



FORTUNA
SILVER MINES INC.

CORPORATE OFFICE:
Suite 650-200 Burrard Street
Vancouver, BC Canada V6C 3L6

T: +1.604.484.4085
F: +1.604.484.4029

MANAGEMENT HEAD OFFICE:
Piso 5, Av. Jorge Chávez #154
Miraflores, Lima - Perú

T: +51.1.616.6060, ext. 0

TRADING SYMBOL:
NYSE: **FSM**
TSX: **FVI**

info@fortunasilver.com
WWW.FORTUNASILVER.COM

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

As of November 12, 2019

(Monetary amounts expressed in US dollars, unless otherwise indicated)

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FORTUNA SILVER MINES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2019

Business of the Company

Fortuna Silver Mines Inc. ("Fortuna" or the "Company") is engaged in precious and base metal mining and related activities in Latin America, including exploration, extraction, and processing. The Company:

- operates the Caylloma silver, lead and zinc mine ("Caylloma") in southern Peru,
- operates the San Jose silver and gold mine ("San Jose") in southern Mexico, and
- is in the process of constructing an 18,750 tpd open pit gold heap leach mine (the "Lindero Project") in northern Argentina.

Fortuna is a publicly traded company incorporated and domiciled in British Columbia, Canada. Its common shares are listed on the New York Stock Exchange under the trading symbol FSM, on the Toronto Stock Exchange under the trading symbol FVI, and on the Frankfurt Stock Exchange under the trading symbol F4S.F.

The Company's registered office is located at Suite 650, 200 Burrard Street, Vancouver, British Columbia, Canada V6C 3L6.

The consolidated financial statements include wholly-owned subsidiaries of the Company; the most significant of which at September 30, 2019 are presented in the following table:

Name	Location	Ownership	Principal Activity
Minera Bateas S.A.C. ("Bateas")	Peru	100%	Caylloma Mine
Compania Minera Cuzcatlan S.A. de C.V. ("Cuzcatlan")	Mexico	100%	San Jose Mine
Mansfield Minera S.A. ("Mansfield")	Argentina	100%	Lindero Project

This Management's Discussion and Analysis ("MD&A") is intended to help readers understand the significant factors that affect the performance of Fortuna and its subsidiaries, and those that may affect future performance. This MD&A has been prepared as of November 12, 2019 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 and 2018. The Company's significant accounting policies are set out in Note 3 of the September 30, 2019 condensed interim consolidated financial statements and Note 3 of the December 31, 2018 audited consolidated financial statements. All amounts in this MD&A are expressed in United States dollars, unless otherwise indicated. Certain amounts shown in tables within this MD&A may not add exactly to the totals due to rounding.

The Company prepares its condensed interim consolidated financial statements in accordance with IFRS 34, Interim financial reporting, of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

In this MD&A, we refer to various Non-GAAP Financial Measures. These measures are used by us to manage and evaluate the operating performance of our mines and their ability to generate cash flows and these measures are widely reported in the mining industry as benchmarks for performance. Refer to the discussion under the heading "Non-GAAP Financial Measures".

Additional information about the Company, including our Annual Information Form, is available on SEDAR at www.sedar.com

This document contains forward-looking statements. Refer to the cautionary language under the heading "Cautionary Statement on Forward-Looking Statements."

Third Quarter Financial and Operating Highlights

Sales for the three months ended September 30, 2019 were \$61.3 million, a 3% increase from the \$59.6 million reported in the three months ended September 30, 2018 (“Q3 2018”).

Operating loss for the three months ended September 30, 2019 was \$1.5 million compared to \$10.5 million operating income reported in Q3 2018.

Net loss for the three months ended September 30, 2019 was \$7.7 million or (\$0.05) per share compared to \$6.9 million net income, or \$0.04 per share reported in Q3 2018. The net loss included an \$8.3 million foreign exchange loss related to Mansfield’s Argentine Peso denominated long-term value added tax receivables and its working capital balances.

Adjusted net income (refer to Non-GAAP Financial Measures) was \$1.9 million compared to \$9.6 million for the comparable period in Q3 2018, which has been restated to conform to current year’s presentation.

Adjusted EBITDA (refer to Non-GAAP Financial Measures) for the three months ended September 30, 2019 was \$19.2 million compared to \$24.2 million reported in Q3 2018.

Free cash flow from ongoing operations was \$10.6 million compared to \$13.6 million reported in Q3 2018.

Operating Highlights

Consolidated Metrics	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Key Indicators						
Silver						
Metal produced (oz)	1,937,293	2,230,465	(13%)	6,557,848	6,953,238	(6%)
Metal sold (oz)	1,931,182	2,154,434	(10%)	6,576,724	6,800,084	(3%)
Realized price (\$/oz)	17.31	14.85	17%	15.82	16.08	(2%)
Gold						
Metal produced (oz)	11,436	12,542	(9%)	38,246	42,140	(9%)
Metal sold (oz)	11,382	12,098	(6%)	38,217	40,943	(7%)
Realized price (\$/oz)	1,487	1,211	23%	1,365	1,285	6%
Lead						
Metal produced (000's lbs)	7,157	7,576	(6%)	21,305	21,802	(2%)
Metal sold (000's lbs)	7,069	7,822	(10%)	21,410	21,972	(3%)
Zinc						
Metal produced (000's lbs)	11,518	11,483	0%	33,986	33,947	0%
Metal sold (000's lbs)	11,615	11,647	(0%)	33,807	34,154	(1%)
All-in sustaining cash cost (US\$/oz Ag Eq) ^{1, 2}	13.20	10.80	22%	11.69	10.06	16%

Notes:

1. All-in sustaining cash cost (“AISC”) is a Non-GAAP Financial Measure. Refer to Non-GAAP Financial Measures
2. AISC (\$/oz Ag Eq) calculated using the realized metal prices for each period (See Sales table under Financial Results)

Silver and gold production for the three months ended September 30, 2019 decreased 13% and 9% to 1,937,293 ounces and 11,436 ounces, respectively, over the same quarter in 2018. At San Jose, silver and gold production decreased 14% and 12%, respectively, over the same quarter in 2018 due primarily to scheduled mine production at lower grade stopes which is in line with the mine’s production plan for the quarter. Annual gold and silver production is expected to be within the 2019 annual production guidance of between 7.3 to 8.1 million ounces of silver and 49 to 54 thousand ounces of gold.

At Caylloma, silver production decreased 5% over the same quarter in 2018 due to a 3% decrease in silver recovery and marginally lower mill throughput. Lead production at Caylloma decreased 6% from 7.6 million pounds to 7.2 million pounds due to a 2% decrease in head grade and lead recovery, while zinc production remained stable at 11.5 million pounds, compared to the same quarter in 2018.

Consolidated all-in sustaining cash cost per ounce of payable silver equivalent (refer to Non-GAAP Financial Measures) for the three months ended September 30, 2019 was \$13.20 per ounce or 22% higher than the \$10.80 per ounce reported in Q3 2018. This increase was due primarily to higher production costs at both San Jose and Caylloma over a lower payable ounces of silver equivalent production base.

Selected Financial Information

Consolidated Financial Metrics	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
(Expressed in \$ millions except per share information)						
Sales	\$ 61.3	\$ 59.6	3%	\$ 188.2	\$ 203.7	(8%)
Mine operating income	16.7	16.5	1%	61.1	79.2	(23%)
Operating (loss) income	(1.5)	10.5	(114%)	25.2	55.3	(54%)
Net (loss) income	(7.7)	6.9	(212%)	4.8	31.8	(85%)
(Loss) earnings per share (basic)	(0.05)	0.04	(225%)	0.03	0.20	(85%)
Adjusted net income ^{1,2}	1.9	9.6	(80%)	17.5	33.9	(48%)
Adjusted EBITDA ¹	19.2	24.2	(21%)	70.2	91.2	(23%)
Net cash provided by operating activities	18.2	21.9	(17%)	45.3	64.2	(29%)
Free cash flow from ongoing operations ¹	10.6	13.6	(22%)	28.2	42.2	(33%)
Capex						
Sustaining	4.0	5.4	(27%)	13.7	14.2	(3%)
Non-sustaining	0.8	0.6	39%	1.7	2.1	(21%)
Lindero	68.5	24.5	180%	161.5	41.8	286%
Brownfields	1.0	2.4	(61%)	3.9	7.1	(45%)
				Sep 30, 2019	Dec 31, 2018	% Change
Cash, cash equivalents, and short-term investments				\$ 72.2	163.3	(56%)
Total assets				\$ 871.5	\$ 786.5	11%
Non-current credit facility				\$ 109.4	\$ 69.3	58%
Shareholders' equity				\$ 610.3	\$ 602.8	1%

Notes:

1. Refer to Non-GAAP financial measures.
2. The three and nine months ended September 30, 2018 comparatives have been restated to reflect the addback of Mansfield's deferred income taxes to conform to the current year presentation

Sales for the three months ended September 30, 2019 were \$61.3 million, a 3% increase from the \$59.6 million reported in the same quarter in 2018. The increase in sales was due primarily to higher metal prices for silver and gold of 17% and 23%, respectively, but was partially offset by a decrease in the volume of silver and gold ounces sold of 10% and 6%, respectively, as well as a 10% decrease in the volume of lead sold and a lower zinc price of 8%.

Net loss for the three months ended September 30, 2019 was \$7.7 million or (\$0.05) per share compared to \$6.9 million net income or \$0.04 per share reported in the same quarter in 2018. The net loss was significantly impacted by a 26% devaluation of the Argentine Peso following the defeat of the incumbent president in Argentina's primary election held in August. As a result, the Company recorded an \$8.3 million foreign exchange loss to reflect the impact the devaluation had on Mansfield's value added tax receivable accumulated during the construction of the Lindero project. Other items impacting the quarterly loss were \$1.3 million in non-cash impairment charges, \$1.4 million in exploration and evaluation costs and higher share-based payment expense.

Adjusted net income (refer to Non-GAAP Financial Measures) for the three months ended September 30, 2019 was \$1.9 million compared to \$9.6 million for the same quarter in 2018. The net loss for the quarter was adjusted to add back non-cash impairment charges, foreign exchange loss from the Lindero project, and other non-cash items, including the \$8.3 million foreign exchange loss related to the value added tax receivable in Argentina and \$1.3 million in non-cash impairment charges.

Adjusted EBITDA (refer to Non-GAAP Financial Measures) for the three months ended September 30, 2019 was \$19.2 million compared to \$24.2 million in the comparable period in 2018 as a result of the same factors that lowered the adjusted net income as set out above.

Cash provided by operating activities for the three months ended September 30, 2019 was \$18.2 million compared to \$21.9 million reported in Q3 2018. The decrease was due primarily to lower mine operating earnings and higher greenfield exploration expenses.

Free cash flow from ongoing operations (refer to Non-GAAP Financial Measures) for the three months ended September 30, 2019 was \$10.6 million compared to \$13.6 million reported in Q3 2018 reflecting lower mine operating earnings and lower interest income.

As at September 30, 2019, the Company had cash, cash equivalents, and short-term investments of \$72.2 million (December 31, 2018 – \$163.3 million), a decrease of \$91.1 million since the beginning of the year, due primarily to funding construction of the Lindero Project.

Lindero Project (“Lindero” or the “Project”)

Construction at the Lindero open pit heap leach gold mine located in Salta Province, Argentina is 81% complete as of the end of October 2019. Construction spending for the third quarter of 2019 was \$67.7 million (YTD spending - \$160.5 million) of which \$27.0 million is unpaid as of the end of September. Cumulative construction spending to date is \$253.8 million, including advances to contractors, representing 85% of the total expected construction costs. The total cost of construction is expected to be \$298.0 million. In addition, the Company expects to incur approximately \$25.0 million of pre-production costs and working capital at Lindero and approximately \$12.0 million of recoverable value added taxes to the end of construction.

(Expressed in \$ millions)	Cumulative to December 31, 2018	Nine months ended September 30, 2019	Total
Construction spending	\$ 79.9	\$ 160.5	\$ 240.4
Contractor advances and deposits on equipment, net	42.9	(29.5)	13.4
Total	122.8	131.0	253.8

Construction highlights and milestones include:

- **18,750 tpd crushing and agglomeration plant**

All civil and structural steel work has been completed and all major equipment has been mounted and motors installed. Electromechanical installation is 81% complete.

Work in the coming weeks will be focused on completing minor equipment installation and final piping and electrical works in view of pre-commissioning.

The crushing and agglomeration plants are on the critical path of the Project. Commissioning has been pushed from the middle of the fourth quarter of 2019 towards the end of the quarter.

- **Leach pad and pond area**

The leach pad start-up area and ponds are near 100% completion. The leach pad will be ready to receive first ore by the second half of November 2019.

- **ADR plant**

The concrete and structural steel work for the ADR building have been completed. Equipment installation is underway and the ADR plant is expected to be ready to receive solution in the first quarter of 2020.

- **8 MW power plant**

The mine power requirements will be self-generating through an 8MW diesel generator power plant. The power plant, consisting of twelve power generators and ten 50 cubic meter fuel tanks, has been commissioned.

- **Ancillary facilities**

The permanent camp has been completed. The assay lab and met lab are 90% and 50% complete, and the warehouse and main office building are 20% complete.

Industrial water for the operation will be sourced from a 120 cubic meter per hour well field and pumping station located 13 kilometers from the project site. The installation of the 13 kilometer 8" water pipeline to the project site is at 80% completion. Commissioning has been pushed from September to November 2019.

- **Mine and equipment fleet**

All mine equipment is on site and is fully operational. The fleet includes: six 100-ton trucks, two 17 cubic yard wheel loaders, one 5 cubic yard crawler excavator, two 449 HP dozers, two 250 HP motor graders, and two 800 HP rotary blast hole drill rigs.

Preparation of the first production benches and final pit access for large equipment have been concluded. Blasting to stockpile ore started in early September with an additional night shift starting in October to ramp up pre-production mining. Mining will benefit from an initial low strip ratio under one, with high grade mineralization outcropping on surface.

Total construction capital costs are forecast to be approximately \$298.0 million, an increase of 25% over the initial capital guidance (see Fortuna news release dated September 21, 2017 and the technical report entitled "Fortuna Silver Mines Inc. Lindero Property, Salta Province, Argentina, dated effective October 31, 2017 which is available on SEDAR at www.sedar.com).

2019 Guidance and Outlook

2019 Production Guidance

Mine	Silver (Moz)	Gold (koz)	Lead (Mlbs)	Zinc (Mlbs)	Cash Cost ¹ (\$/t)	AISC ¹ (\$/ oz Ag Eq)
San Jose, Mexico	7.3 - 8.1	49.0 - 54.0	NA	NA	63.5 - 70.1	8.3 - 10.2
Caylloma, Peru	0.9 - 1.0	-	26.1 - 28.8	39.8 - 44.0	80.0 - 88.4	11.8 - 14.5
Total	8.2 - 9.0	49.0 - 54.0	26.1 - 28.8	39.8 - 44.0	-	-

2019 silver equivalent production guidance of between 11.7 million -12.9 million ounces

2019 consolidated AISC of \$9.9 to \$12.1/oz Ag Eq

Notes:

- Cash cost per tonne and AISC (\$/oz silver equivalent) are Non-GAAP Financial Measures. AISC includes by-product credits, estimated at metal prices of \$1,250/oz Au, \$15.00/oz Ag, \$2,100/t Pb, and \$2,700/t Zn
- Silver equivalent production does not include lead or zinc and is calculated using a silver to gold ratio of 72 to 1
- Totals may not add due to rounding

2019 All-In-Sustaining Cash Cost Per Silver Ounce Guidance

\$/oz Ag	San Jose	Caylloma	Consolidated
Cash cost, net of by-product credits	\$ 5.9 - 7.2	\$ 9.1 - 11.2	\$ 6.9 - 8.5
Adjustments:			
Commercial and government royalties and mining tax	0.6 - 0.8	0.2 - 0.2	0.5 - 0.6
Worker's participation	0.4 - 0.5	0.2 - 0.2	0.3 - 0.4
Selling, general and administrative expenses (operations)	0.4 - 0.5	0.6 - 0.7	0.5 - 0.6
Selling, general and administrative expenses (corporate)	-	-	0.5 - 0.6
Sustaining capital expenditures	0.7 - 0.8	1.6 - 2.0	1.0 - 1.2
Brownfield exploration expenditures	0.3 - .04	0.1 - 0.2	0.3 - 0.3
All-in-sustaining cash cost per payable ounce of silver	\$ 8.3 - 10.2	\$ 11.8 - 14.5	\$ 9.9 - 12.1

2019 Capital Expenditure and Exploration Guidance

(Expressed in \$ millions)	San Jose	Caylloma	Lindero	Total
Equipment and infrastructure	\$ 4.3	\$ 6.0	\$ -	\$ 10.3
Mine development	3.4	3.1	-	6.5
Brownfield exploration	4.3	0.8	-	5.1
Other sustaining capex	0.7	0.7	-	1.4
Non-sustaining capex	-	0.8	-	0.8
Initial capital construction costs	-	-	171.9	171.9
Total	\$ 12.7	\$ 11.4	\$ 171.9	\$ 196.0

For 2019, capital expenditures at the Lindero Project are estimated at \$171.9 million, representing approximately 60% of the construction budget.

Financial Results

Sales

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Provisional sales (\$ million)						
Caylloma	17.7	21.2	(17%)	54.8	69.9	(22%)
San Jose	43.3	39.8	9%	134.3	140.9	(5%)
Adjustments (\$ million) ¹	0.3	(1.4)	122%	(0.9)	(7.1)	87%
Sales (\$ million)	61.3	59.6	3%	188.2	203.7	(8%)
Silver						
Metal produced (oz)	1,937,293	2,230,465	(13%)	6,557,848	6,953,238	(6%)
Provisional sales (oz)	1,931,182	2,154,434	(10%)	6,576,724	6,800,084	(3%)
Provisional sales (\$ million)	31.0	29.5	5%	96.2	101.2	(5%)
Realized price (\$/oz) ²	17.31	14.85	17%	15.82	16.08	(2%)
Net realized price (\$/oz) ³	16.04	13.69	17%	14.63	14.88	(2%)
Gold						
Metal produced (oz)	11,436	12,542	(9%)	38,246	42,140	(9%)
Provisional sales (oz)	11,382	12,098	(6%)	38,217	40,943	(7%)
Provisional sales (\$ million)	16.3	13.7	19%	49.3	49.9	(1%)
Realized price (\$/oz) ²	1,487	1,211	23%	1,365	1,285	6%
Net realized price (\$/oz) ³	1,428	1,135	26%	1,289	1,219	6%
Lead						
Metal produced (000's lbs)	7,157	7,576	(6%)	21,305	21,802	(2%)
Provisional sales (000's lbs)	7,069	7,822	(10%)	21,410	21,972	(3%)
Provisional sales (\$ million)	6.0	7.1	(15%)	18.2	22.2	(18%)
Realized price (\$/lb) ²	0.92	0.96	(3%)	0.90	1.06	(15%)
Net realized price (\$/lb) ³	0.85	0.91	(6%)	0.85	1.01	(16%)
Zinc						
Metal produced (000's lbs)	11,518	11,483	0%	33,986	33,947	0%
Provisional sales (000's lbs)	11,615	11,647	0%	33,807	34,154	(1%)
Provisional sales (\$ million)	7.7	10.6	(27%)	25.4	37.5	(32%)
Realized price (\$/lb) ²	1.06	1.15	(8%)	1.18	1.37	(14%)
Net realized price (\$/lb) ³	0.66	0.91	(28%)	0.75	1.10	(32%)

Notes:

¹ Adjustments consists of mark to market, final price adjustments and final assay adjustments

² Based on provisional sales before final price adjustments. Net after payable metal deductions, treatment, and refining charges

³ Treatment charges are allocated to base metals at Caylloma and to gold at San Jose

Sales for the three months ended September 30, 2019 were \$61.3 million or \$1.7 million higher than the \$59.6 million reported in the same quarter in 2018. The higher sales were due mainly to higher prices of silver and gold of 17% and 23%, respectively, but was partially offset by lower volume of silver, gold, and lead sold of 10%, 6%, and 10%, respectively.

Sales at San Jose for the third quarter were \$43.6 million, or 12% higher than the \$39.1 million in sales for the same quarter in 2018. The higher sales were due to increases in the prices of silver and gold of 17% and 23%, respectively, despite a 10% decrease in the volume of silver and gold sold. Sales at Caylloma were \$17.7 million, or 14% lower than the \$20.5 million in sales for the same quarter in 2018 due to decreases in the prices of lead and zinc of 3% and 8%, respectively, and a 10% decrease in lead sales volume.

Sales for the nine months ended September 30, 2019 were \$188.2 million, or 8% lower than the \$203.7 million in sales for the same period in 2018. The lower sales were due to decreases in the prices of silver, lead, and zinc of 2%, 15%, and 14%, respectively.

Sales at San Jose for the first nine months were \$133.9 million or 1% lower than the \$135.4 million in sales for the same period in 2018. The lower sales were due primarily to lower silver sales on lower volume of silver sold and a 2% reduction in the price of silver and partially offset by a 6% increase in the price of gold on lower volume of gold sold. Sales at Caylloma were \$54.3 million, or 20% lower than the \$68.3 million in sales for the same period in 2018. The lower sales were due primarily to a 15% and 14% decrease in the prices of lead and zinc as well as a 3% decrease in the volume of lead sold.

Operating Income (Loss) and Adjusted EBITDA

(Expressed in \$ millions)	Three months ended September 30,				Nine months ended September 30,			
	2019	% ¹	2018	% ¹	2019	% ¹	2018	% ¹
Operating income (loss)								
San Jose	\$ 12.3	28%	\$ 10.5	27%	\$ 43.0	32%	\$ 46.9	35%
Caylloma	1.3	7%	2.1	10%	7.8	14%	19.4	29%
Lindero	(9.3)	0%	(0.1)	0%	(11.7)	0%	(0.2)	0%
Corporate	(5.8)		(2.0)		(13.9)		(10.8)	
Total	\$ (1.5)	(2%)	\$ 10.5	18%	\$ 25.2	13%	\$ 55.3	27%
Adjusted EBITDA²								
San Jose	\$ 20.5	47%	\$ 18.6	47%	\$ 66.2	49%	\$ 72.1	53%
Caylloma	4.1	23%	7.7	38%	17.7	33%	30.3	44%
Lindero	(0.3)	0%	(0.1)	0%	(0.4)	0%	(0.2)	0%
Corporate	(5.1)		(2.0)		(13.3)		(11.0)	
Total	\$ 19.2	31%	\$ 24.2	41%	\$ 70.2	37%	\$ 91.2	45%

Notes:

¹ As a Percentage of Sales

² Refer to Non-GAAP Financial Measures

³ Figures may not add due to rounding

Operating loss for the three months ended September 30, 2019 was \$1.5 million or \$12.0 million lower than the \$10.5 million operating income reported for the comparable quarter in 2018. The decrease in operating income was due primarily to an \$8.3 million foreign exchange loss which resulted from the impact a devaluation of the Argentine Pesos had on the value added tax receivable accumulated during the construction of the Lindero project; a \$2.0 million increase in share-based payment expenses due to a 10% increase in the Company's share price that impacted the Company's cash-settled share units; \$1.3 million of non-cash impairment charges and \$1.3 million in greenfield exploration expenditures.

At San Jose, operating income was \$12.3 million or \$1.8 million higher than the \$10.5 million operating income for the comparable quarter in 2018, which was due primarily to a \$1.1 million increase in mine operating earnings and a \$0.7 million decrease in foreign exchange losses. At Caylloma, operating income was \$1.3 million or \$0.8 million lower than the \$2.1 million operating income for the comparable quarter in 2018. The decrease in operating income was due to a 10% decrease in the volume of lead sold; a 3% and 8% decrease in lead and zinc prices, and a 5% increase in production costs. Mansfield's operating loss for the quarter included an \$8.3 million foreign exchange loss related to the impact a devaluation of the Argentine Peso had on its value added tax receivable. At corporate, the operating loss was \$5.8 million compared to \$2.0 million for the comparable quarter in 2018, which included \$0.9 million of exploration on the Pachuca, Mexico greenfield exploration project and a \$2.0 million increase in share-based payment expense to reflect the impact of changes in the Company's share price on cash-settled share units.

Operating income for the nine months ended September 30, 2019 was \$25.2 million, or \$30.1 million lower than the \$55.3 million operating income for the comparable period in 2018 driven by an \$18.0 million decrease in mine operating earnings on lower sales of \$15.0 million and \$10.4 million of foreign exchange losses due primarily to a 52% devaluation of the Argentine Peso against the U.S. dollar. Operating income at San Jose declined 9% to \$43.0 million due primarily to a 10% decrease in the volume of gold sold and a 10% increase in production costs over the comparable period in 2018. Operating income at Caylloma declined 60% to \$7.8 million due to a 50% decline in mine operating income which was impacted by a 15% and 14% decline in lead and zinc prices, respectively, and higher production costs. At corporate, the operating loss was \$13.9 million compared to \$10.8 million for the comparable period in 2018 driven mainly by a non-cash impairment charge on the Company's equity investment in Prospero Silver Corp. ("Prospero") and exploration expenditures on the Pachuca greenfield exploration project.

Exploration and Evaluation Costs

Exploration and evaluations costs for the three months ended September 30, 2019 were \$1.5 million compared to \$0.2 million for the comparable quarter in 2018. The increase was due to \$0.2 million spent on an Argentine greenfield exploration project and \$1.0 million of exploration spent on the Pachuca, Mexico project under an Option Agreement with Prospero. Based on the drill results along with other technical data on hand, the Company terminated the Option Agreement, as described above.

Exploration and evaluation costs for the nine months ended September 30, 2019 were \$2.0 million compared to \$0.5 million for the comparable period in 2018. The increase was due to spending on the Company's Argentine and Mexican greenfield exploration projects.

Selling, General, and Administration

(Expressed in \$ millions)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Mine SG&A	\$ 2.6	\$ 2.7	(4%)	\$ 7.4	\$ 8.0	(8%)
Corporate SG&A	2.5	2.4	4%	8.4	7.4	14%
Share-based payments	1.5	(0.4)	475%	3.6	3.3	13%
Workers' participation	0.3	0.3	0%	1.0	1.2	(17%)
Total	\$ 6.9	\$ 5.0	38%	\$ 20.4	\$ 19.9	3%

Selling, general and administrative ("SG&A") expenses for the three months ended September 30, 2019 increased 38% to \$6.9 million compared to \$5.0 million for the comparable quarter in 2018. The increase was due primarily to share-based payment expense and reflects the impact of a 10% increase in the share price on the Company's cash-settled share units during the third quarter.

For the nine months ended September 30, 2019, SG&A expenses increased 3% to \$20.4 million compared to \$19.9 million for the comparable period in 2018. The increase was due primarily to higher share-based payment expenses and increased headcount to support the mining operations.

Foreign Exchange Loss

Foreign exchange loss for the three months ended September 30, 2019 was \$8.4 million compared to a \$0.8 million for the comparable quarter in 2018. The increase was due primarily to an \$8.3 million foreign exchange loss on the devaluation of the Argentine Peso against the U.S. dollar.

For the nine months ended September 30, 2019, foreign exchange loss was \$11.9 million compared to a \$2.5 million foreign exchange loss for the comparable period in 2018. The increase was due to a \$10.4 million foreign exchange loss as a result of the Argentine Peso declining 52% against the U.S. dollar during the first nine months of 2019.

As a result of the devaluation of the Argentine Peso that followed after the Argentina president's defeat in the primary election, the Company implemented a foreign exchange strategy in the fourth quarter to mitigate the impact the volatility of the Argentine Peso has on Mansfield's operations and its assets.

Other Expenses (Income)

Other expenses for the three months ended September 30, 2019 were \$1.2 million compared to other income of \$0.1 million for the comparable quarter in 2018. Other expenses in the quarter were comprised of a \$0.5 million impairment charge on the Company's investment in Prospero and an \$0.8 million write-off of an Argentine greenfield exploration project.

Other expenses for the nine months ended September 30, 2019 were \$1.5 million compared to \$1.0 million for the comparable period in 2018. Other expenses in 2019 were comprised of the non-cash impairment charge and write-off of an exploration project, as described above, compared to other non-cash write-offs relating to the San Jose operations in 2018.

Income Tax Expense

Income tax expense for the three months ended September 30, 2019 was \$6.2 million or \$0.3 million higher than the \$5.9 million reported in the comparable quarter in 2018. Current income tax expense was \$5.9 million, which decreased \$0.1 million from the \$6.0 million reported in 2018. The decrease was due primarily to lower mine operating profits and higher withholding tax expense.

Deferred income tax recovery increased \$0.3 million to \$0.3 million compared to a \$Nil reported in the same quarter in 2018.

The effective tax rate ("ETR") was a negative 407.8% for the third quarter of 2019 as compared to 46.5% for the same quarter in 2018. The negative ETR arose due to pre-tax loss of \$1.5 million, which included an \$8.3 million foreign exchange loss on the devaluation of the Argentine Peso. Excluding the \$8.3 million loss and the impact the devaluation and inflation adjustments have on the Argentine tax attributes, the ETR would have been 76.5%, of which 23 percentage points relate to the impact of foreign exchange in Mexico, Peru and Canada and 6 percentage points relate to withholding tax.

Income tax expense for the nine months ended September 30, 2019 was \$19.1 million, which was \$9.3 million lower than the \$28.4 million in the comparable period in 2018. Current income tax expense was \$24.4 million, which decreased \$3.5 million from the \$27.9 million reported in 2018 reflecting lower mine operating profits, higher interest and other withholding taxes.

Deferred income tax recovery for the nine months ended September 30, 2019 increased \$5.8 million to \$5.3 million, compared to a \$0.5 million deferred income tax expense in the comparable period in 2018. The increase was due primarily to the net impact of a weak Argentine currency and high inflation on the tax base of Mansfield's Argentine assets and to a lesser extent foreign exchange loss on local currency denominated assets in Mexico, Peru and Canada.

The ETR for the nine months ended September 30, 2019 was 79.9% compared to 47.2% reported in the comparable period in 2018. The high ETR was largely attributed to the impact of the devaluation of the Argentine Peso on Mansfield's Argentine assets and a provision for dividend withholding taxes. Excluding the impact of these two items, the ETR would have been 51.7%, which is more in line with expectations.

Results of Operations

San Jose Mine Operating Results

The San Jose Mine is an underground silver-gold mine located in the state of Oaxaca in southern Mexico. The following table shows the key metrics used to measure the operating performance of the mine: throughput, head grade, recovery, gold and silver production and unit costs:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Mine Production				
Tonnes milled	267,998	262,710	795,656	784,297
Average tonnes milled per day	3,046	2,985	3,025	2,994
Silver				
Grade (g/t)	219	258	253	270
Recovery (%)	91	91	91	92
Production (oz)	1,709,125	1,991,211	5,865,843	6,261,137
Metal sold (oz)	1,706,678	1,904,179	5,880,888	6,103,319
Realized price (\$/oz)	17.33	14.82	15.81	16.08
Gold				
Grade (g/t)	1.40	1.61	1.60	1.80
Recovery (%)	91	91	90	92
Production (oz)	10,942	12,387	36,886	41,692
Metal sold (oz)	10,886	12,098	36,861	40,943
Realized price (\$/oz)	1,487	1,211	1,365	1,285
Unit Costs				
Production cash cost (\$/t) ²	70.53	63.28	69.40	62.99
Production cash cost (\$/oz Ag Eq) ^{1,2}	7.67	6.10	6.71	5.69
Net smelter return (\$/t)	161.83	157.31	168.67	183.79
All-in sustaining cash cost (\$/oz Ag Eq) ^{1,2}	10.77	9.13	9.6	8.78
Capital expenditures (\$000's)				
Sustaining	2,026	2,103	6,232	6,554
Brownfields	776	1,773	3,428	5,586

Notes:

¹: Production cash cost silver equivalent and all-in sustaining cash cost ("AISC") silver equivalent are calculated using realized metal prices for each period respectively.

- ² Production cash cost, Production cash cost silver equivalent and AISC silver equivalent are Non-GAAP Financial Measures. Refer to Non-GAAP Financial Measures.

Quarterly Results

The San Jose Mine produced 1,709,125 ounces of silver and 10,942 ounces of gold in the third quarter of 2019, which were 14% and 12%, respectively, below the comparable quarter in 2018. The lower production was due primarily to scheduled mine production at lower grade stopes, which was in line with the mine's production schedule for the quarter. The Company expects the annual silver and gold production to be in accordance with the mine plan in the fourth quarter and annual production will be within the 2019 annual production guidance.

Cash cost per tonne of processed ore for the third quarter increased 11% to \$70.53 per tonne (refer to Non-GAAP Financial Measures) compared to \$63.28 per tonne for the comparable quarter in 2018. The increased cash cost was due to higher contractor costs and mine support costs, and partially offset by lower dry-stack tailings operating and energy costs. The cash cost was slightly above the annual cost guidance. The fourth quarter and annual cash cost are expected to be within the annual cash cost guidance range.

Caylloma Mine Operating Results

Caylloma is an underground silver, lead and zinc mine located in the Arequipa Department in southern Peru. Its commercial products are silver-lead and zinc concentrates. The table below shows the key metrics used to measure the operating performance of the mine: throughput, head grade, recovery, silver, lead and zinc production and unit costs:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Mine Production				
Tonnes milled	134,338	135,996	398,037	399,739
Average tonnes milled per day	1,493	1,511	1,496	1,503
Silver				
Grade (g/t)	64	65	65	64
Recovery (%)	82	85	83	85
Production (oz)	228,168	239,253	692,005	692,101
Metal sold (oz)	224,504	250,255	695,836	696,765
Realized price (\$/oz)	17.12	15.01	15.84	16.07
Lead				
Grade (%)	2.68	2.74	2.67	2.70
Recovery (%)	90	92	91	91
Production (000's lbs)	7,157	7,576	21,305	21,802
Metal sold (000's lbs)	7,069	7,822	21,410	21,972
Realized price (\$/lb)	0.92	0.96	0.90	1.06
Zinc				
Grade (%)	4.35	4.24	4.31	4.27
Recovery (%)	89	90	90	90
Production (000's lbs)	11,518	11,483	33,986	33,947
Metal sold (000's lbs)	11,615	11,647	33,807	34,154
Realized price (\$/lb)	1.06	1.15	1.18	1.37
Unit Costs				
Production cash cost (\$/t) ²	93.03	88.52	86.25	81.43
Production cash cost (\$/oz Ag Eq) ^{1,2}	12.78	8.49	10.69	7.37
Net smelter return (\$/t)	132.06	151.72	137.71	173.73
All-in sustaining cash cost (\$/oz Ag Eq) ^{1,2}	15.78	12.29	13.97	10.79
Capital expenditures (\$000's)				
Sustaining	1,926	3,321	7,953	8,063
Non-sustaining	298	–	446	–
Brownfields	181	673	486	1,468

Notes:

1. Production cash cost silver equivalent and all-in sustaining ("AISC") cash cost silver equivalent are calculated using realized metal prices for each period respectively.
2. Production cash cost, Production cash cost silver equivalent and AISC silver equivalent are Non-GAAP Financial Measures. Refer to Non-GAAP Financial Measures.

Quarterly Results

The Caylloma Mine produced 7.2 million pounds of lead and 11.5 million pounds of zinc in the third quarter of 2019, which were 6% lower and in line with the production for the comparable quarter in 2018. The lower volume of lead production was due primarily to a combination of marginally lower ore production and a 2% lower lead head grade and recovery. Zinc production was in line with production for the same quarter in 2018. Silver production totaled 228,168 ounces or 5% lower than the production for the comparable quarter in 2018.

Cash cost per tonne of processed ore was \$93.03 (refer to Non-GAAP Financial Measures), which was 5% higher than the \$88.52 cash cost per tonne for the comparable quarter in 2018 and 5% higher than the high end of our annual guidance range. The higher cash cost was due primarily to higher indirect costs related mainly to on-site camp maintenance and personnel transportation, higher mine support costs, timing of maintenance of the processing plant, and higher zinc concentrate transportation costs as a result of road blockades unrelated to Caylloma's operations that took place during the quarter. Cash cost for the fourth quarter is expected to be at the high end of the annual guidance range while annual cash cost is expected to be within guidance.

Quarterly Information

The following table provides information for the last eight fiscal quarters up to September 30, 2019:

	Expressed in \$000's, except per share data							
	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Sales	61,305	67,908	58,991	59,592	59,596	73,666	70,442	75,354
Mine operating income	16,671	22,978	21,487	17,345	16,497	31,392	31,337	35,222
Operating (loss) income	(1,459)	15,711	10,913	6,251	10,535	22,372	22,428	57,666
Net (loss) income	(7,710)	10,279	2,243	2,232	6,853	11,151	13,754	34,137
Basic EPS	(0.05)	0.07	0.01	0.01	0.04	0.07	0.09	0.21
Diluted EPS	(0.05)	0.07	0.01	0.01	0.04	0.07	0.09	0.21
Total assets	871,483	823,310	796,718	786,517	738,305	721,147	707,504	706,648
Credit facility	109,394	69,363	69,338	69,302	39,639	39,603	39,588	39,871

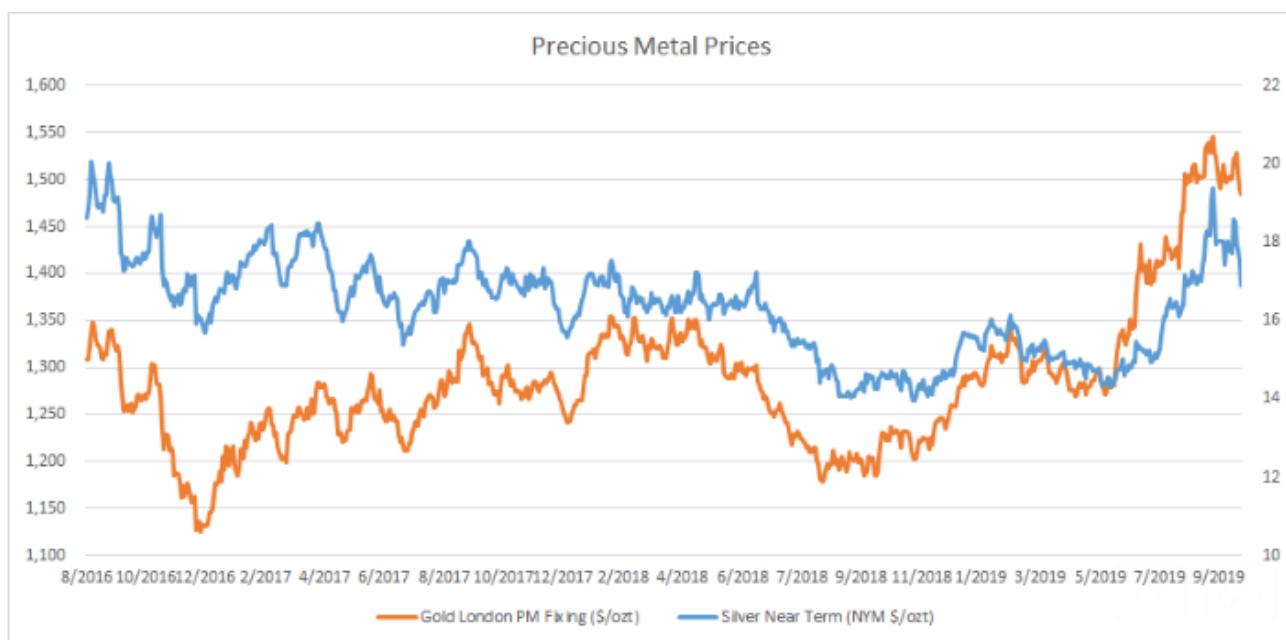
Sales decreased 10% in the third quarter to \$61.3 million compared to \$67.9 million in the second quarter of 2019 due primarily to lower volume of silver and gold sold from the San Jose Mine primarily as a result of scheduled mining at lower grade stopes which is in line with the mine's production schedule. Silver and gold production are expected to be in accordance with the mine plan in the fourth quarter and the annual production is expected to be within the 2019 annual production guidance. The lower sales and an \$8.3 million foreign exchange loss as a result of the devaluation of the Argentine Peso due to the political and economic environment in Argentina were the primary reasons for the \$1.5 million operating loss and \$7.7 million net loss.

In the second quarter of 2019, sales increased \$8.9 million or 15% quarter-over-quarter to \$67.9 million for the second quarter of 2019 due to higher silver and gold sales volume from the San Jose Mine over the previous quarter. Sales from the Caylloma Mine decreased \$2.6 million or 13% quarter-over-quarter due to lower sales volume and a 21% and 11% decrease in the prices for lead and zinc, respectively. Cost of sales increased 20% over the first quarter of 2019 due to higher mining, milling, and labour costs. Foreign exchange swung to a \$0.2 million gain from a \$3.7 million loss in the first quarter as the Argentine Peso strengthened 2.1% against the U.S. dollar in the quarter and contributed \$0.7 million towards the foreign exchange gain.

In the first quarter of 2019, sales decreased \$0.6 million or 1% over the fourth quarter in 2018. Lower sales in the first quarter of 2019 were impacted by a \$3.7 million buildup in silver-gold concentrates inventory shipped in the second

quarter of 2019. Depreciation and depletion were \$2.0 million lower due to lower sales volume. Income tax expense increased 49% quarter-over-quarter to \$7.3 million compared to \$4.9 million from the previous quarter. The increase in income tax expense was due primarily to the impact of a 15% decline in the Argentine Peso and partially offset by a highly inflationary environment in Argentina, which had a positive impact to the tax base of Mansfield's assets. Other factors contributing to an 18% increase in the ETR include deferred tax assets not recognized, non-deductible expenses, and mining taxes.

Precious Metal Prices Trends



For the nine months ended September 30, 2019 the sale of silver and gold ounces made up 77% of the Company's sales revenue while lead and zinc make up the remaining 23% of sales revenue. Therefore, the prices of silver and gold, and to a lesser extent, prices of lead and zinc are the most dominant factors in determining the Company's profitability and cash flow from operations. The financial performance of the Company is expected to continue to be closely linked to the prices of silver and gold.

The silver price began the 2019 year at \$15.47 per ounce and trended to a low of \$14.38 per ounce in late May before closing at \$15.22 per ounce at the end of the second quarter. During the third quarter the silver price trended to a high of \$19.31 per ounce before retreating to \$17.26 per ounce at the end of the quarter. Comparatively, the Company had an average realized price of silver of \$17.31 per ounce and \$15.82 per ounce, respectively, for the three and nine months ended September 30, 2019.

The gold price began the 2019 year at \$1,274 per ounce and rose to a first quarter high of \$1,344 per ounce before ending the first quarter at \$1,295 per ounce. Gold traded in a narrow range during the first half of the year before the start of an uptrend, closing at \$1,409 per ounce at the end of the second quarter. During the third quarter, the gold price trended to a high of \$1,546 per ounce in mid-August before retreating to \$1,485 per ounce at the end of the quarter. Comparatively, the Company had an average realized price of gold of \$1,487 and \$1,365 per ounce, respectively, for the three and nine months ended September 30, 2019.

Liquidity and Capital Resources

Cash, Cash Equivalents and Short-Term Investments

The Company had cash and cash equivalents of \$72.2 million at September 30, 2019, which represents a \$91.1 million decrease from \$163.3 million of cash, cash equivalents and short-term investments at December 31, 2018 and is comprised of \$27.5 million of cash and \$44.7 million of cash equivalents. The decrease in cash, cash equivalents and short-term investments was due primarily to \$140.0 million in construction expenditures at Lindero, including VAT payments and contractors' advances, \$6.1 million in lease payments and \$30.5 million on non-construction related expenditures at Lindero, and other capital expenditures at San Jose and Caylloma. These expenditures were partially funded from \$45.3 million in cash generated from operations and \$40.0 million drawn under the Company's credit facility.

The Company's investment objectives for its cash balances, in order of priority, are to preserve capital, to ensure liquidity and to maximize returns. The Company's strategy to achieve these objectives is to invest its excess cash balance in a portfolio of primarily fixed income instruments with specified credit rating targets established by the Board of Directors of the Company. The Company does not own any asset-based commercial paper or other similar at-risk investments in its investment portfolios.

Working Capital

Working capital decreased \$111.5 million to \$46.1 million at September 30, 2019 compared to \$157.6 million at December 31, 2018. The decrease in working capital was due to funding construction at the Lindero Project and other capital expenditures at the San Jose and Caylloma mines.

Capital Resources

As at September 30, 2019, the Company had fully drawn \$40.0 million from its non-revolving credit facility and \$70.0 million from its \$110.0 million revolving credit facility. The purpose of the non-revolving and revolving credit facility is to fund the construction at the Lindero Project. The interest rate on the revolving credit facility is on a sliding scale at one-month LIBOR plus an applicable margin ranging from 2.5% to 3.5%, based on a defined Total Debt to EBITDA Ratio and is secured by a first ranking lien on the assets of the San Jose and Caylloma mines as well as their holding companies.

Liquidity and capital measures (expressed in \$ millions)	September 30, 2019	December 31, 2018	Change
Cash and cash equivalents ("Cash")	\$ 72.2	\$ 90.5	\$ (18.3)
Short-term investments ("STI")	-	72.8	(72.8)
Total Cash and STI	72.2	163.3	(91.1)
Credit facility	150.0	150.0	-
Amount drawn on credit facility	(110.0)	(70.0)	(40.0)
Net liquidity position	\$ 112.2	\$ 243.3	\$ (131.1)

Note: The above table does not include the October 2 2019 closing of the \$40.0 million senior subordinated, unsecured convertible debentures and the October 8, 2019 exercise of the \$6.0 million over-allotment option as described below.

On October 2, 2019, the Company completed a bought deal public offering (the "Offering") of senior subordinated unsecured convertible debentures with an aggregate principal amount of \$40.0 million. The Offering was subject to an over-allotment option which was exercised in full on October 8, 2019, pursuant to which an additional \$6.0 million aggregate principal amount of debentures were issued, bringing the aggregate gross proceeds to the Company under the Offering to \$46.0 million. The debentures issued under the Offering including those issued upon exercise of the Over-Allotment Option are collectively referred as the "Debentures".

The Debentures mature on October 31, 2024 and bear interest at a rate of 4.65% per annum, payable semi-annually in arrears on the last business day of April and October, commencing on April 30, 2020. The Debentures are convertible at the holder's option into common shares in the capital of the Company at a conversion price of \$5.00 per share, representing a conversion rate of 200 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain circumstances.

Subject to certain exceptions in connection with a change of control of the Company, the Debentures will not be redeemable by the Company prior to October 31, 2022. On or after October 31, 2022 and prior to October 31, 2023, the Debentures may be redeemed in whole or in part from time to time at the Company's option at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the NYSE for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is at least 125% of the Conversion Price. On and after October 31, 2023, the Debentures may be redeemed in whole or in part from time to time at the Company's option at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the Common Shares.

Subject to applicable securities laws and regulatory approval and provided that no event of default has occurred and is continuing, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures and accrued and unpaid interest on the redemption date and the maturity date, in whole or in part, through the issuance of Common Shares, by issuing and delivering that number of Common Shares, obtained by dividing the principal amount of the Debentures and all accrued and unpaid interest thereon by 95% of the current market price (as defined in the Debenture Indenture) on such redemption date or maturity date, as applicable.

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available when needed by the Company or its direct and indirect subsidiaries on acceptable terms, or at all, to further explore or develop its properties or to fulfill its obligations under any applicable agreements. Fortuna is a multinational company and relies on financial institutions worldwide to fund corporate and project needs. Instability of large financial institutions may impact the ability of the Company to obtain equity or debt financings in the future and, if obtained, on terms that may not be favorable to the Company. Disruptions in the capital and credit markets as a result of uncertainty, geo-political events, changing or increased regulations of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Company's access to the liquidity needed for the business in the longer term.

The Company may incur substantial debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes. If the Company does so, the risks related to the Company's indebtedness could intensify, including: (i) increased difficulty in satisfying existing debt obligations (ii) limitations on the ability to obtain additional financings, or imposed requirements to make non-strategic divestures (iii) impose hedging requirements (iv) imposed restrictions on the Company's cash flows, for debt repayments or capital expenditures (v) increased vulnerability to general adverse economic and industry conditions (vi) interest rate risk exposure as borrowings may be at variable rates of interest (vii) decreased flexibility in planning for and reacting to changes in the mining industry (viii) reduced competitiveness versus less leveraged competitors, and (ix) increased cost of borrowings.

Subject to the various risks and uncertainties, as explained in the Risks and Uncertainties section, management believes the Company's mining operations will generate sufficient cash flows and the Company has sufficient available credit lines and cash on hand to fund the construction at the Lindero Project and planned capital and exploration programs.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements or commitments that are expected to have a current or future effect on the financial condition, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Financial Instruments

The Company does not utilize complex financial instruments in hedging metal price, foreign exchange or interest exposure. Any hedging activity requires approval of the Company's Board of Directors. The Company will not hold or issue derivative instruments for speculation or trading purposes.

Provisional priced trade receivables of \$22.8 million and an interest rate swap liability of \$1.1 million, are the Company's only level 2 fair valued financial instruments and no level 3 instruments are held.

Provisionally priced trade receivables are valued using forward London Metal Exchange prices until final prices are settled at a future date. The interest rate swap is measured at estimated fair value.

Related Party Transactions

The Company has entered into the following related party transactions during the three and nine months ended September 30, 2019 and 2018:

(a) Purchase of Goods and Services

During the three and nine months ended September 30, 2019 and 2018, the Company was charged for general and administrative services pursuant to a shared services agreement with Gold Group Management Inc., a company of which Simon Ridgway, the Company's Chairman, is a director.

(Expressed in \$000's)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Personnel costs	\$ 6	\$ 23	\$ 11	\$ 116
General and administrative expenses	33	9	146	168
	\$ 39	\$ 32	\$ 157	\$ 284

As at September 30, 2019, the Company has outstanding balances payable with Gold Group Management Inc. of \$0.01 million (December 31, 2018 - \$0.02 million). Amounts due to related parties are due on demand and are unsecured.

(b) Key Management Personnel

During the three and nine months ended September 30, 2019 and 2018, the Company was charged for consulting services by Mario Szotlender, a director of the Company, and by Mill Street Services Ltd., a company of which Simon Ridgway, the Company's Chairman, is a director.

(Expressed in \$000's)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries and benefits	\$ 1,347	\$ 1,215	\$ 4,433	\$ 3,152
Directors fees	164	161	526	530
Consulting fees	45	35	101	105
Share-based payments	1,621	(250)	3,099	3,328
	\$ 3,177	\$ 1,161	\$ 8,159	\$ 7,115

Risks and Uncertainties

The Company is exposed to many risks in conducting its business, including but not limited to metal price risk as the Company derives its revenue from the sale of silver, gold, lead and zinc; credit risk in the normal course of business; foreign exchange risk as the Company reports its financial statements in U.S. dollars whereas the Company operates in jurisdictions that conducts its business in other currencies; the inherent risks of uncertainties in estimating mineral reserves and mineral resources; the risks and uncertainties in estimating Mineral Resources and Mineral Reserves; the inherent risks in mining operations; the risk in relation to the Lindero construction; political risks, environmental risks; and risks related to its relations with employees. These and other risks are described below and in the Company's audited consolidated financial statements for 2018, its Annual Information Form which is available on SEDAR at www.sedar.com, and its Form 40-F filed with the SEC. Readers are encouraged to refer to these documents for a more detailed description of some of the risks and uncertainties inherent to the Company's business.

Foreign Jurisdiction Risk

The Company currently conducts its operations in Peru, Mexico and Argentina. All these jurisdictions are potentially subject to a number of political and economic risks, including those described in the following section. The Company is unable to determine the impact of these risks or its future financial position or results of operations and the Company's exploration, development and production activities may be substantially affected by factors outside of the Company's control. These potential factors include but are not limited to royalty and tax increases or claims by governmental bodies, expropriation or nationalization, lack of an independent judiciary, foreign exchange controls, import and export regulations, cancellation or renegotiation of contracts and environmental and permitting regulations. The Company has no political risk insurance coverage against these risks.

All of the Company's current production and revenue is derived from its operations in Peru and Mexico. As the Company's business is carried on in a number of developing countries, it is exposed to a number of risks and uncertainties, including the following: expropriation or nationalization without adequate compensation especially in Argentina which has a history of expropriation where the Company is currently in the process of construction at the Lindero Project; changing political and fiscal regimes, and economic and regulatory instability; unanticipated changes to royalty and tax regulations; unreliable and undeveloped infrastructure, labor unrest and labor scarcity; difficulty procuring key equipment and components for equipment; import and export regulation and restrictions; high rates of inflation; extreme fluctuations in foreign exchange rates and the imposition of currency controls; inability to obtain fair dispute resolution or judicial determination because of bias, corruption or abuse of power; difficulties enforcing judgments; difficulties understanding and complying with regulatory and legal framework with respect to ownership and maintenance of mineral properties, mines and mining operations, local opposition to mine development projects, which include the potential for violence, property damage and frivolous or vexatious claims; terrorism and hostage taking; military repression and increased likelihood of international conflicts or aggression; increased public health concerns. Certain of these risks and uncertainties are prevalent in the jurisdictions where the Company operates.

Estimating Mineral Resources and Mineral Reserves

There is a degree of uncertainty attributable to the estimation of Mineral Resources, Mineral Reserves and expected mineral grades. Until mineral deposits are actually mined and processed, Mineral Resources, Mineral Reserves must be considered as estimates only. Any such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices.

Mineral Resources and Mineral Reserves may require revision based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs and reduced recovery rates, may render certain Mineral Reserves uneconomic and may ultimately result in a restatement of Mineral Resources and/or Mineral Reserves. Short-term operating factors relating to the Mineral Resources and Mineral Reserves, such as the need for

sequential development of ore bodies, may adversely affect the Company's profitability in any accounting period. Estimates of operating costs are based on assumptions including those relating to inflation and currency exchange, which may prove incorrect. Estimates of mineralization can be imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. In addition, the grade and/or quantity of precious metals ultimately recovered may differ from that indicated by drilling results. There can be no assurance that precious metals recovered in small scale tests will be duplicated in large scale tests under onsite conditions or in production scale. Amendments to mine plans and production profiles may be required as the amount of Mineral Resources changes or upon receipt of further information during the implementation phase of the project. Extended declines in market prices for gold, silver and other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reduction in estimates of mineralization, or in the Company's ability to develop its properties and extract and sell such minerals, could have a material adverse effect on the Company's results of operations or financial condition.

Mining Operations

The capital costs required by the Company's projects may be significantly higher than anticipated. Capital and operating costs, production and economic returns, and other estimates contained in the Company's current technical reports, may differ significantly from those provided for in future studies and estimates and from management guidance, and there can be no assurance that the Company's actual capital and operating costs will not be higher than currently anticipated. In addition, delays to construction and exploration schedules may negatively impact the net present value and internal rates of return of the Company's mineral properties as set forth in the applicable technical report. Similarly, there can be no assurance that historical rates of production, grades of ore processed, rates of recoveries or mining cash costs will not experience fluctuations or differ significantly from current levels over the course of the mining operations conducted by the Company. In addition, there can be no assurance that the Company will be able to continue to extend the production from its current operations through exploration and drilling programs.

Uncertainties and risks related to the Construction of the Lindero Project

The Company is subject to inherent uncertainties and risks related to the construction and start-up of the Lindero Project, the principal of which include: hiring of key personnel for the construction and commissioning; availability and delivery of critical equipment within the timeline; delays associated with contractors; budget overruns due to changes in costs of fuel, power, materials and supplies, inflation and exchange rate risks and potential opposition from non-governmental organizations, environmental groups or local groups which may delay or prevent activities.

The Company's ability to meet construction, development, and production schedules and cost estimates for the Lindero Project cannot be assured. The Company has prepared estimates of capital costs and/or operating costs for the Lindero Project, but no assurance can be given that such estimates will be achieved. Delays in the commencement of commercial production, failure to achieve cost estimates or material increases in costs due to increases in foreign exchange rates; continuation of capital controls imposed in Argentina; imposition of exchange control restrictions; and delays in obtaining the value added tax refunds, could have an adverse impact in future cash flows, profitability, results of operations and financial condition of the Company.

Environmental Uncertainties

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. The Company's operations generate chemical and metals depositions in the form of tailings. The Company's ability to obtain, maintain and renew permits and approvals and to successfully develop and operate mines may be adversely affected by real or perceived impacts associated with the Company's activities or of

other mining companies that affect the environment, human health and safety. Environmental hazards may exist on the Company's properties which are unknown to the Company at present and were caused by previous or existing owners or operators of the properties, for which the Company could be held liable.

Environmental legislation is evolving in a manner requiring stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities, causing operations to cease or be curtailed. Such enforcement actions may include the imposition of corrective measures requiring capital expenditure, installation of new equipment or remedial action. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Metal Price Risk

The Company derives its revenue from the sale of silver, gold, lead and zinc. The Company's sales are directly dependent on metal prices, and metal prices have historically shown significant volatility that is beyond the Company's control.

The following table illustrates the sensitivity to a 10% change in metal prices on the Company's outstanding trade receivables as at September 30, 2019:

Metal (Expressed in \$ millions)	Change	Effect on Sales
Silver	+/- 10%	\$ 2.4
Gold	+/- 10%	\$ 1.6
Lead	+/- 10%	\$ 0.2
Zinc	+/- 10%	\$ 0.2

The Company mitigates the price risk associated with its base metal production by entering into forward sale and collar contracts for some of its forecasted base metal production. The Board of Directors continually assesses the Company's strategy towards its base metal exposure, depending on market conditions. As at September 30, 2019, the Company had no outstanding forward sales and zero cost collars contracts.

Currency Risk

The functional and reporting currency for all entities within the consolidated group is the US dollar. We are exposed to fluctuations in foreign exchange rates as a portion of our expenses are incurred in Canadian dollars, Peruvian soles, Argentinean pesos and Mexican pesos. A significant change in the foreign exchange rates between the United States dollar relative to the other currencies could have a material effect on the Company's profit or loss, financial position, or cash flows. We have not hedged our exposure to foreign currency fluctuations.

The following table illustrates the sensitivity to a 10% change in foreign currency exchange rates on the Company's foreign currency exposure as at September 30, 2019:

Currency (Expressed in \$ millions)	Change	Effect on foreign denominated items	
Mexican Peso	+/- 10%	\$	1.4
Peruvian Soles	+/- 10%	\$	0.3
Argentinian Peso	+/- 10%	\$	2.0
Canadian Dollar	+/- 10%	\$	0.2

On September 1, 2019, the Argentine Executive Branch issued a decree (the "**Decree**"), effective until December 31, 2019, to allow the Argentine Central Bank to regulate funds coming into and flowing out of Argentina in order to maintain stability and support the economic recovery of the country. The capital controls introduced by the decree have the effect of: requiring exporters to convert the equivalent value of foreign currency received from the export into Argentine Pesos; requiring the prior consent of the Argentine Central Bank to the payment of cash dividends and distributions of currency out of Argentina; requiring Argentine companies to convert foreign currency loans received from abroad into Argentine Pesos; and restricting the sale of Argentine Pesos for foreign currency.

Due to the volatility of the exchange rate for Argentine Pesos, the Company is applying additional measures in cash management to minimize potential gains or losses arising from the conversion of funds. There can be no assurance that these capital controls will not be extended past December 31, 2019. Should the capital controls continue to be in effect at the time the Company commences production at the Lindero Project, the Company will be required to convert the equivalent value into Argentine Pesos of the export of all gold doré from the Lindero Project. In addition, the Company would be required to obtain the prior consent of the Argentine Central Bank to the payment of cash dividends and distributions of profits out of Argentina.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they become due. The volatility of the metals market can impact the Company's ability to forecast cash flow from operations.

The Company maintains sufficient liquidity to meet its short-term business requirements, taking into account anticipated cashflows from operations, holdings of cash, cash equivalents and short-term investments and committed loan facilities.

The Company manages its liquidity risk by continuously monitoring forecasted and actual cashflows. A rigorous reporting, planning and budgeting process are in place to help facilitate forecasting funding requirements, to support operations on an ongoing basis and expansion plans, if any.

The Company expects the following maturities of its financial liabilities, lease obligations, and other contractual commitments, excluding payments relating to interest:

(Expressed in \$ millions)	Expected payments due by year as at September 30, 2019					Total
	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years		
Trade and other payables	\$ 62.2	\$ -	\$ -	\$ -	\$ 62.2	
Credit facility	-	110.0	-	-	110.0	
Income taxes payable	7.2	-	-	-	7.2	
Lease obligations	23.0	16.9	-	-	39.9	
Other liabilities	-	0.9	-	-	0.9	
Capital commitments, Lindero ¹	33.5	-	-	-	33.5	
Closure and reclamation provisions	2.7	7.3	1.6	21.1	32.7	
	\$ 128.6	\$ 135.1	\$ 1.6	\$ 21.1	\$ 286.4	

Note:

¹ Net of \$43,570 of deposits on equipment and advances to contractors

Capital Risk

The Company's objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing the growth of its business and providing returns to its shareholders. The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company's assets. The Company's capital requirement is effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

The Company's capital structure consists of equity comprising of share capital, reserves and retained earnings as well as debt facilities, lease obligations less cash, cash equivalents and short-term investments.

(Expressed in \$ millions)	September 30, 2019	December 31, 2018
Equity	\$ 610.3	\$ 602.8
Credit facilities	109.4	69.3
Lease obligations	25.4	8.8
Less: Cash, cash equivalents and short-term investments	(72.2)	(163.3)
	\$ 672.9	\$ 517.5

Figures may not add due to rounding

The Company is not subject to externally imposed capital requirements with the exception of complying with covenants under the credit facility. As at September 30, 2019 and December 31, 2018, the Company was in compliance with the covenants.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently, our interest rate exposure mainly relates to interest earned on our cash, cash equivalent, and short-term investment balances, and the mark-to-market value of derivative instruments which depend on interest rates. We have entered into an interest rate swap for the \$40.0 million non-revolving credit facility to mitigate the interest rate risk on our bank loan.

Key Personnel

The Company is dependent on a number of key management and employee personnel. The Company's ability to manage its exploration, development, construction and operating activities, and hence its success, will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and unskilled employees. The loss of the services of one or more key management personnel, as well as a prolonged labor disruption, could have a material adverse effect on the Company's ability to successfully manage and expand its affairs.

Claims and Legal Proceedings

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the normal course of business. The Company may be subject to claims by local communities, indigenous groups or private land owners relating to land and mineral rights and such claimants may seek sizable monetary damages or seek the return of surface or mineral rights that may be valuable to the Company which may significantly impact operations and profitability, if lost. These matters are subject to various uncertainties and it is possible that some of these matters may be resolved with an unfavorable outcome to the Company. The Company does carry liability insurance coverage, but such coverage does not cover all risks to which the Company may be exposed to.

[Adoption of New Accounting Standards](#)

[IFRS 16, Leases](#)

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. The comparative figures for the 2018 reporting period have not been restated and are accounted for under IAS 17, Leases, and IFRIC 4, Determining Whether an Arrangement Contains a Lease, as permitted under the specific transitional provisions in the standard.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right of use asset and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct cost from measuring the right of use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains an option to extend or terminate the lease.

At transition to IFRS 16, for leases classified as operating leases under IAS 17, the lease liabilities were measured at the present value of the remaining lease payments and discounted using each operation's applicable incremental borrowing rate as of January 1, 2019. As a result, the Company, as a lessee, has recognized \$7,316 within Lease Obligations representing its obligation to make lease payments. ROU assets of the same amount were recognized within Plant and Equipment, representing its right to use the underlying assets. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.32%.

The Company leases various equipment that had previously been classified as finance leases under IAS 17. For these finance leases, the carrying amount of the ROU asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The following table (expressed in \$000's) summarizes the difference between operating lease commitments disclosed immediately preceding the date of initial application and lease liabilities recognized on the balance sheet at the date of initial application:

Operating lease obligations as at December 31, 2018	\$ 2,553
Leases with lease term of 12 months or less and low value assets	(825)
Embedded leases identified in existing service contracts	6,162
Effect of discounting at incremental borrowing rate	(574)
Lease liabilities recognized as at January 1, 2019	7,316
Lease liabilities from finance leases previously recorded in lease obligations	8,767
Total lease liabilities as at January 1, 2019	16,083
Less current portion	(6,120)
Non-current portion	\$ 9,963

IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. At January 1, 2019, the Company adopted this standard and there was no impact on its interim financial statements.

Critical Accounting Estimates, Assumptions and Judgements

Many of the amounts included in the consolidated financial statements require management to make estimates, assumptions and judgements. These estimates, assumptions and judgements are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Areas where critical accounting estimates and assumptions have the most significant effect on the amounts recognized in the consolidated financial statements include:

Mineral Reserves and Resources and the Life of Mine Plan

We estimate our mineral reserves and mineral resources in accordance with the requirements of National Instrument 43-101 Standards of Disclosure for Mineral Projects published by the Canadian Securities Administrators. Estimates of the quantities of the mineral reserves and mineral resources form the basis for our life of mine plans, which are used for the calculation of depletion expense under the units of production method, impairment tests, and forecasting the timing of the payments related to the environmental rehabilitation provision.

Significant estimation is involved in determining the reserves and resources included within our life of mine plans. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may result in our life of mine plan being revised and such changes could impact depletion rates, asset carrying values and our environmental rehabilitation provision. As at December 31, 2018 we have used the following long-term prices for our mineral reserve and mineral resource estimations: Gold \$1,320/oz, Silver \$18.25/oz, Lead \$2,270/t and Zinc \$2,750/t.

In addition to the estimates above, estimation is involved in determining the percentage of mineral resources ultimately expected to be converted to mineral reserves and hence included in our life of mine plans. Our life of mine plans include a portion of inferred mineral resources as we believe this provides a better estimate of the expected life of mine for certain types of deposits, in particular for vein type structures. The percentage of inferred resources of the total tonnage included in the life of mine plans is based on site specific geological, technical, and economic considerations. Estimation of future conversion of resources is inherently uncertain and involves judgment and actual outcomes may vary from these judgments and estimates and such changes could have a material impact on the financial results. Some of the key judgments of the estimation process include geological continuity, stationarity in the

grades within defined domains, reasonable geotechnical and metallurgical conditions, treatment of outlier (extreme) values, cut-off grade determination and the establishment of geostatistical and search parameters. Revisions to these estimates are accounted for prospectively in the period in which the change in estimate arises. See note 3(g)(i) to the audited consolidated financial statements for 2018.

Valuation of Mineral Properties and Exploration Properties

The Company carries its mineral properties at cost less accumulated depletion and any accumulated provision for impairment. The costs of each property and related capitalized expenditures are depleted over the economic life of the property on a units-of-production basis. Costs are charged to the consolidated statement of income (loss) when a property is abandoned or when there is an impairment.

The Company undertakes a review of the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. Where previous impairment has been recorded the Company analyzes any impairment reversal indicators. An impairment loss is recognized when the carrying value of those assets is not recoverable. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sales volumes, metal prices, foreign exchange rates, mineral resource and reserve quantities, future operating and capital costs to the end of the mine's life, and reclamation costs. These estimates are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

The Company, from time to time, acquires exploration and development properties. When properties are acquired, the Company must determine the fair value attributable to each of the properties. When the Company conducts exploration on a mineral property and the results from the exploration do not support the carrying value, the property is written down to its new fair value which could have a material effect on the consolidated statement of financial position and the consolidated income statement.

Reclamation and Other Closure Provisions

The Company has obligations for reclamation and other closure activities related to its mining properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of the obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions.

Revenue Recognition

Revenue from the sale of concentrate to customer is recognized when the customer obtains control of the concentrate. A provisional invoice is issued to the customer based on the monthly average metal prices on the expected date of final settlement at which time the final sale prices will be fixed. Variations between the prices at initial recognition and final settlement may occur due to changes in the market metal prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs with changes in the fair value classified as revenue. For changes in metal quantities upon receipt of new information and assays, the provisional sale quantities are adjusted.

Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions.

A liability is recognized in the consolidated financial statements when the outcome of the legal proceedings is probable, and the estimated settlement amount can be estimated reliably. Contingent assets are not recognized in the consolidated financial statements until virtually certain.

The Mexican Geological Service (“SGM”) has advised the Company that in 1993 the previous owner of one of the Company’s mineral concessions located at the San Jose Mine in Oaxaca, Mexico granted SGM a royalty of 3% of the billing value of minerals obtained from the concession. The Company was unaware of the existence of the royalty since it does not appear on the electronic title register (although it is listed in the official record books of the concessions of the Mining Registry), it was not disclosed to the Company by the prior owner at the time of sale, nor was it noted in any of the multiple legal title opinions obtained by the Company at the time of and since it acquired the concession. The Company has engaged three independent Mexican law firms and has obtained legal opinions from all three firms which confirm that there was no legal basis for the creation of the royalty and that it was invalidly created. All opinions confirm that it is more likely than not that the Company’s position will succeed in the event of a dispute. The Company has advised the Mexican mining authorities that it is of the view that no royalty is payable and has taken administrative and legal proceedings to remove reference to the royalty on the title register. The proceedings are progressing in accordance with the procedures of the Mexican administrative court. In the event that the royalty is payable, the amount payable from the Company’s capital resources would not have a material adverse impact on the Company’s ongoing ability to operate.

The Company has been assessed \$1.3 million, including interest and penalties of \$0.7 million for the tax year 2010 by SUNAT, the Peruvian tax authority, with respect to the deduction of certain losses arising from derivative instruments. The Company applied to the Peruvian tax court to appeal the assessments. On January 22, 2019, the Peruvian tax court reaffirmed SUNAT’s position and denied the deduction. The Company believes the assessment is inconsistent with Peruvian tax law and that it is probable the Company will succeed on appeal through the Peruvian legal system. The Company has paid the disputed amount in full and has initiated proceedings through the Peruvian legal system to appeal the decision of the Peruvian tax court. The payment has been recorded in long-term receivables and other as at September 30, 2019, as the Company believes it is probable that the appeal will be successful.

Critical Accounting Judgements in Applying the Entity’s Accounting Policies

Judgements that have the most significant effect on the amounts recognized in the Company’s consolidated financial statements are as follows:

Income Taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (“temporary differences”) and losses carried forward. The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company.

Management is required to assess whether it is “probable” that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

Assessment of Impairment and Reversal of Impairment Indicators

Management applies significant judgment in assessing whether indicators of impairment or reversal of impairment exist for an asset or a group of assets which could result in a testing for impairment. Internal and external factors such as significant changes in the use of the asset, commodity prices, life of mines, tax laws or regulations in the countries that our mines operate in and interest rates are used by management in determining whether there are any indicators of impairment or reversal of previous impairments.

Functional Currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each operates. The Company has determined that its functional currency and that of its subsidiaries is the U.S. dollar. The determination of functional currency may require certain judgments to determine the primary economic environment. The Company reconsiders the functional currency used when there is a change in the events and conditions which determined the primary economic environment.

IFRS 16 Leases

Significant estimates, assumptions and judgments made by management on adoption of IFRS 16 Leases primarily included judgement about whether the lease conveys the right to use a specific asset, whether the Company obtains substantially all of the economic benefits from the use of the asset, whether the Company has the right to direct the use of the asset, evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets, and to determine the lease term where a contract includes renewal options. Significant estimates, assumptions and judgements over these factors would affect the present value of the lease liabilities, as well as the associated amount of the ROU asset.

Share Position and Outstanding Options and Equity Based Share Units

The Company has 160,291,553 common shares outstanding as at November 12, 2019. In addition, 4,225,391 incentive stock options and equity-settled restricted share units are currently outstanding as follows:

Type of Security	No. of Shares	Exercise Price (CAD\$)	Expiry Date
Incentive Stock Options:	517,833	\$ 4.79	March 18, 2020
	617,694	\$ 6.35	May 28, 2022
	640,951	\$ 6.20	March 18, 2023
	7,551	\$ 7.15	June 4, 2023
	<u>1,784,029</u>		
Equity-Settled Share Units:	195,375	n/a	May 29, 2020
	1,185,548	n/a	March 19, 2021
	3,916	n/a	June 5, 2021
	1,056,523	n/a	March 15, 2022
	<u>2,441,362</u>		
Total outstanding	<u><u>4,225,391</u></u>		

During the nine months ended September 30, 2019, the Company granted 422,609 (nine months ended September 30, 2018 – 1,002,166) equity settled performance share units which vest as follows: 20% on the first anniversary, 30% on the second anniversary and 50% on the third anniversary of the date of grant based on prescribed performance metrics. The share units granted in the current period are subject to a multiplier ranging from 50% to 200% depending on the achievement level of certain performance targets. The fair value of the share units on the grant date was \$3.62 (C\$4.83) (nine months ended September 30, 2018 –\$4.71 (C\$6.20).

During the nine months ended September 30, 2019 the Company granted 633,914 (2018 – 422,030) equity-settled restricted share units at a price of \$3.62 (C\$4.83) per share unit (2018 – between \$4.71 (C\$6.20) and \$5.54 (C\$7.15) per share unit.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated to management on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures in accordance with the requirements of National Instrument 52-109 of the Canadian Securities Administrators (“National Instrument 52-109”) and as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the U.S. Exchange Act).

Management’s Report on Internal Control over Financial Reporting

The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external reporting purposes in accordance with IFRS as issued by the International Accounting Standards Board. However, due to its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

Management assesses the effectiveness of the Company’s internal control over financial reporting using the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organization of the Treadway Commission.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the three and nine months ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Non-GAAP Financial Measures

This MD&A refers to various Non-GAAP Financial Measures, including cash cost per payable ounce of silver equivalent; cash cost per tonne of processed ore; total production cash cost per tonne; all-in sustaining cash cost; all-in sustaining cash cost per payable ounce of silver equivalent production; free cash flow and free cashflow excluding Lindero Project; adjusted net income; and adjusted EBITDA.

These measures are used by the Company to manage and evaluate operating performance and ability to generate cash flow and are widely reported in the mining industry as benchmarks for performance. The Company believes that certain investors use these Non-GAAP Financial Measures to evaluate the Company’s performance. However, the

measures do not have a standardized meaning and may differ from measures used by other companies with similar descriptions. Accordingly, Non-GAAP Financial Measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company has calculated these measures consistently for all periods presented.

To facilitate a better understanding of these measures as calculated by the Company, descriptions and reconciliations are provided here.

Cash Cost per Payable Ounce of Silver Equivalent Production and Cash Cost per Tonne of Processed Ore

Cash cost per payable ounce of silver equivalent production and cash cost per tonne of processed ore are key performance measures that management uses to monitor performance. Management believes that certain investors also use these Non-GAAP Financial Measures to evaluate the Company's performance. Cash cost is an industry-standard method of comparing certain costs on a per unit basis; however, they do not have a standardized meaning or method of calculation, even though the descriptions of such measures may be similar. These performance measures have no meaning under IFRS, and, therefore, amounts presented may not be comparable with similar data presented by other mining companies.

The following tables present a reconciliation of cash cost per tonne of processed ore and cash cost per payable ounce of silver equivalent production to the cost of sales in the consolidated financial statements for the three and nine months ended September 30, 2019 and 2018.

CONSOLIDATED MINE CASH COST SILVER EQUIVALENT (Expressed in \$'000's, except unit costs)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cost of sales	\$ 44,634	\$ 43,099	\$ 127,068	\$ 124,478
Change in concentrate inventory	16	748	526	873
Depletion and depreciation in concentrate inventory	5	(292)	(102)	(264)
Inventory adjustment	(70)	-	(70)	-
IFRS 16 embedded lease adjustment	614	-	1,783	-
Commercial and government royalties and mining taxes	(902)	(883)	(2,672)	(2,579)
Provision for community support	167	(1,396)	154	(1,396)
Workers participation	(1,370)	(1,274)	(4,090)	(5,385)
Depletion and depreciation	(11,694)	(11,338)	(33,048)	(33,773)
Cash cost	A \$ 31,400	\$ 28,664	\$ 89,549	\$ 81,954
Cash cost	A \$ 31,400	\$ 28,664	\$ 89,549	\$ 81,954
Treatment charges	2,392	-	7,785	-
Refining charges	1,108	1,093	3,737	3,484
Cash cost applicable per payable ounce	B 34,900	29,757	101,071	85,438
Payable ounces of silver equivalent production ¹	C 3,743,432	4,317,192	12,674,670	13,675,006
Cash cost per ounce of payable silver equivalent ² (\$/oz) =B/C\$	9.32	6.89	7.97	6.25

Notes:

1 Silver equivalent production for Q3 2019 is calculated using a silver to gold ratio of 86:1 (Q3 2018: 81.6:1), silver to lead of 1:18.6 pounds (Q3 2018: 1:16.7), and silver to zinc of 1:16.2 pounds (Q3 2018: 1:12.5), and YTD 2019: silver to gold ratio of 86:1 (YTD 2018: 86.53:1), silver to lead of 1:17.6 pounds (YTD 2018: 1:14.3), and silver to zinc of 1:13.4 pounds (YTD 2018: 1:11.1)

2 Silver equivalent is calculated using the realized prices for gold, silver, lead, and zinc. Refer to Financial Results - Sales - Sales and Realized Prices

SAN JOSE MINE CASH COST SILVER EQUIVALENT (Expressed in \$'000's, except unit costs)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cost of sales	\$ 29,270	\$ 25,782	\$ 84,132	\$ 79,061
Change in concentrate inventory	(107)	1,014	370	1,038
Depletion and depreciation in concentrate inventory	28	(364)	(94)	(364)
IFRS 16 embedded lease adjustment	15	-	62	-
Commercial and government royalties and mining taxes	(860)	(834)	(2,541)	(2,409)
Workers participation	(1,256)	(978)	(3,514)	(3,950)
Depletion and depreciation	(8,188)	(7,995)	(23,195)	(23,972)
Cash cost	A 18,902	16,625	55,220	49,404
Total processed ore (tonnes)	B 267,998	262,710	795,656	784,297
Cash cost per tonne of processed ore (\$/t)	=A/B \$ 70.53	\$ 63.28	\$ 69.40	\$ 62.99
Cash cost	A 18,902	16,625	55,220	49,404
Treatment charges	(433)	-	(448)	-
Refining charges	972	956	3,337	3,046
Cash cost applicable per payable ounce	B 19,441	17,581	58,109	52,450
Payable ounces of silver equivalent production ¹	C 2,534,249	2,883,115	8,655,903	9,213,046
Cash cost per ounce of payable silver equivalent ² (\$/oz)	=B/C \$ 7.67	\$ 6.10	\$ 6.71	\$ 5.69
Mining cost per tonne	\$ 37.21	\$ 30.32	\$ 36.22	\$ 30.09
Milling cost per tonne	17.20	19.03	17.37	19.21
Indirect cost per tonne	8.87	7.35	8.59	7.07
Community relations cost per tonne	1.30	1.07	1.51	1.22
Distribution cost per tonne	5.97	5.53	5.65	5.40
Total production cost per tonne	\$ 70.55	\$ 63.30	\$ 69.34	\$ 62.99

Notes:

1 Silver equivalent production for Q3 2019 is calculated using a silver to gold ratio of 85.8:1 (Q3 2018: 81.70:1) and for YTD 2019, silver to gold ratio of 86:1 (YTD 2018: 86.65:1)

2 Silver equivalent is calculated using the realized prices for gold, silver, lead, and zinc. Refer to Financial Results - Sales - Sales and Realized Prices

CAYLLOMA MINE CASH COST SILVER EQUIVALENT (Expressed in \$'000's, except unit costs)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cost of sales	\$ 15,364	\$ 17,317	\$ 42,936	\$ 45,417
Change in concentrate inventory	123	(266)	156	(165)
Depletion and depreciation in concentrate inventory	(23)	72	(8)	100
Inventory adjustment	(70)	-	(70)	-
IFRS 16 embedded lease adjustment	599	-	1,721	-
Commercial and government royalties and mining taxes	(42)	(49)	(131)	(170)
Provision for community support	167	(1,396)	154	(1,396)
Workers participation	(114)	(296)	(576)	(1,435)
Depletion and depreciation	(3,506)	(3,343)	(9,853)	(9,801)
Cash cost	A	12,498	12,039	34,329
Total processed ore (tonnes)	B	134,338	135,996	398,037
Cash cost per tonne of processed ore (\$/t)	=A/B	\$ 93.03	\$ 88.52	\$ 86.25
Cash cost	A	\$ 12,498	\$ 12,039	\$ 34,329
Treatment charges		2,825	-	8,233
Refining charges		136	137	400
Cash cost applicable per payable ounce	B	15,459	12,176	42,962
Payable ounces of silver equivalent production ¹	C	1,209,183	1,434,076	4,018,767
Cash cost per ounce of payable silver equivalent ² (\$/oz)	=B/C	\$ 12.78	\$ 8.49	\$ 10.69
Mining cost per tonne		\$ 42.60	\$ 41.82	\$ 41.14
Milling cost per tonne		14.97	15.17	14.18
Indirect cost per tonne		26.52	22.06	23.07
Community relations cost per tonne		1.73	1.44	0.83
Distribution cost per tonne		7.22	8.04	7.03
Total production cost per tonne		\$ 93.04	\$ 88.53	\$ 86.25

Notes:

1 Silver equivalent production for Q3 2019 is calculated using a silver to gold ratio of 87.3:1, silver to lead of 1:18.6 pounds (Q3 2018: 1:16.7), and silver to zinc of 1:16.2 pounds (Q3 2018: 1:12.5), and YTD 2019: silver to gold ratio of 87.2:1, silver to lead of 1:17.6 pounds (YTD 2018: 1:14.3), and silver to zinc of 1:13.4 pounds (YTD 2018: 1:11.1)

2 Silver equivalent is calculated using the realized prices for gold, silver, lead, and zinc. Refer to Financial Results - Sales - Sales and Realized Prices

All-in Sustaining Cash Cost and All-in Cash Cost per Payable Ounce of Silver Equivalent Production

The Company believes that “all-in-sustaining cash cost silver equivalent” and “all-in cash cost silver equivalent” meet the needs of management, analysts, investors, and other stakeholders of the Company in understanding the costs associated with producing silver, the economics of silver mining, the Company’s operating performance and the Company’s ability to generate cash flow from current operations, and on an overall company basis.

The Company, in conjunction with an initiative undertaken within the gold mining industry, has adopted an all-in-sustaining cost performance measure; however, this performance measure has no standardized meaning. The Company conforms its all-in-sustaining cost definition to that set out in the guidance issued by the WGC.

All-in-sustaining cash cost silver equivalent and all-in cash cost silver equivalent are intended to provide additional information only and do not have standardized definitions under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Although the WGC has published a standardized definition, companies may calculate these measures differently.

All-in sustaining cash cost includes total production cash costs incurred at the Company’s mining operations. Sustaining capital expenditures, corporate selling, general and administrative expenses, and brownfield exploration expenditures are added to the cash cost to calculate the all-in-sustaining cost. The Company believes that this measure

represents the total costs of producing silver from operations and provides the Company and its stakeholders with additional information on the Company's operational performance and the ability to generate cash flows. Certain cash expenditures such as new project spending, tax payments, dividends, and financing costs are not included. We report this measure on a payable silver equivalent ounce produced basis. Silver equivalent production is calculated taking the total metal payable production of gold, lead and zinc multiplied by the realized prices of gold, lead, and zinc and divided by the realized silver price to calculate the silver equivalent production.

The following tables show a breakdown of the all-in sustaining cash cost per silver equivalent ounce for the three and nine months ended September 30, 2019 and 2018.

CONSOLIDATED MINE ALL-IN CASH COST SILVER EQUIVALENT (Expressed in \$'000's, except unit costs)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cash cost applicable	\$ 34,900	\$ 29,757	\$ 101,071	\$ 85,438
Commercial and government royalties and mining tax	2,303	2,287	7,559	8,363
Workers' participation	1,708	1,573	5,084	6,619
Selling, general and administrative expenses (operations)	2,539	2,449	7,400	7,127
Adjusted operating cash cost	41,450	36,066	121,114	107,547
Selling, general and administrative expenses (corporate)	3,035	2,674	8,977	8,295
Sustaining capital expenditures ³	3,953	5,424	14,185	14,617
Brownfield exploration expenditures ³	957	2,446	3,914	7,054
All-in sustaining cash cost	49,395	46,610	148,190	137,513
Exploration and evaluation expenses	1,494	199	2,009	546
Non-sustaining capital expenditures ³	69,282	25,163	163,127	43,926
All-in cash cost	120,171	71,972	313,326	181,985
Payable ounces of silver equivalent production ¹	3,743,432	4,317,192	12,674,670	13,675,006
All-in sustaining cash cost per ounce of payable silver equivalent ²	\$ 13.20	\$ 10.80	\$ 11.69	\$ 10.06
All-in cash cost per ounce of payable silver equivalent ²	\$ 32.10	\$ 16.67	\$ 24.72	\$ 13.31

Notes:

1 Silver equivalent production for Q3 2019 is calculated using a silver to gold ratio of 86:1 (Q3 2018: 81.58:1), silver to lead of 1:18.57 pounds (Q3 2018: 1:16.67), and silver to zinc of 1:16.17 pounds (Q3 2018: 1:12.50), and YTD 2019: silver to gold ratio of 86:1 (YTD 2018: 86.53:1), silver to lead of 1:17.59 pounds (YTD 2018: 1:14.30), and silver to zinc of 1:13.44 pounds (YTD 2018: 1:11.11)

2 Silver equivalent is calculated using the realized prices for gold, silver, lead, and zinc. Refer to Financial Results - Sales - Sales and Realized Prices

3 Presented on a cash basis

SAN JOSE MINE ALL-IN CASH COST SILVER EQUIVALENT (Expressed in \$'000's, except unit costs)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cash cost applicable	\$ 19,441	\$ 17,581	\$ 58,109	\$ 52,450
Commercial and government royalties and mining tax	1,882	2,014	6,353	6,895
Workers' participation	1,570	1,234	4,393	4,938
Selling, general and administrative expenses (operations)	1,589	1,608	4,556	4,503
Adjusted operating cash cost	24,482	22,437	73,411	68,786
Sustaining capital expenditures ³	2,026	2,103	6,232	6,554
Brownfield exploration expenditures ³	776	1,773	3,428	5,586
All-in sustaining cash cost	27,284	26,313	83,071	80,926
Exploration and evaluation expenses	-	44	-	93
All-in cash cost	27,284	26,357	83,071	81,019
Payable ounces of silver equivalent production ¹	2,534,249	2,883,115	8,655,903	9,213,046
All-in sustaining cash cost per ounce of payable silver equivalent ²	\$ 10.77	\$ 9.13	\$ 9.60	\$ 8.78
All-in cash cost per ounce of payable silver equivalent ²	\$ 10.77	\$ 9.14	\$ 9.60	\$ 8.79

Notes:

1 Silver equivalent production for Q3 2019 is calculated using a silver to gold ratio of 85.8:1 (Q3 2018: 81.70:1) and for YTD 2019, silver to gold ratio of 86:1 (YTD 2018: 86.65:1)

2 Silver equivalent is calculated using the realized prices for gold, silver, lead, and zinc. Refer to Financial Results - Sales - Sales and Realized Prices

3 Presented on a cash basis

CAYLLOMA MINE ALL-IN CASH COST SILVER EQUIVALENT (Expressed in \$'000's, except unit costs)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cash cost applicable	\$ 15,459	\$ 12,176	\$ 42,962	\$ 32,989
Commercial and government royalties and mining tax	421	273	1,206	1,468
Workers' participation	138	339	685	1,681
Selling, general and administrative expenses (operations)	950	841	2,844	2,624
Adjusted operating cash cost	16,968	13,629	47,697	38,762
Sustaining capital expenditures ³	1,926	3,321	7,953	8,063
Brownfield exploration expenditures ³	181	673	486	1,468
All-in sustaining cash cost	19,075	17,623	56,136	48,293
Non-sustaining capital expenditures ¹	298	-	446	-
All-in cash cost	19,373	17,623	56,582	48,293
Payable ounces of silver equivalent production ¹	1,209,183	1,434,076	4,018,767	4,475,380
All-in sustaining cash cost per ounce of payable silver equivalent ²	\$ 15.78	\$ 12.29	\$ 13.97	\$ 10.79
All-in cash cost per ounce of payable silver equivalent ²	\$ 16.02	\$ 12.29	\$ 14.08	\$ 10.79

Notes:

1 Silver equivalent production for Q3 2019 is calculated using a silver to gold ratio of 87.3:1, silver to lead of 1:18.6 pounds (Q3 2018: 1:16.7), and silver to zinc of 1:16.2 pounds (Q3 2018: 1:12.5), and YTD 2019: silver to gold ratio of 87.2:1, silver to lead of 1:17.6 pounds (YTD 2018: 1:14.3), and silver to zinc of 1:13.4 pounds (YTD 2018: 1:11.1)

2 Silver equivalent is calculated using the realized prices for gold, silver, lead, and zinc. Refer to Financial Results - Sales - Sales and Realized Prices

3 Presented on a cash basis

Free Cash Flow and Free Cash Flow From Ongoing Operations

The Company uses the financial measure of “free cash flow” and “free cash flow from ongoing operations” to supplement information in its consolidated financial statements. Free cash flow is defined as cash provided from operating activities less purchases of mineral properties, plant and equipment, less net deposits on long term assets, less current income tax, and add back income taxes paid. This measure is used by the Company and investors to measure the cash flow available to fund the Company’s growth through investments and capital expenditures. These performance measures are intended to provide additional information only and do not have standardized definitions under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of operating profits or cash flow from operations as determined under IFRS.

The following table presents a reconciliation of free cash flow to free cash flow from ongoing operations for the three and nine months ended September 30, 2019 and 2018:

(Expressed in \$ millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 18.2	\$ 21.9	\$ 45.3	\$ 64.2
Less: Exploration expenditures previously capitalized	(0.8)	-	-	-
Less: Working capital item reclassified to long-term receivables	(1.5)	-	(1.5)	-
Less: Purchases of mineral properties, plant and equipment	(7.0)	(9.2)	(19.9)	(25.0)
Less: Expenditures on Lindero construction	(45.1)	(24.8)	(120.2)	(36.7)
Less: Capitalized interest on Lindero construction	(0.8)	(0.3)	(3.0)	(0.6)
Less: Deposits on long-term assets, net	-	(7.1)	-	(29.8)
Less: Current income tax expense	(5.9)	(6.0)	(24.4)	(27.9)
Add: Income taxes paid	7.0	6.2	27.0	28.9
Free cash flow	(35.9)	(19.3)	(96.7)	(26.9)
Add: Expenditures on Lindero construction	45.1	25.1	120.2	37.3
Add: Expenditures on non-Lindero construction	0.9	-	3.3	-
Add: Greenfield exploration expenditures	0.5	0.7	1.4	2.2
Add: Deposits on long-term assets - Lindero construction	-	7.1	-	29.6
Free cash flow from ongoing operations	\$ 10.6	\$ 13.6	\$ 28.2	\$ 42.2

Adjusted Net Income

The Company uses the financial measure of “adjusted net income” to supplement information in its consolidated financial statements. The Company believes that in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use this information and information obtained from conventional IFRS measures to evaluate the Company’s performance. The term “adjusted net income” does not have a standardized meaning prescribed by IFRS, and therefore the Company’s definitions are unlikely to be comparable to similar measures presented by other companies.

(Expressed in \$ millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net (loss) income	\$ (7.7)	\$ 6.9	\$ 4.8	\$ 31.8
Adjustments, net of tax:				
Community support provision	(0.1)	1.0	(0.1)	1.0
Foreign exchange loss, Lindero project	8.3	-	10.4	-
Income tax, Lindero project ¹	-	2.5	(1.1)	3.8
Share of loss (income) from associates	-	0.1	0.2	(0.1)
Other non-cash items	1.4	(0.9)	3.3	(2.6)
Adjusted Net Income	\$ 1.9	\$ 9.6	\$ 17.5	\$ 33.9

Note:

1. The three and nine months ended September 30, 2018 comparatives have been restated to reflect the addback of Mansfield’s deferred income taxes to conform to the current year presentation

Adjusted EBITDA

The Company uses other financial measures whose presentation is not meant to be a substitute for other subtotals or totals presented in accordance with IFRS measures but that rather should be evaluated in conjunction with IFRS measures. The item described and presented below does not have standardized meanings prescribed by IFRS, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. The Company believes that its presentation provides useful information for investors.

(Expressed in \$ millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net (loss) income	\$ (7.7)	\$ 6.9	\$ 4.8	\$ 31.8
Add back:				
Community support provision	(0.1)	1.4	(0.2)	1.4
Inventory adjustment	0.1	-	0.1	-
Foreign exchange loss, Lindero project	8.3	-	10.4	-
Net finance items	-	(0.2)	(0.3)	0.1
Depreciation, depletion, and amortization	11.3	11.4	31.8	34.0
Income taxes	6.2	5.9	19.1	28.4
Share of loss (income) from associates	-	0.1	0.2	(0.1)
Other non-cash items	1.1	(1.3)	4.3	(4.4)
Adjusted EBITDA	\$ 19.2	\$ 24.2	\$ 70.2	\$ 91.2

Qualified Person

Eric Chapman, P.Geo (APEGBC #36328) is the Vice-President of Technical Services for the Company and is the Company's Qualified Person (as defined by National Instrument 43-101). Mr. Chapman has reviewed and approved the scientific and technical information contained in this MD&A.

Other Information, Risks and Uncertainties

For further information regarding the Company's operational risks, please refer to the section entitled "Description of the Business - Risk Factors" in the Company's most recent Annual Information Form and the September 25, 2019 Short Form Prospectus that are available at www.sedar.com and www.sec.gov/edgar.shtml.

Cautionary Statement on Forward-Looking Statements

This MD&A and any documents incorporated by reference into this MD&A contain forward-looking statements which constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Section 21E of the United States Securities Exchange Act of 1934, as amended, and forward-looking information within the meaning of applicable Canadian securities legislation (collectively, "Forward-looking Statements"). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-Looking Statements. The Forward-looking Statements in this MD&A include, without limitation, statements relating to:

- mineral "reserves" and "resources" as they involve the implied assessment, based on estimates and assumptions that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future;
- production rates at the Company's properties;

- cash cost estimates;
- timing for delivery of materials and equipment for the Company's properties;
- the sufficiency of the Company's cash position and its ability to raise equity capital or access debt facilities;
- the Company's planned greenfield exploration programs;
- the Company's planned capital expenditures and brownfields exploration at the San Jose Mine;
- the Company's planned capital expenditures and brownfields exploration at the Caylloma Mine;
- the Company's construction of the open pit gold heap leach mine at the Lindero Project and the anticipated timing of commissioning and commencement of commercial production of the mine;
- maturities of the Company's financial liabilities, finance leases and other contractual commitments;
- expiry dates of bank letters of guarantee;
- estimated mine closure costs; and
- management's expectation that any investigations, claims, and legal, labour and tax proceedings arising in the ordinary course of business will not have a material effect on the results of operations or financial condition of the Company.

Often, but not always, these Forward-looking Statements can be identified by the use of words such as "anticipates", "believes", "plans", "estimates", "expects", "forecasts", "scheduled", "targets", "possible", "strategy", "potential", "intends", "advance", "goal", "objective", "projects", "budget", "calculates" or statements that events, "will", "may", "could" or "should" occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- operational risks relating to mining and mineral processing;
- uncertainty relating to Mineral Resource and Mineral Reserve estimates;
- uncertainty relating to capital and operating costs, production schedules and economic returns;
- uncertainty and risks related to the start-up of the Lindero Project;
- uncertainty relating to capital and operating costs and economic returns of development projects such as the Lindero Project;
- risks related to the construction, commissioning and commencement of commercial production at the Lindero Project;
- risks associated with mineral exploration and project development;
- uncertainty relating to the repatriation of funds from currency controls;
- environmental matters including potential liability claims;
- uncertainty relating to nature and climate conditions;
- risks associated with political instability and changes to the regulations governing the Company's business operations;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- risks relating to the termination of the Company's mining concessions in certain circumstances;
- risks related to International Labour Organization ("ILO") Convention 169 compliance;
- developing and maintaining relationships with local communities and stakeholders;
- risks associated with losing control of public perception as a result of social media and other web-based applications;
- potential opposition of the Company's exploration, development and operational activities;

- risks related to the Company's ability to obtain adequate financing for planned exploration and development activities;
- substantial reliance on the Caylloma Mine and San Jose Mine for revenues;
- property title matters;
- risks relating to the integration of businesses and assets acquired by the Company;
- impairments;
- risks associated with climate change legislation;
- reliance on key personnel;
- uncertainty relating to potential conflicts of interest involving the Company's directors and officers;
- risks associated with the Company's reliance on local counsel and advisors and the experience of its management and board of directors in foreign jurisdictions;
- adequacy of insurance coverage;
- risks related to the Company's compliance with the United States Sarbanes-Oxley Act;
- risks related to the foreign corrupt practices regulations and anti-bribery laws;
- potential legal proceedings;
- uncertainties relating to general economic conditions;
- competition;
- fluctuations in metal prices;
- risks associated with entering into commodity forward and option contracts for base metals production;
- fluctuations in currency exchange rates;
- tax audits and reassessments;
- uncertainty relating to concentrate treatment charges and transportation costs;
- sufficiency of monies allotted by the Company for land reclamation;
- dilution from equity or convertible debenture financing; and
- risks associated with dependence upon information technology systems, which are subject to disruption, damage, failure and risks with implementation and integration.

as well as those factors referred to in the "Risks and Uncertainties" section in this MD&A and in the "Risk Factors" section in our Annual Information Form filed with the Canadian Securities Administrators and available at www.sedar.com and filed with the U.S. Securities and Exchange Commission as part of the Company's Form 40-F and available at www.sec.gov/edgar.shtml. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in Forward-looking Statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Forward-looking Statements contained in this MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration, development, construction and production of its properties;
- there being no significant disruptions affecting operations, whether relating to labour, supply, power, damage to equipment or other matter;
- permitting, construction, development, expansion, and production continuing on a basis consistent with the Company's current expectations;
- expected trends and specific assumptions regarding metal prices and currency exchange rates;
- prices for and availability of fuel, electricity, parts and equipment and other key supplies remaining consistent with current levels;
- production forecasts meeting expectations; and

- the accuracy of the Company's current mineral resource and reserve estimates.

These Forward-looking Statements are made as of the date of this MD&A. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on Forward-looking Statements. Except as required by law, the Company does not assume the obligation to revise or update these forward looking-statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events.

Cautionary Note to United States Investors Concerning Estimates of Reserves and Resources

The Company is a Canadian "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act, and is permitted to prepare the technical information contained herein in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of the securities laws currently in effect in the United States.

Canadian standards, including National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("**NI 43-101**"), differ significantly from the disclosure requirements of U.S. securities laws currently in effect, and Mineral Reserve and Mineral Resource information contained or incorporated by reference in this MD&A may not be comparable to similar information disclosed by United States companies. Equivalent U.S. disclosure requirements are currently governed by the United States Securities and Exchange Commission ("**SEC**") Industry Guide 7 ("**Industry Guide 7**") under the U.S. Securities Act of 1933, as amended. In particular, and without limiting the generality of the foregoing, the term Mineral Resource does not equate to the term "reserve". Under the SEC's disclosure standards currently in effect under Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would need to be in hand or issuance imminent in order to classify mineralized material as reserves under such U.S. standards currently in effect. The SEC has not recognised the reporting of mineral deposits which do not meet the Industry Guide 7 definition of "reserve" prior to the adoption of the Modernization of Property Disclosures for Mining Registrants, which rules will be required to be complied with in the first fiscal year beginning on or after January 1, 2021. As a result, the SEC's disclosure standards currently in effect normally do not permit the inclusion of information concerning Measured Mineral Resources, Indicated Mineral Resources or Inferred Mineral Resources or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by United States standards in documents filed with the SEC.

United States investors are cautioned not to assume that all or any part of Measured Mineral Resources or Indicated Mineral Resources will ever be converted into reserves. United States investors should also understand that Inferred Mineral Resources have an even greater amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a category having a higher degree of certainty. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of Feasibility or Pre-Feasibility Studies except in rare cases. Investors are cautioned not to assume that all or any part of an Inferred Mineral Resource exists or is economically or legally mineable.

Disclosure of "contained tonnes" in a Mineral Resource estimate is permitted disclosure under NI 43-101 provided that the grade or quality and the quantity of each category is stated; however, the SEC's disclosure standards currently in effect under Industry Guide 7 normally only permit issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of Mineral Reserves are also not the same as those of the SEC's disclosure standards currently in effect under Industry Guide 7, and Mineral Reserves reported in compliance with NI 43-101 may not qualify as "reserves" under such SEC standards. Accordingly, information contained in this MD&A or any documents incorporated by reference herein containing descriptions of mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the U.S. federal securities laws and the rules and regulations thereunder.