TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2018

(Unaudited)

(Expressed in millions of U.S. dollars)

TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

Millions of U.S. dollars		**March 31, 2018**		December 31, 2017
Assets				
Current assets:				
Cash and cash equivalents	**$**	**110.5**	$	44.9
Value-added tax receivables		**40.6**		31.4
Inventory (Note 5)		**61.1**		63.1
Prepaid expenses and other current assets		**11.1**		12.2
		223.3		151.6
Non-current assets:				
Restricted cash (Note 6)		**13.9**		13.9
Value-added tax receivables		**16.1**		23.4
Deferred tax asset		**3.9**		-
Other non-current assets		**5.5**		5.3
Property, plant and equipment (Note 7)		**963.2**		973.9
Total assets	**$**	**1,225.9**	$	1,168.1
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**60.5**	$	50.9
Income taxes payable		**11.1**		9.8
Debt (Note 8)		**65.6**		56.2
Derivative contracts (Note 10)		**0.1**		1.8
		137.3		118.7
Non-current liabilities:				
Derivative contracts (Note 10)		**-**		0.4
Debt (Note 8)		**308.3**		329.4
Decommissioning liabilities (Note 11)		**13.9**		14.0
Deferred income tax liabilities		**24.9**		26.3
		484.4		488.8
Shareholders' equity:				
Share capital (Note 12)		**1,014.6**		966.4
Contributed surplus		**32.1**		29.9
Other reserves (Note 12)		**(62.5)**		(62.5)
Deficit		**(242.7)**		(254.5)
		741.5		679.3
Total liabilities and shareholders' equity	**$**	**1,225.9**	$	1,168.1

Commitments (Note 18)
Subsequent events (Note 6, 19)

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

TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

(unaudited)

Millions of U.S. dollars, except per share amounts	Three months ended			
		March 31, 2018		March 31, 2017
Revenue				
Metal sales	**$**	**84.0**	$	87.0
Cost of sales				
Production costs		**43.6**		45.5
Royalties		**2.6**		2.7
Depreciation and amortization		**19.0**		22.8
Earnings from mine operations	**$**	**18.8**	$	16.0
General and administrative		**6.5**		5.5
Exploration and evaluation		**0.3**		0.5
Blockade and other charges (Note 19)		**4.1**		-
	$	**10.9**	$	6.0
Other expenses (income):				
Derivative (gain) loss, net (Note 10)		**(2.4)**		1.7
Finance costs, net (Note 9)		**6.8**		7.2
Foreign exchange gain		**(2.7)**		(3.2)
	$	**1.7**	$	5.7
Income before income tax expense (recovery)		**6.2**		4.3
Current income tax expense		**2.0**		2.8
Deferred income tax recovery		**(6.0)**		(7.4)
Net income and comprehensive income	**$**	**10.2**	$	8.9
Earnings per share (Note 14)				
Basic	**$**	**0.12**	$	0.11
Diluted	**$**	**0.12**	$	0.11

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 12)	**Common Shares**	**Contributed Surplus**	**Other Reserves** (Note 12)	**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	91,529	2.0	(1.1)	-	-	0.9
Settlement of restricted share units	7,184	0.1	(0.1)	-	-	-
Amortization of stock options	-	-	0.5	-	-	0.5
Amortization of restricted share units	-	-	1.2	-	-	1.2
Amortization of performance share units	-	-	1.1	-	-	1.1
Net income	-	-	-	-	8.9	8.9
Balance, March 31, 2017	**79,754,279**	**$ 965.0**	**$ 27.0**	**$ (62.5)**	**$ (233.0)**	**$ 696.5**

Millions of U.S. dollars, except number of common shares	**Number of Common Shares** (Note 12)	**Common Shares**	**Contributed Surplus**	**Other Reserves** (Note 12)	**Deficit**	**Total Shareholders' Equity**
Balance, December 31, 2017, as reported	**79,854,746**	**$ 966.4**	**$ 29.9**	**$ (62.5)**	**$ (254.5)**	**$ 679.3**
Adoption of IFRS 9, net of tax (Note 3)	-	-	-	-	1.6	**1.6**
Balance, January 1, 2018 (restated)	**79,854,746**	**$ 966.4**	**$ 29.9**	**$ (62.5)**	**$ (252.9)**	**$ 680.9**
Settlement of restricted share units	15,457	0.1	(0.1)	-	-	**-**
Amortization of stock options	-	-	0.5	-	-	**0.5**
Amortization of restricted share units	-	-	0.9	-	-	**0.9**
Amortization of performance share units	-	-	0.9	-	-	**0.9**
Issue of shares, net of share issuance costs	5,025,500	48.1	-	-	-	**48.1**
Net income	-	-	-	-	10.2	**10.2**
Balance, March 31, 2018	**84,895,703**	**$ 1,014.6**	**$ 32.1**	**$ (62.5)**	**$ (242.7)**	**$ 741.5**

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

TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

Millions of U.S. dollars	Three months ended **March 31, 2018**	Three months ended March 31, 2017
Operating activities:		
Net income	$ **10.2**	$ 8.9
Adjustments for:		
Share-based compensation	**2.3**	2.8
Depreciation, amortization and accretion	**20.4**	23.8
Unrealized (gain) loss on derivative contracts	**(2.1)**	1.8
Unrealized foreign exchange gain	**(2.5)**	(5.0)
Finance costs	**7.6**	6.5
Deferred income taxes	**(6.0)**	(7.3)
Income taxes paid	**(0.7)**	(7.7)
Cash generated from operating activities before changes in non-cash working capital balances	$ **29.2**	$ 23.8
Changes in non-cash working capital balances:		
Value-added tax receivables, net	**1.2**	(8.6)
Inventory	**2.4**	1.9
Prepaid expenses and other current assets	**1.1**	0.1
Accounts payable and accrued liabilities	**16.6**	-
Income taxes payable	**2.0**	2.6
Net cash generated from operating activities	$ **52.5**	$ 19.8
Investing activities:		
Additions to property, plant and equipment	**(10.2)**	(25.6)
Working capital for property, plant and equipment	**(7.4)**	(3.3)
Value-added tax receivables, net	**0.2**	0.6
Restricted cash	**-**	8.8
Net cash used in investing activities	$ **(17.4)**	$ (19.5)
Financing activities:		
Issuance of share capital, net of share issuance costs	**48.1**	-
Repayment of debt	**(11.0)**	(5.4)
Deferred finance charges	**-**	(0.4)
Interest paid	**(6.0)**	(6.5)
Exercise of stock options	**-**	0.8
Net cash generated from (used in) financing activities	$ **31.1**	$ (11.5)
Effect of foreign exchange rate changes on cash and cash equivalents	**(0.6)**	1.1
Net increase (decrease) in cash and cash equivalents during the period	$ **65.6**	$ (10.1)
Cash and cash equivalents, beginning of the period	$ **44.9**	$ 104.0
Cash and cash equivalents, end of the period	$ **110.5**	$ 93.9

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. The Company's principal assets are the El Limón Guajes mining complex (the "ELG Mine Complex"), composed of the El Limón, Guajes and El Limón Sur open pits, the El Limón Guajes underground mine including zones referred to as Sub-Sill, El Limón Deep and 71, and the processing plant and related infrastructure, and the Media Luna deposit, which is an early stage development project.

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

These unaudited condensed consolidated interim financial statements (herein referred to as "consolidated financial statements") of the Company as at and for the three months ended March 31, 2018 include the accounts of the Company and its subsidiaries.

Note 2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") under the historical cost convention, as modified by revaluation of derivative contracts and certain financial instruments. These consolidated financial statements do not include all of the information required for full financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 8, 2018.

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, 2017, except as described below.

Recent Accounting Pronouncements

New and amended standards and interpretations issued and effective:

(a) IFRS 15, *Revenue from Contracts with Customers*

The Company has adopted IFRS 15, *Revenue from Contracts* ("IFRS 15") issued in May 2014. 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 previous standards.

The adoption of IFRS 15 did not impact the Company's consolidated financial statements. IFRS 15 requires that revenue from contracts with customers be recognized upon the transfer of control over goods or services to the customer. The recognition of revenue upon transfer of control to the customer is consistent with the Company's accounting policy, of recognizing revenue on trade date for spot sales and on settlement for carbon fines sales.

(b) IFRS 9, *Financial instruments*

The Company has adopted IFRS 9, Financial Instruments ("IFRS 9") issued in July 2014 with a date of initial application of January 1, 2018. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 requires classification of financial assets as measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income and classification of financial liabilities as measured at amortized cost or fair value. The approach in IFRS 9 for financial assets 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. The nature and effects of the key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarized below.

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparatives in accordance with the transition requirements. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Financial instruments are recognized on the trade date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial Assets at Amortized Cost – Assets that are held for collection of contractual cash flows where those cash flows represent cash and cash equivalents and restricted cash, and are measured at amortized cost. The Company's intent is to hold these financial assets until there is a need to utilize the cash and cash equivalents and restricted cash. Cash and cash equivalents as well as restricted cash are recognized initially at fair value, net of any transaction costs incurred and subsequent measured at amortized cost.

Financial Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Debt and accounts payable and accrued liabilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial Liabilities at FVTPL – Financial liabilities at FVTPL are liabilities which included derivatives and cannot be classified at amortized cost. Cash flows from the Company's derivatives incorporate currency prices and volatility. Financial liabilities at FVTPL are initially recognized at fair value with changes to fair value recognized in the Statements of Operations and Comprehensive Income.

All financial assets, other than cash and cash equivalents, restricted cash, are included in the measurement category of fair value through profit or loss ("FVTPL"). Financial assets previously categorized as loans and receivables are now allocated to the amortized cost category. There was no change to the measurement categories for financial liabilities.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial Assets				
Cash and cash equivalents	FVTPL	Amortized cost	$ 44.9	$ 44.9
Restricted cash	Loans and receivables	Amortized cost	13.9	13.9
Financial Liabilities				
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	$ 50.9	$ 50.9
Derivative contracts	FVTPL	FVTPL	2.2	2.2
Debt	Amortized cost	Amortized cost	385.6	383.3

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for modifications in the terms of a debt instrument that does not meet the de-recognition conditions. Under IFRS 9, such modifications result in the recalculation of amortized cost of the liability and the difference in present value arising as a result of such a non-substantial modification being recognized in profit or loss. Fees and transaction costs related to such a modification continue to be recognized as an adjustment to the carrying amount of the liability. Under IAS 39, the difference in present value was recognized as an adjustment to the effective interest rate and amortized over the remaining life of the modified financial liability. The following table summarizes the impact, net of tax, of transition to IFRS 9 as at January 1, 2018.

	IAS 39 as previously reported	Adjustments	Impact on opening balance at January 1, 2018
Financial Liabilities			
Debt	$ 385.6	$ (2.3)	$ 383.3
Deferred income tax liabilities	26.3	0.7	27.0
Deficit			
Deficit	$ 254.5	$ (1.6)	$ 252.9

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

The Company has adopted the amendments to IFRS 2 issued by the IASB in June 2016, clarifying how to account for certain types of share-based payment transactions, with a date of initial application of January 1, 2018. The amendments provide requirements for 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 Company's accounting is consistent with this amendment and therefore the adoption of this amendment did not impact the Company's consolidated financial statements.

(d) IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

The Company has adopted IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, with a date of initial application of January 1, 2018. The interpretation clarifies which date should be used for translation when an advance payment or receipt is made in a foreign currency. The interpretation clarifies that the date of the transaction for determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary assets or non-monetary liability arising from the payment or receipt of advance consideration. The Company has already been using the date of the transaction for the determining the exchange rate in this context. Therefore, the adoption of this interpretation did not impact the Company's consolidated financial statements.

Accounting pronouncements issued but not yet effective:

(a) IFRS 16, *Leases*

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

recorded as financing outflows in the Company's statements of cash flows.

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

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

Note 4. Significant Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates. The 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, 2017.

Note 5. Inventory

		March 31, 2018		December 31, 2017
Ore stockpiled	**$**	**14.4**	$	16.9
In-circuit		**6.4**		13.9
Finished goods		**13.4**		3.0
Materials and supplies		**26.9**		29.3
	$	**61.1**	$	63.1

The amount of depreciation included in inventory as at March 31, 2018 is $14.1 (December 31, 2017 - $13.8).

Note 6. Restricted Cash

Pursuant to the Debt Facility (Note 8), the Company maintains restricted cash of $13.9 (December 31, 2017 - $13.9) for estimated reclamation obligations. Subsequent to March 31, 2018 on April 2, 2018, the Company transferred an additional $12.5 to restricted cash for reclamation obligations.

Note 7. Property, Plant and Equipment

	Mexico			Canada	Total
	Mineral Property	Property & Equipment	Construction in Progress	Equipment	
Cost					
As at January 1, 2017	$ 224.6	$ 799.2	$ -	$ 1.4	$ 1,025.2
Additions	45.5	83.4	3.0	0.2	132.1
Disposals	-	(2.1)	-	-	(2.1)
As at December 31, 2017	270.1	880.5	3.0	1.6	1,155.2
Additions	**7.5**	**4.4**	**1.1**	**-**	**13.0**
As at March 31, 2018	**$ 277.6**	**$ 884.9**	**$ 4.1**	**$ 1.6**	**$ 1,168.2**
Accumulated depreciation					
As at January 1, 2017	$ 15.5	$ 67.6	$ -	$ 1.2	$ 84.3
Depreciation	23.5	74.2	-	0.1	97.8
Disposals	-	(0.8)	-	-	(0.8)
As at December 31, 2017	$ 39.0	$ 141.0	$ -	$ 1.3	$ 181.3
Depreciation	**4.7**	**19.0**	**-**	**-**	**23.7**
As at March 31, 2018	**$ 43.7**	**$ 160.0**	**$ -**	**$ 1.3**	**$ 205.0**
Net book value					
As at December 31, 2017	$ 231.1	$ 739.5	$ 3.0	$ 0.3	$ 973.9
As at March 31, 2018	**$ 233.9**	**$ 724.9**	**$ 4.1**	**$ 0.3**	**$ 963.2**

As at March 31, 2018, property and equipment includes, net of depreciation, $19.1 in capitalized borrowing costs (December 31, 2017 - $19.6) and $10.9 (December 31, 2017 - $11.5) related to the decommissioning liability for the ELG Mine Complex (Note 12). Mineral property includes, net of depreciation, $70.7 (December 31, 2017 - $63.9) of capitalized deferred stripping costs, which includes $24.5 (December 31, 2017 - $22.1) of depreciation of property and equipment.

Note 8. Debt

	March 31, 2018	December 31, 2017
Debt:		
Debt Facility (a)	**$ 352.6**	$ 362.7
Equipment Loan (b)	**2.7**	3.1
Finance Lease (c)	**18.6**	19.8
Total debt, net of deferred finance charges	**$ 373.9**	$ 385.6
Less: current portion, net of deferred finance charges	**65.6**	56.2
Long-term portion, net of deferred finance charges	**$ 308.3**	$ 329.4

Contractual undiscounted debt repayments

		March 31, 2018
2018		45.2
2019		82.9
2020		165.0
2021		43.4
2022		51.0
Total debt	$	**387.5**
Less: unamortized deferred finance charges		13.6
Total debt, net of deferred finance charges	**$**	**373.9**
Less: current portion, net of deferred finance charges		65.6
Long-term debt, net of deferred finance charges	**$**	**308.3**

(a) *Debt Facility*

2014 Loan Facility

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

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

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

2017 Debt Facility

On July 21, 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 comprises a $300.0 term loan (the "Term Facility") and a $100.0 revolving loan facility (the "Revolving Facility"). On July 25, 2017, the Company drew the full amount of the Term Facility and $75.0 of the Revolving Facility to repay the Loan Facility that was previously entered into with the Mandated Lead Arrangers. The Company may use the Revolving Facility for MML's general corporate purposes, including development expenditures, subject to the conditions of the Debt Facility.

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

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

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

	Requirement	**As at March 31, 2018**
Net Leverage Ratio	=/<3.0:1.0	2.5
Debt Service Coverage Ratio - Historical	=/>1.2:1.0	2.8
Debt Service Coverage Ratio - Prospective	=/>1.2:1.0	1.8
Reserve Tail Ratio	=/>30%	77%
Liquidity (in millions)	=/>$50	$86.8

The net leverage ratio means, as at any calculation date, the ratio of MML's net indebtedness divided by a four-quarter rolling Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") as defined by the Credit Agreement.

As at March 31, 2018, the Company is in compliance with the financial and other covenants under the Debt Facility.

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 three months ended March 31, 2018, 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 1.589% and 1.607%, and results in unamortized deferred finance charges of $13.1 as at March 31, 2018.

Please refer to Note 3 for details on the impact of the adoption of IFRS 9 on the Company.

Scheduled principal repayments, reflecting amounts drawn as of March 31, 2018, are as follows:

2018		40.2
2019		75.9
2020		159.3
2021		39.3
2022		51.0
Debt Facility	$	365.7

(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. During the three months ended March 31, 2018, the Company made principal repayments of $0.4.

(c) *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 March 31, 2018, the Company has utilized $24.5 of the amount available, and has made principal repayments of $5.5, and of which $1.3 were paid in the three months ended March 31, 2018.

Note 9. Finance Costs

The following table shows net finance costs for the three months ended March 31, 2018 and 2017:

		Three months ended		
		March 31, 2018		March 31, 2017
Interest and financing fees	**$**	**7.6**	$	7.3
Interest income		**(0.9)**		(0.2)
Accretion of decommissioning liabilities		**0.1**		0.1
	$	**6.8**	$	7.2

Note 10. Derivative Contracts

Currency contracts

The Company executed, as required by the Loan Facility, foreign exchange currency contracts, which covered 75% of the Company's estimated non-U.S. dollar denominated capital expenditures for the ELG Mine Complex from

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

The table below provides a summary of the currency contracts outstanding as at March 31, 2018:

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 March 31, 2018**
100.8	18.55	336.0	-	336.0	$ (0.1)
50.4	18.69				
50.4	18.54				
50.4	18.55				
84.0	19.18				
336.0					

Currency Contracts

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

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 March 31, 2018 and December 31, 2017:

	Classification	**Fair Value as at March 31, 2018**	Fair Value as at December 31, 2017
Currency contracts	Current liabilities	**$ (0.1)**	$ (1.8)
Currency contracts	Long-term liabilities	**-**	(0.4)
Total derivative liabilities		**$ (0.1)**	$ (2.2)

Derivatives arising from the currency swaps 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.

The following table shows the (gains) losses on derivative contracts for the three months ended March 31, 2018 and 2017:

	Three months ended	
	March 31, 2018	March 31, 2017
Unrealized loss on gold contracts	**$ -**	$ 9.3
Unrealized gain on currency contracts	**(2.1)**	(7.5)
Realized gain on gold contracts	**-**	(0.5)
Realized (gain) loss on currency contracts	**(0.3)**	0.4
	$ (2.4)	$ 1.7

Note 11. Decommissioning Liabilities

The following table shows the decommissioning liability as at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Balance, beginning of the period	**$ 14.0**	$ 10.5
Revisions to expected discounted cash flows	**(0.9)**	2.8
Accretion expense	**0.1**	0.4
Foreign exchange movement	**0.7**	0.3
Balance, end of the period	**$ 13.9**	$ 14.0

Note 12. Share Capital

Authorized

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

Issued on bought deal financing

On January 29, 2018, the Company announced that it entered into an agreement with a syndicate of underwriters led by BMO Capital Markets, under which the underwriters agreed to buy, on a "bought deal" basis, 4,370,000 common shares at a price of C$12.60 per common share for gross proceeds of approximately C$55.0 million (the "Offering"). The Offering closed on February 7, 2018 and resulted in aggregate net proceeds of C$58.5 million. The underwriters partially exercised their over-allotment option and purchased an additional 12% of the Offering. The remainder of the over-allotment was subsequently exercised and closed on February 16, 2018, resulting in aggregate net proceeds of C$60.0 million pursuant to the Offering.

Issued on redemption of restricted share units

During the three months ended March 31, 2018, 15,457 common shares were issued to settle vested restricted share units (three months ended March 31, 2017 – 7,184).

Other reserves

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

Note 13. Share-based Payments

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

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

The following is a summary of the number of common share options ("Options") issued under the SOP Plan, restricted share units ("RSUs") issued under the RSU Plan, and ERSUs and EPSUs outstanding as at March 31, 2018 and the amounts of share-based compensation expense recognized for the three months ended March 31, 2018 and 2017.

	Number Outstanding	**Three months ended**	
	March 31, 2018	**March 31, 2018**	**March 31, 2017**
Common share options	**846,495**	**$ 0.5**	$ 0.5
RSUs	**87,202**	**0.4**	0.7
ERSUs	**292,273**	**0.5**	0.5
EPSUs	**437,849**	**0.9**	1.1
	1,663,819	**$ 2.3**	$ 2.8

Common share options

The SOP Plan authorizes the Board of Directors to grant Options to directors, officers, consultants and 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 March 31, 2018, options held by directors, officers, employees and consultants are as follows:

	Outstanding			**Exercisable**		
Range (C$)	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (C$)	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (C$)
$11.40-$11.45	189,518	2.30	$ 11.40	189,518	2.30	$ 11.40
$11.46-$11.65	349,431	1.09	11.50	349,431	1.09	11.50
$11.66-$12.13	20,000	1.17	11.80	20,000	1.17	11.80
$12.14-$12.98	126,394	4.84	12.46	126,394	4.84	12.46
$12.99-$18.80	74,748	2.31	14.09	74,748	2.31	14.09
$18.81-$32.02	86,404	3.52	25.21	84,948	3.53	25.30
	846,495	**2.28**	**$ 13.26**	**845,039**	**2.28**	**$ 13.24**

A summary of changes in the number of Options issued by the Company for the three months ended March 31, 2018 and for the year ended December 31, 2017 is presented as follows:

	Number of options	Weighted average exercise price (C$)
Balance, January 1, 2017	**1,199,823**	**$ 15.77**
Granted	43,952	27.22
Exercised	(176,977)	17.28
Forfeited	(3,997)	11.40
Balance, December 31, 2017	**1,062,801**	**$ 16.02**
Granted	126,394	12.46
Forfeited	(1,200)	21.66
Expired	(341,500)	21.70
Balance, March 31, 2018	**846,495**	**$ 13.26**

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 three months ended March 31, 2018 was C$4.94 (year ended December 31, 2017 - C$9.67). The following is a summary of the weighted average of assumptions used in the Black-Scholes option pricing model for Options granted during the three months ended March 31, 2018 and 2017:

	Three months ended	
	March 31, 2018	March 31, 2017
Risk-free interest rate	**1.84%**	0.84%
Expected price volatility	**63.19%**	57.10%
Expected option life (in years)	**2.50**	2.50
Annual dividend rate	**0%**	0%
Estimated forfeiture rate	**0%**	2.55%

Restricted share units

Restricted share units are comprised of both RSUs issued under the RSU Plan and ERSUs granted under the ESU Plan.

RSUs and ERSUs are valued based on the market price of the common shares of the Company at the date of grant and are recognized in the consolidated financial statements over the vesting period.

Under this method, a portion of the fair value of the RSUs and 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 three months ended March 31, 2018 and the year ended December 31, 2017 is presented below:

	Number of RSUs and ERSUs		Weighted average value (CDN)
Balance, January 1, 2017	**231,439**	**$**	**22.59**
Granted	99,954		27.40
Redeemed	(89,978)		18.81
Forfeited	(1,978)		27.58
Balance, December 31, 2017	**239,437**	**$**	**25.98**
Granted	166,106		12.46
Redeemed	(15,457)		14.58
Forfeited	(10,611)		27.55
Balance, March 31, 2018	**379,475**	**$**	**20.48**

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.

A summary of changes in the number of EPSUs issued by the Company for the three months ended March 31, 2018 and the year ended December 31, 2017 is presented below:

	Number of EPSUs		Weighted average value (C$)
Balance, January 1, 2017	**170,136**	**$**	**45.62**
Granted	107,225		41.68
Forfeited	(2,967)		43.74
Balance, December 31, 2017	**274,394**	**$**	**44.10**
Granted	179,936		9.18
Forfeited	(16,481)		39.33
Balance, March 31, 2018	**437,849**	**$**	**29.93**

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 three months ended March 31, 2018 vest on December 31, 2020, and had an estimated weighted average unit fair value at the grant date of C$9.18 (US$7.37 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 three months ended March 31, 2018 and 2017:

	Three months ended	
	March 31, 2018	March 31, 2017
Risk-free interest rate	**1.86%**	0.83%
Expected price volatility	**61.0%**	56.5%
Expected life of units (in years)	**3.0**	3.0
Annual dividends	**0%**	0%
Estimated forfeiture rate	**0%**	0%

Note 14. Earnings per Share

Earnings per share has been calculated using the weighted average number of common shares outstanding for the three months ended March 31, 2018 and 2017 as follows:

	Three months ended			
		March 31, 2018		March 31, 2017
Net income	**$**	**10.2**	$	8.9
Basic weighted average shares outstanding		**82,730,897**		79,729,618
Weighted average shares dilution adjustments:				
Share options		**-**		460,254
Restricted share units		**61,349**		129,501
Performance share units		**-**		109,872
Diluted weighted average shares outstanding		**82,792,246**		80,429,245
Earnings per share				
Basic	**$**	**0.12**	$	0.11
Diluted	**$**	**0.12**	$	0.11

For the three months ended March 31, 2018, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 846,495 share options, 292,273 ERSUs and 437,849 EPSUs as their exercise or settlement would be anti-dilutive in the earnings per share calculation.

For the three months ended March 31, 2017, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 53,956 share options as their exercise or settlement would be anti-dilutive in the earnings per share calculation.

Note 15. 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.

The carrying values and fair values of the Company's financial instruments as at March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	**$ 110.5**	**$ 110.5**	$ 44.9	$ 44.9
Restricted cash	**13.9**	**13.9**	13.9	13.9
	$ 124.4	**$ 124.4**	$ 58.8	$ 58.8
Financial liabilities				
Accounts payable and accrued liabilities	**$ 60.5**	**$ 60.5**	$ 50.9	$ 50.9
Derivative contracts	**0.1**	**0.1**	2.2	2.2
Debt	**373.9**	**387.5**	385.6	398.5
	$ 434.5	**$ 448.1**	$ 438.7	$ 451.6

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 March 31, 2018. The carrying amount of the Company's cash and cash equivalents, VAT receivables and restricted cash represents the maximum exposure to credit risk as at March 31, 2018.

(b) Liquidity risk:

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

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2018, the Company had cash and cash equivalents balances of $110.5 (excluding restricted cash of $13.9) (December 31, 2017 - cash balance of $44.9, excluding restricted cash of $13.9). The Company maintains its cash in fully liquid business accounts.

As at March 31, 2018, the amounts outstanding under the Debt Facility, Equipment Loan, and Finance Lease Arrangement totalled $365.7, $2.8 and $19.0, respectively.

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

As a result of an illegal blockade which commenced in November 2017, the Company suspended operations and consequently obtained a temporary reduction until February 28, 2018 to the minimum liquidity covenant for the Debt Facility from $50.0 to $30.0, with the proviso that the remaining $25.0 available under the credit agreement, and not yet drawn, is counted towards meeting the liquidity covenant threshold but it may not be drawn.

The Company 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 March 31, 2018, the Company's VAT receivables balance is $56.7 and in respect of this balance, expects to recover $40.6 during the next 12 months and a further $16.1 thereafter. The Company's approach to managing liquidity risk with respect to its VAT receivables is to file its refund requests on a timely basis, monitor actual and projected collections of its VAT receivables, and cooperate with the Mexican tax authorities in providing information as required.

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

				March 31, 2018
	Up to 1 year	1-5 years	Over 5 years	**Total**
Accounts payable and accrued liabilities	$ 60.5	$ -	$ -	**$ 60.5**
Derivative contracts (Note 10)	0.1	-	-	**0.1**
Debt (Note 8)	65.6	321.9	-	**387.5**
	$ 126.2	**$ 321.9**	**$ -**	**$ 448.1**

				December 31, 2017
	Up to 1 year	1-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 50.9	$ -	$ -	$ 50.9
Derivative contracts (Note 10)	1.8	0.4	-	2.2
Debt (Note 8)	56.2	342.3	-	398.5
	$ 108.9	$ 342.7	$ -	$ 451.6

(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 8, 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 March 31, 2018 with respect to its cash and cash equivalent positions.

(ii) Foreign currency risk:

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

As at March 31, 2018, the Company has hedged its exposure to 25% annually over the next year of the Company's estimated non-U.S. dollar denominated operating expenditures for the ELG Mine Complex. As at March 31, 2018, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would result in a decrease of $0.9 or increase of $1.2 (using the spot rate as at March 31, 2018 of 18.3 Mexican pesos per U.S. dollar) in the Company's net income for the three months relating to the derivative currency contracts.

As at March 31, 2018, the Company had cash and cash equivalents, VAT receivables, accounts payable and accrued liabilities and income taxes payable that are denominated in Mexican pesos and in Canadian dollars. A 10% appreciation or depreciation of the Mexican peso and Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $2.7 and $0.6 respectively, in the Company's net income for the three months.

(iii) Commodity price risk:

Gold prices have fluctuated widely in recent years and there is no assurance that a profitable market will exist for gold produced by the Company. Under requirements from the Loan Facility, the Company entered into commitments to deliver 204,361 ounces of gold to the Lenders over an 18-month period commencing in January 2016, which it achieved at an average flat forward gold price of $1,241 per ounce. As a result at March 31, 2018, 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 for the three months under the terms of the derivative gold contracts. A 10% appreciation or depreciation of gold prices would result in an increase or decrease of $5.2 in the Company's net income for the three months ended March 31, 2018.

(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:

			March 31, 2018
	Level 1	**Level 2**	**Level 3**
Financial liabilities			
Derivative currency contracts	-	0.1	-
	$ -	**$ 0.1**	**$ -**

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

Note 16. Capital Management

Capital consists of the Company's shareholders' equity and debt. As at March 31, 2018, the Company's shareholders' equity was $741.5 (December 31, 2017 - $679.3), and debt, comprising the Debt Facility, Equipment Loan, and Finance Lease Arrangement, net of deferred finance charges was $373.9 (December 31, 2017 - $385.6). 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.

Refer to Note 15(b) for details on the recent illegal blockade and the Company's resulting capital management.

Note 17. Segmented Information

The Company's mineral property and equipment is located 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 18. Commitments

Purchase commitments

As at March 31, 2018, the total purchase commitments for the ELG Mine Complex amounted to $42.0, which are expected to settle over the next 12 months.

ELG royalties

Production revenue from certain concessions are 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 three months ended March 31, 2018, the Company paid $1.0 relating to the fourth quarter of 2017.

The Company is subject to 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 April 2018, the Company paid $5.5 relating to royalties due for 2017 for the 7.5% and 0.5% royalties.

Note 19. Blockade and Other Charges

On November 3, 2017, a group of unionized workers commenced an illegal blockade at the main gate to the ELG Mine Complex, demanding a change in labour union. Blockade and other charges of $4.1 relate to idle costs incurred during the blockade, and the resulting suspension of operations and comprise $2.8 of labour and contractor costs, supplies and incremental consulting and advisory fees, and $1.3 of depreciation and amortization.

On April 6, 2018, negotiations between community leaders have resulted in an end to the illegal blockade of the ELG Mine Complex, and on April 10, 2018, the Company received notification from the Federal Labour Board advising that the Los Mineros Union has withdrawn its challenge to be the legally constituted union for the union-eligible ELG Mine Complex employees.