) in the Company's net income (loss) for the nine months relating to the derivative currency contracts.

As at September 30, 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 $4.0 and $0.3 in the Company's net income (loss) for the nine months, 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 nine months ended September 30, 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 September 30, 2017, no ounces remained to be delivered under these derivative contracts. Therefore, a 10% appreciation or depreciation of gold prices would not have an impact on the Company's net income (loss) for the nine months relating to the derivative gold 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.

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:

			September 30, 2017
	Level 1	**Level 2**	**Level 3**
Financial liabilities			
Derivative currency contracts	-	0.5	-
	$ -	**$ 0.5**	**$ -**

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

	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 17. Capital Management

Capital consists of the Company's shareholders' equity and debt. As at September 30, 2017, the Company's shareholders' equity was $702.8 (December 31, 2016 - $683.9), and debt, comprising the Loan Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan, net of deferred finance charges was $386.0 (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 was raised through the issuance of common shares, bought deal financings, and debt financing. The net proceeds raised were used to advance the development of the ELG Mine and provide sufficient working capital to meet the Company's ongoing obligations. The ELG Mine reached commercial production effective April 1, 2016.

Note 18. 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.

Note 19. Commitments

Purchase commitments

As at September 30, 2017, the total purchase commitments for the ELG Mine amounted to $60.6, 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 nine months ended September 30, 2017, the Company paid $2.4 relating to the fourth quarter of 2016, $2.2 for the first quarter of 2017 and $2.2 for the second 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 September 30, 2017, the Company has $8.5 and $1.4 accrued for the 7.5% and 0.5% royalties, respectively.

Note 20. Subsequent Event

On November 3, 2017, a group of unionized workers commenced an illegal blockade at the main gate to the ELG Mine, demanding a change in labour union. Operations at the site have been halted and the illegal blockade remains in effect at the date of filing these financial statements. A reasonable estimate of the financial effect cannot be made at this time.