LEAGOLD MINING

**Condensed Interim Consolidated Financial Statements**

For the three and six months ended June 30, 2019 and 2018

(expressed in thousands of United States dollars)

(Unaudited)

# Leagold Mining Corporation

Condensed Interim Consolidated Statements of Financial Position
(expressed in thousands of United States dollars) – Unaudited

| | As at June 30, 2019 | As at December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Cash | **$ 52,757** | $ 53,021 |
| Trade and other receivables (Note 5) | **30,904** | 33,770 |
| Inventories (Note 6) | **125,075** | 111,794 |
| Prepaid expenses and other | **18,202** | 16,125 |
| | **226,938** | 214,710 |
| Mining interests (Note 7) | **788,859** | 772,759 |
| Long-term inventories (Note 6) | **1,015** | 1,506 |
| Deferred income tax assets (Note 8) | **9,962** | 86,681 |
| Other long-term receivables (Note 5) | **10,729** | 7,229 |
| **Total assets** | **$ 1,037,503** | $ 1,082,885 |
| **Liabilities** | | |
| Trade and other payables (Note 9) | **$ 92,474** | $ 101,121 |
| Deferred revenue (Note 17(b)) | **-** | 23,382 |
| Reclamation and closure costs (Note 10) | **3,754** | 2,873 |
| Derivative financial instruments (Note 11) | **12,225** | 10,702 |
| Other current financial liabilities (Note 12) | **2,589** | - |
| Current portion of debt (Note 13) | **-** | 144,642 |
| Lease liabilities (Note 14(b)) | **6,654** | - |
| | **117,696** | 282,720 |
| Reclamation and closure costs (Note 10) | **85,167** | 83,633 |
| Deferred income tax liabilities | **13,975** | 13,619 |
| Derivative financial instruments (Note 11) | **20,303** | - |
| Other long-term financial liabilities (Note 12) | **4,014** | 5,502 |
| Long term debt (Note 13) | **275,826** | 99,821 |
| Long-term lease liabilities (Note 14(b)) | **9,450** | - |
| Other long-term liabilities (Note 15) | **12,512** | 13,551 |
| **Total liabilities** | **$ 538,943** | $ 498,846 |
| **Equity** | | |
| Share capital (Note 16) | **$ 578,731** | $ 578,351 |
| Reserves | **14,570** | 11,530 |
| Hedging reserves | **(28,003)** | (6,176) |
| Share purchase reserve | **(3,221)** | (3,221) |
| Deficit | **(63,517)** | 3,555 |
| **Total equity** | **498,560** | 584,039 |
| **Total liabilities and equity** | **$ 1,037,503** | $ 1,082,885 |

Approved by the Board of Directors and authorized for issue on August 1, 2019:

"Neil Woodyer" Director    "Miguel Rodriguez" Director

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

## Leagold Mining Corporation

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss
(expressed in thousands of United States Dollars) – Unaudited

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| **Revenues (Note 17)** | **$ 120,181** | $ 86,929 | **$ 258,295** | $ 155,002 |
| **Cost of sales** | | | | |
| Operating expenses (Note 18) | **84,282** | 65,140 | **177,601** | 114,339 |
| Depreciation and depletion (Note 7) | **15,880** | 10,869 | **33,559** | 18,705 |
| Royalties | **1,425** | 820 | **2,971** | 1,365 |
| **Earnings from mine operations** | **18,594** | 10,100 | **44,164** | 20,593 |
| Share-based payments (Note 16(b)) | **534** | 101 | **4,272** | 159 |
| Acquisition and restructuring costs | **-** | 3,450 | **-** | 5,241 |
| General and administration costs | **2,812** | 3,114 | **5,090** | 4,787 |
| Other expenses/(income) | **478** | 1,388 | **(60)** | 728 |
| **Earnings from operations** | **14,770** | 2,047 | **34,862** | 9,678 |
| Foreign exchange loss/(gain) | **1,730** | (1,556) | **1,135** | (2,380) |
| Interest expense on loan facilities (Note 13) | **5,393** | 4,301 | **11,079** | 7,561 |
| Finance and accretion expense/(income) (Note 19) | **6,352** | (8,110) | **9,555** | (7,782) |
| **Earnings before taxes** | **1,295** | 7,412 | **13,093** | 12,279 |
| Current income and other tax expense | **2,871** | (808) | **3,451** | 4,303 |
| Deferred income tax expense/(recovery) (Note 8) | **68,672** | (1,559) | **76,714** | 8,947 |
| **Net (loss)/income** | **(70,248)** | 9,779 | **(67,072)** | (971) |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Change in fair value of hedging instruments (Note 11(c)) | **(24,615)** | (4,174) | **(21,827)** | (4,174) |
| **Net comprehensive (loss)/income** | **$ (94,863)** | 5,605 | **$ (88,899)** | (5,145) |
| Basic and diluted (loss)/earnings per share | **(0.25)** | 0.05 | **(0.24)** | (0.01) |
| Basic and diluted earnings before taxes per share | **0.00** | 0.04 | **0.05** | 0.07 |
| **Weighted average common shares outstanding** | | | | |
| Basic | **284,885,584** | 205,629,792 | **284,860,402** | 178,726,505 |
| Diluted | **284,885,584** | 205,883,682 | **284,860,402** | 178,726,505 |

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

## Leagold Mining Corporation

Condensed Interim Consolidated Statements of Cash Flows
(expressed in thousands of United States dollars) – Unaudited

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|---|---|
| Net income/(loss) for the period | **$ (70,248)** | $ 9,779 | **$ (67,072)** | $ (971) |
| Adjust for: | | | | |
| Depreciation and depletion (Note 7) | **15,880** | 10,869 | **33,559** | 18,705 |
| Share-based payments (Note 16(b)) | **534** | 101 | **4,272** | 159 |
| Interest expense on loan facilities (Note 13) | **5,393** | 4,301 | **11,079** | 7,561 |
| Finance and accretion expense (Note 19) | **6,352** | (8,110) | **9,555** | (7,782) |
| Current income and other tax expense/(recovery) | **2,871** | (808) | **3,451** | 4,303 |
| Deferred income tax expense/(recovery) | **68,672** | (1,559) | **76,714** | 8,947 |
| Unrealized foreign exchange loss/(gain) | **900** | (3,940) | **367** | (4,577) |
| Inventory adjustments | **(1,103)** | 3,633 | **349** | 5,981 |
| Cash spent on reclamation (Note 21(b)) | **(155)** | (759) | **(406)** | (1,199) |
| Income taxes paid | **(47)** | (3,677) | **(491)** | (4,024) |
| Other | **(1,728)** | 645 | **(2,086)** | 342 |
| Operating cash flows before working capital | **$ 27,321** | $ 10,475 | **$ 69,291** | $ 27,445 |
| Changes in working capital items: | | | | |
| Trade and other receivables | **1,227** | (9,275) | **2,531** | (8,451) |
| Deferred revenue | **(11,691)** | - | **(23,382)** | - |
| Inventories | **(10,529)** | (7,255) | **(12,967)** | (7,265) |
| Prepaid expenses and other | **(7,194)** | (4,002) | **(4,059)** | (4,955) |
| Trade and other payables | **(10,547)** | (5,827) | **(8,528)** | (7,831) |
| Payment of transaction-related payables assumed on Acquisition | **-** | (14,937) | **-** | (14,937) |
| **Cash (used in)/provided by operating activities** | **$ (11,413)** | $ (30,821) | **$ 22,886** | $ (15,994) |
| | | | | |
| Expenditures on mining interests (Note 21(a)) | **(13,229)** | (10,822) | **(27,893)** | (23,444) |
| Cash acquired through acquisition of Brio | **-** | 5,423 | **-** | 5,423 |
| Bridge loan issued on acquisition of Brio | **-** | (13,069) | **-** | (13,069) |
| Interest received | **60** | 146 | **85** | 250 |
| **Cash used in investing activities** | **$ (13,169)** | $ (18,322) | **$ (27,808)** | (30,840) |
| | | | | |
| Private placement proceeds, net of issue costs | **-** | 44,503 | **-** | 44,503 |
| Loan facility proceeds, net of issue costs (Note 13) | **275,867** | 97,546 | **275,867** | 97,546 |
| Repayment of loan facilities (Note 13) | **(250,000)** | (75,000) | **(250,000)** | (75,000) |
| Interest paid on loan facilities | **(10,674)** | - | **(16,350)** | (3,261) |
| Repayment of short-term loans | **-** | (1,500) | **-** | (1,500) |
| Payment of lease liabilities (Note 14(b)) | **(1,700)** | - | **(3,787)** | - |
| Other | **(590)** | 437 | **(571)** | 665 |
| **Cash provided by financing activities** | **$ 12,903** | $ 65,986 | **$ 5,159** | $ 62,953 |
| | | | | |
| Foreign exchange loss on cash | **(812)** | (374) | **(501)** | (709) |
| **(Decrease)/increase in cash** | **$ (12,491)** | $ 16,469 | **$ (264)** | $ 15,410 |
| | | | | |
| Cash, beginning of period | **65,248** | 52,980 | **53,021** | 54,039 |
| (Decrease)/increase in cash | **(12,491)** | 16,469 | **(264)** | 15,410 |
| **Cash, end of period** | **$ 52,757** | $ 69,449 | **$ 52,757** | $ 69,449 |

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

(expressed in thousands of United States dollars, except share information) – Unaudited

| | Share Capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Shares | | | | | | |
| | Number | Amount | Reserve | Hedging Reserves | Share Purchase Reserve | Deficit | Total |
| Balance at December 31, 2017 | 151,316,959 | $ 268,777 | $ 11,312 | $ - | $ - | $ (11,730) | $ 268,359 |
| Share-based compensation (Note 16(b)) | - | - | 91 | - | - | - | 91 |
| Share issue costs | - | (497) | - | - | - | - | (497) |
| Shares issued pursuant to the acquisition of Brio | 110,876,166 | 264,052 | - | - | - | - | 264,052 |
| Share options granted during the acquisition of Brio | - | - | 930 | - | - | - | 930 |
| Shares issued pursuant to the private placement | 21,317,098 | 43,800 | - | - | - | - | 43,800 |
| Share issued on exercise of share options | 807,245 | 1,209 | (454) | - | - | - | 755 |
| Warrants exercised | 250 | - | - | - | - | - | - |
| Issuance of treasury shares | - | - | - | - | (3,626) | - | (3,626) |
| Settlement of treasury shares | - | - | - | - | 104 | - | 104 |
| Change in fair value of hedging instruments (Note 11(c)) | - | - | - | (4,174) | - | - | (4,174) |
| Net loss and comprehensive loss | - | - | - | - | - | (971) | (971) |
| **Balance at June 30, 2018** | **284,317,718** | **$ 577,341** | **$ 11,879** | **$ (4,174)** | **$ (3,522)** | **$ (12,701)** | **$ 568,823** |
| | | | | | | | |
| Balance at December 31, 2018 | 284,743,147 | $ 578,351 | $ 11,530 | $ (6,176) | $ (3,221) | $ 3,555 | $ 584,039 |
| Share-based compensation (Note 16(b)) | - | - | 3,200 | - | - | - | 3,200 |
| Shares issued on exercise of share options (Note 16(b)(i)) | 142,437 | 380 | (160) | - | - | - | 220 |
| Change in fair value of hedging instruments (Note 11(c)) | - | - | - | (21,827) | - | - | (21,827) |
| Net loss and comprehensive loss | - | - | - | - | - | (67,072) | (67,072) |
| **Balance at June 30, 2019** | **284,885,584** | **$ 578,731** | **$ 14,570** | **$ (28,003)** | **$ (3,221)** | **$ (63,517)** | **$ 498,560** |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Leagold Mining Corporation (Leagold or the Company) is a Canadian-based corporation and its common shares are listed on the Toronto Stock Exchange (symbol: LMC) and quoted in the United States on the OTCQX International (symbol: LMCNF). The address of the Company's registered and records office is 2900 – 550 Burrard Street, Vancouver, British Columbia, V6C 0A3 and its executive office is 3043 - 595 Burrard Street, Vancouver, British Columbia, V7X 1J1.

Leagold is a Canadian based gold producer with four operating mines: the Los Filos mine complex in Mexico, and the RDM, Fazenda, and Pilar mines in Brazil, which were acquired from Brio Gold Inc. (Brio) on May 24, 2018. Leagold also has two near-term growth projects: the expansion of the Los Filos mine complex and the restart of the Santa Luz mine, which was also acquired on May 24, 2018. Leagold's long-term growth strategy includes acquiring operating gold mines and projects nearing construction where the acquired assets complement its existing operations and provide further operational diversification.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards (IFRS). Certain disclosures required by IFRS have been condensed or omitted in the following note disclosures as they are disclosed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the years ended December 31, 2018 and 2017 (annual financial statements), which have been prepared in accordance with IFRS.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the annual financial statements, except as detailed in Note 2(d) below.

### b) Basis of consolidation

The accounts of the subsidiaries controlled by the Company are included in the consolidated financial statements from the date that control commenced until the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The subsidiaries of the Company and their geographic locations at June 30, 2018 are as follows:

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

| Direct parent company | Location | Ownership |
|---|---|---|
| Leagold (BC) Holding Corp. | Canada | 100% |
| Leagold (Barbados) Holdings Ltd. | Barbados | 100% |
| MXN Silver Corp. | Barbados | 100% |
| Leagold Luxembourg S.à.r.l. | Luxembourg | 100% |
| Brazil Holdings BV | Netherlands | 100% |
| Riacho Dos Machados Holdings BV | Netherlands | 100% |
| Fazenda Holdings BV | Netherlands | 100% |
| C1 Holdings BV | Netherlands | 100% |
| Pilar Holdings BV | Netherlands | 100% |
| Brio Finance II BV | Netherlands | 100% |
| Leagold Mexico S.A.P.I. de C.V. | Mexico | 100% |
| Mina Leagold Los Filos, S.A.P.I. de C.V. | Mexico | 100% |
| Administración Los Filos, S.A.P.I. de C.V. | Mexico | 100% |
| Desarrollos Mineros San Luis S.A. de C.V. | Mexico | 100% |
| Exploradora de Yacimientos Los Filos S.A. de C.V. | Mexico | 100% |
| Minera Thesalia, S.A. de C.V. | Mexico | 100% |
| Mineracao Riacho Dos Machados Ltda | Brazil | 100% |
| Fazenda Brasileiro Desenvolvimento Mineral Ltda | Brazil | 100% |
| Santa Luz Desenvolvimento Mineral Ltda | Brazil | 100% |
| Pilar de Goias Desenvolvimento Mineral S/A | Brazil | 100% |

Intercompany balances, transactions, income and expenses arising from intercompany transactions are eliminated in full on consolidation.

## c) Foreign currency translation

The presentation and functional currency of the Company is the US dollar. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the condensed interim consolidated statements of net (loss)/income and comprehensive (loss)/income.

## d) Leases

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. At this date, the right-of-use asset is measured at cost. Cost includes the initial amount of the lease liability, adjusted for lease payments made before this date as well as any initial direct costs incurred. Cost also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset and restoring the site on which it is located, less any lease incentives received.

The right-of-use asset is depreciated using the straight-line method from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful lives of right-of-use assets are determined in the same manner as those of mineral interests and property plant and equipment. Right-of-use assets are adjusted for impairments and/or re-measurements of the lease liability.

At the lease commencement date, the lease liability is measured at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate, which is the rate the Company would pay for similar assets at similar locations over a similar term.

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

The lease liability is re-measured when there is a change in future lease payments due to a change in an index or rate, a change in the Company's estimate of an amount payable under residual value guarantee, or if there is a change in the assessment of whether the Company will exercise a purchase, termination or extension option. When the lease liability is re-measured, a corresponding adjustment is made to the right-of-use asset, or recognized in net income/(loss) if the carrying amount of the right-of-use asset has been reduced to zero.

## 3. CHANGE IN ACCOUNTING POLICIES AND STANDARDS

### IFRS 16 – Leases

The Company has adopted IFRS 16, Leases (IFRS 16), with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts, as detailed in Note 2. The Company adopted IFRS 16 using a modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as a $18,716 increase to right-of-use assets, of which $494 relates to corporate office leases and $18,222 relates to the rental of trucks and drilling equipment, a $313 increase to sublease receivables, and a corresponding $19,029 increase to lease liabilities. A reconciliation of the lease liabilities recognized as at January 1, 2019 is presented below:

| | | **January 1, 2019** |
|---|---|---|
| Undiscounted minimum operating lease payments at December 31, 2018 | **$** | **21,114** |
| Effect of discounting at the incremental borrowing rate | | **(2,085)** |
| Lease liabilities arising from the initial application of IFRS 16 | **$** | **19,029** |

As part of the initial adoption plan, the Company has elected to use the two exemptions permitted by IFRS 16 on the following contracts:

- Lease contracts with a duration of less than 12 months (short-term leases);
- Lease contracts for which the underlying asset has a low value (low-value leases).

## 4. CRITICAL JUDGEMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Judgements, 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. 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 annual financial statements.

## 5. TRADE AND OTHER RECEIVABLES

| | | **June 30, 2019** | | December 31, 2018 |
|---|---|---|---|---|
| Trade receivables | **$** | **6,163** | $ | 5,322 |
| Mexican VAT receivable | | **11,888** | | 14,038 |
| Brazilian input tax credits receivable (a) | | **15,336** | | 14,463 |
| Income taxes receivable | | **5,668** | | 5,470 |
| Other receivables | | **2,578** | | 1,706 |
| Total trade and other receivables | **$** | **41,633** | $ | 40,999 |
| | | | | |
| Current portion | | **30,904** | | 33,770 |
| Non-current portion | | **10,729** | | 7,229 |
| Total trade and other receivables | **$** | **41,633** | $ | 40,999 |

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

**a)** As at June 30, 2019, $7,096 of the Brazilian input tax credits receivable are included in other long-term receivables on the condensed interim consolidated statement of financial position (December 31, 2018 - $4,386), as they are expected to be recovered over a period which exceeds the next twelve months.

## 6. INVENTORIES

| | | June 30, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Supplies | **$** | **26,046** | $ | 26,385 |
| Finished goods | | **3,076** | | 6,109 |
| Work in progress | | **6,559** | | 6,287 |
| Heap leach ore | | **86,794** | | 70,217 |
| Stockpiled ore | | **3,615** | | 4,302 |
| Total inventories | **$** | **126,090** | $ | 113,300 |
| | | | | |
| Current portion | | **125,075** | | 111,794 |
| Non-current heap leach ore | | **1,015** | | 1,506 |
| Total inventories | **$** | **126,090** | $ | 113,300 |

**a)** The costs of inventories recognized as expense for the three and six months ended June 30, 2019 was $100,162 (June 30, 2018 - $76,009) and $211,160 (June 30, 2018 - $133,044), respectively, and is included in cost of sales.

**b)** For the three months ended June 30, 2019, inventory includes the reversals of inventory charges of $129 at the Fazenda mine, $761 at the Pilar mine, and $213 at the RDM mine (June 30, 2018 – charge of $720 at the Pilar mine and $2,913 at the Los Filos mine complex). For the six months ended June 30, 2019, inventory includes the reversals of inventory charges of $22 at the Los Filos mine complex, $319 at the Fazenda mine, and charges of $279 at the Pilar mine and $411 at the RDM mine (June 30, 2018 – charge of $720 at the Pilar mine and $5,261 at the Los Filos mine complex).

## 7. MINING INTERESTS

| | Mining Properties | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Depletable | | Non-depletable | | Plant and equipment | | Total |
| **Cost** | | | | | | | | |
| Balance at December 31, 2018 | $ | 226,952 | $ | 115,595 | $ | 507,610 | $ | 850,157 |
| Additions/expenditures (Note 21(a)) | | 16,722 | | 4,227 | | 9,195 | | 30,144 |
| Right-of-use assets recognized (Note 14(a)) | | - | | - | | 18,716 | | 18,716 |
| Change in reclamation liability | | 1,031 | | 72 | | - | | 1,103 |
| **Balance as at June 30, 2019** | **$** | **244,705** | **$** | **119,894** | **$** | **535,521** | **$** | **900,120** |
| | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | |
| Balance at December 31, 2018 | $ | 27,983 | $ | - | $ | 49,415 | $ | 77,398 |
| Depreciation/depletion | | 10,680 | | - | | 22,879 | | 33,559 |
| Change in depreciation included in inventory | | 433 | | - | | (129) | | 304 |
| **Balance as at June 30, 2019** | **$** | **39,096** | **$** | **-** | **$** | **72,165** | **$** | **111,261** |
| | | | | | | | | |
| **Net book value as at June 30, 2019** | **$** | **205,609** | **$** | **119,894** | **$** | **463,356** | **$** | **788,859** |

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

| | Mining Properties | | | |
|---|---|---|---|---|
| | **Depletable** | **Non-depletable** | **Plant and equipment** | **Total** |
| **Cost** | | | | |
| At December 31, 2017 | $ 66,435 | $ 89,253 | $ 157,618 | $ 313,306 |
| Assets acquired on acquisition of Brio | 120,227 | 13,818 | 321,842 | 455,887 |
| Additions/expenditures | 39,473 | 11,275 | 28,150 | 78,898 |
| Change in reclamation liability | 817 | 1,249 | - | 2,066 |
| **Balance as at December 31, 2018** | **$ 226,952** | **$ 115,595** | **$ 507,610** | **$ 850,157** |
| | | | | |
| **Accumulated depreciation** | | | | |
| At December 31, 2017 | $ 9,124 | $ - | $ 15,325 | $ 24,449 |
| Depreciation/depletion | 17,167 | - | 29,695 | 46,862 |
| Change in depreciation included in inventory | 1,651 | - | 3,145 | 4,796 |
| Transfers and other non-cash movements | 41 | - | 1,250 | 1,291 |
| **Balance as at December 31, 2018** | **$ 27,983** | **$ -** | **$ 49,415** | **$ 77,398** |
| | | | | |
| **Net book value as at December 31, 2018** | **$ 198,969** | **$ 115,595** | **$ 458,195** | **$ 772,759** |

## 8. DEFERRED INCOME TAXES

During the three and six months ended June 30, 2019, the Company recognized a provision of $63,543 against its deferred income tax assets (a non-cash item) generated by its wholly owned Mexican subsidiary, Desarrollos Mineros San Luis S.A. de C.V. (DMSL), and attributable to multiple tax periods prior to and including 2017. DMSL was acquired by the Company on April 7, 2017 from Goldcorp Inc. (now part of Newmont Goldcorp Corporation) (the Acquisition) and its principal asset is the Los Filos mine complex.

As at June 30, 2019 the Company had unused tax losses amounting to $107,677 on a tax effected basis, prior to the recognition of the provision. These unused tax losses were supported by corporate tax returns filed for each of the years in which the tax losses were generated. The Company's projections of the probable utilization of DMSL's unused tax losses in the future is the basis for recognizing the unused tax losses as a deferred income tax asset (a non-cash item).

The $63,543 provision, which is a non-cash adjustment related to the deferred income tax assets, results from management's current understanding of the terms and impact of a tax settlement with the Mexican Tax Authorities (the Settlement). The Company is continuing to review and assess the impact of the Settlement, and in the interim has recognized this provision.

## 9. TRADE AND OTHER PAYABLES

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| Trade and other payables | **$ 68,348** | $ 59,369 |
| Accrued liabilities | **24,126** | 41,752 |
| Total trade and other payables | **$ 92,474** | $ 101,121 |

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

## 10. RECLAMATION AND CLOSURE COSTS

| | | June 30, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Beginning balance | $ | 86,506 | $ | 52,593 |
| Assumed on acquisition of Brio | | - | | 30,246 |
| Revision of estimate | | - | | 3,438 |
| Foreign exchange impact | | 417 | | (1,372) |
| Accretion expense (Note 19) | | 2,608 | | 3,180 |
| Expenditures (Note 21(b)) | | (610) | | (1,579) |
| Total reclamation and closure costs | $ | 88,921 | $ | 86,506 |
| | | | | |
| Current portion | | 3,754 | | 2,873 |
| Non-current portion | | 85,167 | | 83,633 |
| Total reclamation and closure costs | $ | 88,921 | $ | 86,506 |

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

| | | June 30, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Gold revenue protection strategy (a) | $ | 29,103 | $ | 2,619 |
| Foreign exchange protection program (b) | | 3,425 | | 8,083 |
| Derivative financial liabilities | $ | 32,528 | $ | 10,702 |
| | | | | |
| Current portion | | 12,225 | | 10,702 |
| Non-current portion | | 20,303 | | - |
| Total derivative financial liabilities | $ | 32,528 | $ | 10,702 |

The following derivative contracts are being accounted for as hedges by the Company:

### (a) Gold revenue protection strategy

In December 2018, the Company entered into a zero-cost collar contract, where gold puts will be purchased, and gold calls will be sold with average put and call strike prices of $1,200 and $1,275 per ounce, respectively. These purchases and sales will be made for 7,500 ounces per month from January 2019 to September 2019 for a total of 67,500 ounces.

In June 2019, the Company entered into zero-cost collar contracts, where gold puts will be purchased, and gold calls will be sold with average put and call strike prices of $1,325 and $1,430 per ounce, respectively. These purchases and sales will be made for 3,750 ounces per month from October 2019 to September 2022 for a total of 135,000 ounces.

In June 2019, the Company also entered into forward contracts for 4,583 ounces per month from October 2019 to September 2022 for a total of 165,000 ounces, at an average fixed gold price of $1,350 per ounce. The gold revenue protection strategy represents approximately 19% of the Company's total estimated gold production up to September 2022.

### (b) Foreign exchange protection program

The Corporation has legacy currency forward contracts from the acquisition of Brio for $5,760 per month from January 2019 through December 2019, totaling $69,114, at a fixed exchange rate of US$1 = R$3.4725.

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

### (c) Other comprehensive income

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Change in the value of hedges | **$ (21,867)** | $ (4,174) | **$ (17,059)** | $ (4,174) |
| Realized losses from currency hedge capitalized to mining interests | **(283)** | - | **(512)** | - |
| Realized losses from currency hedge recorded in operating expenses | **(1,681)** | - | **(2,815)** | - |
| Realized losses from gold collar recorded in revenue | **(784)** | - | **(1,441)** | - |
| Total other comprehensive income | **$ (24,614)** | $ (4,174) | **$ (21,827)** | $ (4,174) |

## 12. Other Financial Liabilities

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| DSU liability (Note 16(b)(ii)) | **$ 1,267** | $ 863 |
| PSU liability (Note 16(b)(iii)) | **668** | - |
| Warrant derivative (Note 16(c)) | **2,732** | 2,702 |
| Other financial liabilities | **1,936** | 1,937 |
| Total other financial liabilities | **$ 6,603** | $ 5,502 |
| | | |
| Current portion | **2,589** | - |
| Non-current portion | **4,014** | 5,502 |
| Total other financial liabilities | **$ 6,603** | $ 5,502 |

## 13. Long-term Debt

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| Term Loan | **$ 200,000** | $ 250,000 |
| Unamortized deferred financing costs | **(4,619)** | (5,537) |
| Total Term Loan | **$ 195,381** | $ 244,463 |
| | | |
| Revolving Credit Facility | **$ 85,000** | $ - |
| Unamortized deferred financing costs | **(4,555)** | - |
| Total Revolving Credit Facility | **$ 80,445** | $ - |
| | | |
| Current portion | **-** | 144,642 |
| Non-current portion | **275,826** | 99,821 |
| Total debt | **$ 275,826** | $ 244,463 |

On June 25, 2019, the Company completed a debt refinancing with a syndicate of lenders for a $200,000 loan (Term Loan) and a $200,000 Revolving Credit Facility (RCF). As at June 30, 2019, the Company has drawn on $85,000 of the RCF. The Term Loan is subject to a scheduled amortization from September 30, 2021 until December 31, 2024. All outstanding amounts drawn on the RCF are due on December 31, 2024. The Term Loan and RCF bear interest at a rate equal to LIBOR plus a margin of 3.75% to 4.45% depending on the Company's net debt/EBITDA leverage ratio. During the first two years of the loan period, the interest rate margin is fixed at 4.15%. The proceeds from the Term Loan and RCF were used to repay the Company's loan facilities and provide new financing for the Company's growth. The Company capitalized $9,133 relating to transaction costs associated with the Term Loan and the RCF during the six months ended June 30, 2019. Subsequent to June 30, 2019, the Company drew an additional $15,000 on the RCF.

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

The interest expense incurred on all loan facilities for the three and six months ended June 30, 2019 was $5,393 (June 30, 2018 - $4,301) and $11,079 (June 30, 2018 – $7,561), respectively. The amortization of deferred financing costs for the three and six months ended June 30, 2019 was $4,471 (June 30, 2018 - $712) and $5,497 (June 30, 2018 - $1,247) (Note 19), respectively. The amortization of deferred financing costs included $3,235 of amortization of deferred financing costs associated with the existing loan facilities which were fully repaid during the six months ended June 30, 2019.

The loan facilities have certain covenants which the Company is in compliance with as at June 30, 2019.

## 14. LEASES

### (a) Right-of-use assets

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Right-of-use assets recognized (Note 7) | $ 18,716 | $ - |
| Depreciation/depletion | (2,807) | - |
| Other | (674) | - |
| Total right-of-use assets | $ 15,235 | $ - |

The right-of-use assets recognized by the Company are comprised of $494 related to corporate office leases and $18,222 related to the rental of trucks and drilling equipment. As at June 30, 2019, $15,235 of right-of-use assets have been included within property, plant, and equipment.

### (b) Lease liabilities

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Lease liabilities recognized | $ 19,029 | $ - |
| Interest expense on lease liabilities (Note 19) | 726 | - |
| Foreign exchange impact | 136 | - |
| Lease payments made | (3,787) | - |
| Total lease liabilities | $ 16,104 | $ - |
| | | |
| Current portion | 6,654 | - |
| Non-current portion | 9,450 | - |
| Total lease liabilities | $ 16,104 | $ - |

The undiscounted values of the lease liabilities as at June 30, 2019 was $17,207.

## 15. OTHER LONG-TERM LIABILITIES

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Long-term tax payable | $ 3,844 | $ 3,263 |
| Legal provisions | 7,029 | 8,781 |
| Tax provisions | 1,639 | 1,507 |
| Total other long-term liabilities | $ 12,512 | $ 13,551 |

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

### (a) Legal provisions

Legal provisions primarily relate to labour-related claims in Brazil acquired as part of the acquisition of Brio which have arisen in the ordinary course of business.

## 16. SHARE CAPITAL

### (a) Authorized capital

Unlimited common shares without par value
Unlimited preferred shares without par value
Unlimited series 1 convertible preferred shares with special rights and restrictions attached

### (b) Share-based payments

The following table summarizes the share-based payments:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Share-based payment expense | **$ -** | $ - | **$ 3,200** | $ 91 |
| DSU expense | **198** | - | **404** | - |
| PSU expense | **336** | 101 | **668** | 68 |
| Total share-based payments | **$ 534** | $ 101 | **$ 4,272** | $ 159 |

*i. Share options*

In 2016, the Company adopted a rolling share option plan (the Plan) whereby the option to acquire up to 10% of the issued share capital may be granted to eligible optionees from time to time. As at June 30, 2019, the 17,845,817 granted share options represented 6% of the issued share capital of the Company. The Plan permits options granted to have a maximum term of ten years, a vesting period determined by the directors, and the exercise price may not be less than the market price, as prescribed by regulatory requirements. A summary of the changes in the share options is presented below:

| | Options outstanding | Weighted average exercise price (C$) |
|---|---|---|
| At December 31, 2017 | 11,680,000 | $ 2.73 |
| Granted | 100,000 | 2.92 |
| Granted pursuant to the acquisition of Brio | 1,026,267 | 2.02 |
| Exercised | (1,232,152) | 1.48 |
| Expired | (164,305) | 2.40 |
| At December 31, 2018 | 11,409,810 | $ 2.80 |
| Granted | 6,578,444 | 2.11 |
| Exercised | (142,437) | 2.07 |
| **At June 30, 2019** | **17,845,817** | **$ 2.55** |

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

The following table summarizes information about the share options outstanding and exercisable at June 30, 2019:

| Exercise prices (C$) | Number of share options outstanding | Number of share options exercisable | Weighted average exercise price (C$) | Weighted average remaining contractual life |
|---|---|---|---|---|
| $ 0.63 | 210,000 | 210,000 | $ 0.63 | 7.0 years |
| $ 2.85 | 10,725,000 | 10,725,000 | $ 2.85 | 2.8 years |
| $ 3.15 | 200,000 | 200,000 | $ 3.15 | 3.3 years |
| $ 2.92 | 100,000 | 100,000 | $ 2.92 | 3.5 years |
| $ 2.11 | 6,578,444 | 6,578,444 | $ 2.11 | 2.6 years |
| $ 2.01 | 32,373 | 32,373 | $ 2.01 | 3.1 years |
| | **17,845,817** | **17,845,817** | **$ 2.55** | **2.8 years** |

The following weighted average assumptions were used for Black-Scholes valuation of the share options granted during the six months ended June 30, 2019 and June 30, 2018:

| | 2019 | 2018 |
|---|---|---|
| Risk-free interest rate | 1.80% | 2.01% |
| Expected life | 3.0 years | 1.8 years |
| Annualized volatility | 48.26% | 41.50% |
| Dividend rate | 0.00% | 0.00% |

During the six months ended June 30, 2019, 142,437 share options with an exercise price of C$2.07 were exercised for proceeds of $220, and 6,578,442 share options with an exercise price of C$2.11 and a Black Scholes valuation of $3,200 were granted by the Company and vested immediately.

*ii. Deferred share units*

In 2016, the Company established a DSU plan for the purposes of strengthening the alignment of interests between non-executive directors of the Company and shareholders by linking a portion of the annual director compensation to the future value of the Company's common shares. Upon establishing the DSU plan for non-executive directors in November 2016, the Company adopted a policy to no longer grant share options to non-executive directors. The DSU plan allows each non-executive director to receive, in the form of DSUs, 50% of the director's fees which would otherwise be payable in cash. The plan also provides for discretionary grants of additional DSUs by the Board. Each DSU fully vests upon award but is distributed only when the director has ceased to be a member of the Board. Vested units are settled in cash based on the common share price at the date of settlement. A summary of the changes in the DSUs is presented below:

| | DSUs outstanding | Weighted average grant price (C$) |
|---|---|---|
| At December 31, 2017 | 481,650 | $ 2.63 |
| Granted | 285,403 | 2.06 |
| Exercised | (86,334) | 2.90 |
| At December 31, 2018 | 680,719 | $ 2.39 |
| Granted | 152,352 | 1.95 |
| **At June 30, 2019** | **833,071** | **$ 2.31** |

During the three and six months ended June 30, 2019, the Company granted 78,732 and 152,352 DSU's with a resulting fair value of $113 and $225, respectively, which was recognized as share-based payments expense during the periods. The total fair value of all outstanding DSUs at June 30, 2019 was $1,267 (December 31, 2018 - $863) which was recorded as other long-term liabilities.

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

*iii. Performance share units*

In 2019, the Company established a PSU plan as part of its compensation program for certain employees of the Company. The PSUs vest in three tranches based on when certain gold production targets are achieved. All unvested PSUs expire on December 31st of the third year following the calendar year in which the PSUs were granted and are payable in cash. The fair value of the PSUs is based on the current share price and reflects management's best estimates of the probability that gold production targets will be achieved. A summary of the changes in the PSUs is presented below:

| | PSUs outstanding | Fair value of PSU liability |
|---|---|---|
| At December 31, 2018 | - | $ - |
| Granted | 2,081,767 | 668 |
| **At June 30, 2019** | **2,081,767** | **$ 668** |

## (c) Warrant derivative

In relation to the financing to complete the acquisition of the Los Filos mine complex in April 2017, the Company granted Orion 2,000,000 share purchase warrants that are exercisable in whole or in part for a term of five years at an exercise price of C$3.575 per share.

In relation to the acquisition of Brio, the Company has granted Brio shareholders 46,716,645 share purchase warrants that are exercisable in whole or in part until May 24, 2020 at an exercise price of C$3.70 per share. The Company has also granted an additional 2,000,000 share purchase warrants to Orion that are exercisable in whole or in part until May 24, 2021 at an exercise price of C$3.529 per share.

The exercise price of these warrants is denominated in Canadian dollars to be consistent with the Company's shares being listed on the TSX; however, the functional currency of the Company is the US dollar. As a result of this difference in currencies, the proceeds that will be received by the Company are not fixed and will vary based on foreign exchange rates resulting in the warrants being classified as derivatives and therefore, are required to be recognized and measured at fair value at each reporting period. Any changes in fair value from period to period are recorded as a non-cash finance costs in the condensed interim consolidated statements of net (loss)/income and comprehensive (loss)/income. Upon exercise, the holder will pay the Company the respective exercise price for each warrant exercised in exchange for one common share of the Company. The fair value at the date of exercise and the associated non-cash liability will be reclassified to share capital. The non-cash liability associated with any warrants that expire unexercised will be recorded as a gain in the condensed interim consolidated statements of net (loss)/income and comprehensive (loss)/income. There are no circumstances in which the Company would be required to pay any cash upon exercise or expiry of the warrants.

A reconciliation of the change in the fair values of the warrant derivative, included on the condensed interim consolidated statements of financial position as another long-term liability, is presented below:

| | Warrants outstanding | Fair value of warrant derivative |
|---|---|---|
| At December 31, 2017 | 2,000,000 | $ 1,458 |
| Warrants issued | 48,716,645 | 20,903 |
| Warrants exercised | (772) | - |
| Change in fair value of warrant derivative | - | (19,659) |
| At December 31, 2018 | 50,715,873 | $ 2,702 |
| Change in fair value of warrant derivative (Note 19) | - | 30 |
| **At June 30, 2019** | **50,715,873** | **$ 2,732** |

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

The following weighted average assumptions were used for Black-Scholes valuation of the warrants granted during the six months ended June 30, 2019 and June 30, 2018:

| | **2019** | **2018** |
|---|---|---|
| Risk-free interest rate | 1.54% | 1.93% |
| Expected life | 1.14 years | 2.07 years |
| Annualized volatility | 48.74% | 41.22% |
| Dividend rate | 0.00% | 0.00% |

## 17. REVENUE

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Gold | **$ 119,761** | $ 86,729 | **$ 257,456** | $ 154,558 |
| Silver | **420** | 200 | **839** | 444 |
| Total revenue | **$ 120,181** | $ 86,929 | **$ 258,295** | $ 155,002 |

a) Gold offtake arrangement

As part of the financing to complete the acquisition of the Los Filos mine complex, the Company entered into an offtake agreement with Orion (the Los Filos Gold Offtake Agreement) which provides for a gold offtake of 50% of the gold production from the Los Filos mine complex at market prices, until a cumulative delivery of 1.1 million ounces to Orion. As part of the acquisition of Brio financing, the Company amended and restated the Los Filos Gold Offtake Agreement and entered into another offtake agreement with Orion (the Brazilian Gold Offtake Agreement). The Brazilian Gold Offtake Agreement provides for a gold offtake of 35% of the gold production from the Brazilian mines at market prices, until a cumulative delivery of 0.7 million ounces to Orion. As of June 30, 2019, 163,245 payable gold ounces had been sold to Orion under the terms of the offtake agreements.

b) Gold prepayment

In December 2018, the Company sold 20,000 gold ounces to Orion with 10,000 gold ounces to be delivered by Q1 2019 and 10,000 gold ounces to be delivered by Q2 2019. The Company received a payment of $23,382 for these gold sales, with the corresponding revenue recognized in the condensed interim consolidated statements of net (loss)/income and comprehensive (loss)/income in the respective period. As at June 30, 2019, all of the 20,000 gold ounces have been delivered to Orion.

c) Silver streaming arrangement

The Company's silver production from the Los Filos mine is subject to the terms of an agreement (the Silver Purchase Agreement) with Wheaton Precious Metals Corp. (WPM) under which the Company must sell a minimum of 5 million payable silver ounces produced by the Los Filos mine complex operations from August 5, 2010 to the earlier of the termination of the agreement or October 15, 2029 to WPM at the lesser of $3.90 per ounce or the prevailing market price, subject to an inflationary adjustment. The contract price is revised each year on the anniversary date of the contract, which was $4.34 per ounce until October 14, 2018. From October 15, 2018, the contract price has been revised to $4.39 per ounce. As of June 30, 2019, 1.7 million payable silver ounces had been sold to WPM under the terms of the agreement.

d) Royalties

The Company is subject to a royalty arrangement of 0.5% and 1.5% of gross income on gold and silver revenues in Mexico and Brazil respectively. In addition, at the Los Filos mine complex, the concession named Xochipala is subject to a royalty arrangement of 3.0% of gross income on gold and silver revenues. At Pilar mine, there are multiple royalties between 0.75% and 1.0% of gross income on gold and silver revenues on certain concessions. At RDM mine, there is a royalty of 1.0% of gross income on gold and silver revenues. At Fazenda mine, there is a royalty of 0.75% of gross revenue royalty on certain concessions.

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

## 18. Operating Expenses

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Raw materials and consumables | **$ 45,241** | $ 30,571 | **$ 92,226** | $ 55,573 |
| Contractors | **21,710** | 13,800 | **40,321** | 19,861 |
| Salaries and employee benefits | **24,552** | 14,113 | **43,576** | 24,140 |
| Movement in inventory and other | **(7,221)** | 6,656 | **1,478** | 14,765 |
| Total operating expenses | **$ 84,282** | $ 65,140 | **$ 177,601** | $ 114,339 |

## 19. Finance and Accretion Expense

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Accretion expense (Note 10) | **$ 1,295** | $ 515 | **$ 2,608** | $ 832 |
| Amortization of deferred financing costs (Note 13) | **4,471** | 712 | **5,497** | 1,247 |
| Interest expense/(income) | **526** | 381 | **694** | 278 |
| Change in the fair value of warrant derivative (Note 16(c)) | **(287)** | (9,718) | **30** | (10,139) |
| Interest expense on lease liabilities (Note 14(b)) | **347** | - | **726** | - |
| Total finance and accretion expense | **$ 6,352** | $ (8,110) | **$ 9,555** | $ (7,782) |

## 20. Segment Reporting

The Company operates in two principal geographic locations: Mexico (Los Filos) and Brazil (the RDM, Fazenda, Pilar and Santa Luz mines), with a corporate office in Canada. The following tables provides the Company's results and financial positions by reportable segment.

| As at June 30, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Los Filos | RDM | Pilar | Fazenda | Santa Luz | Corporate & Others | Total |
| Mining interests | $ 297,113 | $ 131,154 | $ 54,191 | $ 146,744 | $ 158,834 | $ 823 | **$ 788,859** |
| Total assets | $ 443,735 | $ 151,181 | $ 67,429 | $ 160,835 | $ 160,534 | $ 53,789 | **$1,037,503** |
| Total liabilities | $ 90,737 | $ 41,960 | $ 26,410 | $ 51,783 | $ 9,197 | $ 318,856 | **$ 538,943** |

| As at December 31, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Los Filos | RDM | Pilar | Fazenda | Santa Luz | Corporate & Others | Total |
| Mining interests | $ 296,726 | $ 114,579 | $ 57,089 | $ 149,423 | $ 154,491 | $ 451 | **$ 772,759** |
| Total assets | $ 518,248 | $ 134,281 | $ 74,475 | $ 164,953 | $ 158,895 | $ 32,033 | **$1,082,885** |
| Total liabilities | $ 91,384 | $ 22,059 | $ 27,507 | $ 53,999 | $ 9,469 | $ 294,428 | **$ 498,846** |

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

| Three months ended June 30, 2019 | Los Filos | RDM | Pilar | Fazenda | Santa Luz | Corporate & Others | Total |
|---|---|---|---|---|---|---|---|
| **Revenues** | $ 60,050 | $ 21,969 | $ 14,849 | $ 23,313 | $ - | $ - | **$ 120,181** |
| **Cost of sales** | | | | | | | |
| Operating expenses | 39,423 | 17,825 | 11,697 | 15,337 | - | - | **84,282** |
| Depreciation and depletion | 4,374 | 4,472 | 2,239 | 4,731 | - | 64 | **15,880** |
| Royalties | 308 | 543 | 223 | 351 | - | - | **1,425** |
| **Earnings/(loss) from mine operations** | **$ 15,945** | **$ (871)** | **$ 690** | **$ 2,894** | **$ -** | **$ (64)** | **$ 18,594** |

| Three months ended June 30, 2018 | Los Filos | RDM | Pilar | Fazenda | Santa Luz | Corporate & Others | Total |
|---|---|---|---|---|---|---|---|
| **Revenues** | $ 56,915 | $ 8,677 | $ 8,980 | $ 12,357 | $ - | $ - | **$ 86,929** |
| **Cost of sales** | | | | | | | |
| Operating expenses | 44,241 | 5,253 | 7,750 | 7,896 | - | - | **65,140** |
| Depreciation and depletion | 6,684 | 1,836 | 1,038 | 1,285 | - | 26 | **10,869** |
| Royalties | 350 | 218 | 109 | 143 | - | - | **820** |
| **Earnings/(loss) from mine operations** | **$ 5,640** | **$ 1,370** | **$ 83** | **$ 3,033** | **$ -** | **$ (26)** | **$ 10,100** |

| Six months ended June 30, 2019 | Los Filos | RDM | Pilar | Fazenda | Santa Luz | Corporate & Others | Total |
|---|---|---|---|---|---|---|---|
| **Revenues** | $ 144,443 | $ 39,329 | $ 26,865 | $ 47,658 | $ - | $ - | **$ 258,295** |
| **Cost of sales** | | | | | | | |
| Operating expenses | 87,385 | 36,475 | 24,949 | 28,792 | - | - | **177,601** |
| Depreciation and depletion | 10,817 | 8,707 | 4,346 | 9,563 | - | 126 | **33,559** |
| Royalties | 872 | 968 | 417 | 714 | - | - | **2,971** |
| **Earnings/(loss) from mine operations** | **$ 45,369** | **$ (6,821)** | **$ (2,847)** | **$ 8,589** | **$ -** | **$ (126)** | **$ 44,164** |

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

| Six months ended June 30, 2018 | Los Filos | RDM | Pilar | Fazenda | Santa Luz | Corporate & Others | Total |
|---|---|---|---|---|---|---|---|
| **Revenues** | $ 124,988 | $ 8,677 | $ 8,980 | $ 12,357 | $ - | $ - | **$ 155,002** |
| **Cost of sales** | | | | | | | |
| Operating expenses | 93,440 | 5,253 | 7,750 | 7,896 | - | - | **114,339** |
| Depreciation and depletion | 14,493 | 1,836 | 1,038 | 1,285 | - | 53 | **18,705** |
| Royalties | 895 | 218 | 109 | 143 | - | - | **1,365** |
| **Earnings/(loss) from mine operations** | **$ 16,160** | **$ 1,370** | **$ 83** | **$ 9,324** | **$ -** | **$ (53)** | **$ 20,593** |

## 21. SUPPLEMENTAL CASH FLOW INFORMATION

The Company did not have any cash equivalents as at June 30, 2019 and December 31, 2018.

a) Expenditures on mining interests per the condensed interim consolidated statements of cash flows include:

| | Three months ended June 30, **2019** | Three months ended June 30, 2018 | Six months ended June 30, **2019** | Six months ended June 30, 2018 |
|---|---|---|---|---|
| Capitalized expenditures on mining interests (Note 7) | **$ 12,687** | $ 13,344 | **$ 30,144** | $ 25,628 |
| Change in trade and other payables | **542** | (2,522) | **(317)** | (2,184) |
| Change in prepaid expenses and other | **-** | - | **(1,934)** | - |
| | **$ 13,229** | $ 10,822 | **$ 27,893** | $ 23,444 |

b) Expenditures on reclamation and closure obligations per the condensed interim consolidated statements of cash flows include:

| | Three months ended June 30, **2019** | Three months ended June 30, 2018 | Six months ended June 30, **2019** | Six months ended June 30, 2018 |
|---|---|---|---|---|
| Expenditures on reclamation and closure obligations (Note 10) | **$ 309** | $ 504 | **$ 610** | $ 1,110 |
| Change in trade and other payables | **(154)** | 255 | **(204)** | 89 |
| | **$ 155** | $ 759 | **$ 406** | $ 1,199 |

## 22. RELATED PARTY TRANSACTIONS

The remuneration of key management which includes directors and management personnel responsible for planning, directing and controlling the activities of the Company during the period were as follows:

| | Three months ended June 30, **2019** | Three months ended June 30, 2018 | Six months ended June 30, **2019** | Six months ended June 30, 2018 |
|---|---|---|---|---|
| Short-term benefits | **$ 820** | $ 513 | **$ 1,589** | $ 981 |
| DSUs granted | **113** | 102 | **226** | 215 |
| PSUs granted | **-** | - | **236** | - |
| Share options granted | **-** | - | **2,182** | - |
| | **$ 933** | $ 615 | **$ 4,233** | $ 1,196 |

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

## 23. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties, support any expansionary plants, maintain sufficient capital for potential investment opportunities and to pursue generative acquisition opportunities. The Company intends to finance potential acquisitions with a prudent combination of equity, debt and other forms of finance.

In the management of capital, the Company includes the components of equity, and loan facilities, net of cash.

Capital, as defined above, is summarized in the following table:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Equity | **$ 498,560** | $ 584,039 |
| Loan facilities (Note 13) | **275,826** | 244,463 |
| | **774,386** | 828,502 |
| Less: Cash | **(52,757)** | (53,021) |
| | **$ 721,629** | $ 775,481 |

The Company manages its capital structure and makes adjustments to it in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

## 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, trade and other receivables, trade and other payables and other long-term liabilities  and the loan facilities.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

The fair values of the Company's cash, trade and other receivables, and trade and other payables approximate their carrying values due to their short-term nature.

Other financial liabilities include the warrant derivative, the DSU payable, PSU payable and hedging instruments which are measured at their fair value at the end of each reporting period. The loan facilities are measured at amortized cost and the carrying value approximates the fair value as the contractual interest rates are comparable to current market interest rates.

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

At each of June 30, 2019 and December 31, 2018, the levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the condensed interim consolidated statements of financial position at fair value are categorized are as follows:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | Level 1 | Level 2 |
| Cash | **$ 52,757** | **-** | $ 53,021 | $ - |
| Other financial liabilities | **-** | **$ (4,667)** | - | (14,267) |
| | **$ 52,757** | **$ (4,667)** | $ 53,021 | $ (14,267) |

**Financial Risk**

The Company is exposed to varying degrees of a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

*Credit Risk*

The Company's primary exposure to credit risk is on its cash and trade and other receivables.

The Company closely monitors its financial assets and does not have any significant concentration of credit risk other than receivable balances owed from the Mexican government. Subsequent to June 30, 2019, $2,001 of VAT refunds have been received relating to the Company's accumulated VAT receivable balance. There is no indication that the Company will not receive any VAT receivables from the Mexican government.

The Company has $15,336 of current and long-term input tax credits receivable from the Brazilian Government. The Company actively monitors the Brazilian tax legislation changes and believes that the balance is recoverable, either in the form of a refund from the respective jurisdictions in which the Company operates, or through offsetting against other taxes payable and VAT.

The Company sells its doré to large international organizations with strong credit ratings, the historical level of customer defaults is minimal and, as a result, the credit risk associated with doré trade receivables at June 30, 2019 is considered to be negligible.

In determining the recoverability of a receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Excess cash deposits are restricted to guaranteed investment certificates of major banks or instruments of equivalent or better quality. No investments in asset-backed commercial paper is permitted.

The Company's maximum exposure to credit risk is as follows:

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| Cash | **$ 52,757** | $ 53,021 |
| Trade and other receivables (Note 5) | **30,904** | 33,770 |
| | **$ 83,661** | $ 86,791 |

*Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company believes it has sufficient cash resources to pay its obligations associated with its financial liabilities as at June 30, 2019.

(expressed in thousands of United States dollars, except as otherwise stated) - Unaudited

The Company's significant undiscounted commitments at June 30, 2019 are as follows:

| | Less than 1 year | 1 to 3 years | 4 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Trade and other payables | $ 92,474 | $ - | $ - | $ - | **$ 92,474** |
| Other long-term liabilities | - | - | - | 12,512 | **12,512** |
| Other financial liabilities | 2,589 | 811 | - | 3,203 | **6,603** |
| Derivative hedge liabilities | 12,225 | 17,630 | 2,673 | - | **32,528** |
| Lease liabilities | 7,508 | 9,685 | 14 | - | **17,207** |
| Reclamation and closure costs | 4,951 | 23,976 | 15,053 | 97,192 | **141,172** |
| Long-term debt – principal | - | 55,000 | 115,000 | 115,000 | **285,000** |
| Long-term debt – interest | 18,725 | 36,212 | 23,845 | 3,575 | **82,357** |
| | **$ 138,472** | **$ 143,314** | **$ 156,586** | **$ 231,482** | **$ 669,853** |

*Foreign Currency Risk*

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Company incurs in its operations. There has been no change in the Company's objectives and policies for managing this risk during the three months June 30, 2019.

The Company's reporting currency is the US dollar and major purchases are transacted in US dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the US dollar. A portion of the Company's exploration, development and operating costs and administrative costs are incurred mainly in Mexican pesos, Brazilian reals and Canadian dollars. The fluctuation of the Mexican peso, Brazilian real and Canadian dollar in relation to the US dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholder's equity.

The table below highlights the current net assets held in Canadian dollars, Brazilian reals and Mexican pesos (in US dollar equivalents):

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| Canadian dollars | **$ 1,671** | $ (1,378) |
| Brazilian reals | **(34,375)** | (19,595) |
| Mexican pesos | **(12,798)** | (11,270) |
| | **$ (45,502)** | $ (32,243) |

The effect on earnings and other comprehensive earnings before tax as at June 30, 2019, of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Company is estimated to be $4,136 (December 31, 2018 - $2,931), assuming that all other variables remained constant.

*Commodity Price Risk*

Gold prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the political and economic conditions of major gold producing countries. The profitability of the Company is directly related to the market price of gold. A decline in the market prices for this precious metal could negatively impact the Company's future operations. The Company has hedged a portion of its gold production through the gold revenue protection strategy (Note 11(a)).

*Interest Rate Risk*

The Company is exposed to interest rate risk on its cash and the loan facility. At June 30, 2019, the Company has determined the interest rate risk to be low and that a 10% increase or decrease in market interest rates would result in a $321 (December 31, 2018 - $490) increase or decrease to the Company's income.

## 25. COMMITMENTS AND CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions and accrues for such items when a liability is both probable and the amount can be reasonably estimated (Note 15). Management does not believe that adverse decisions in any pending legal matters will have a material effect on the financial condition or future results of operations.