



ALACER GOLD

Alacer Gold Corp.

Unaudited Interim
Consolidated Financial Statements
September 30, 2019



Alacer Gold Corp.

Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) (unaudited)

(expressed in thousands of U.S. dollars)

	Note	For the three months ended		For the nine months ended	
		September 30,		September 30,	
		2019	2018	2019	2018
Revenues		\$ 143,981	\$ 35,495	\$ 313,721	\$ 124,177
Production costs		55,252	14,211	123,881	50,264
Depreciation, depletion and amortization		23,108	7,726	47,050	29,348
Cost of sales		<u>78,360</u>	<u>21,937</u>	<u>170,931</u>	<u>79,612</u>
Gross profit		65,621	13,558	142,790	44,565
Exploration and evaluation		1,865	1,428	4,173	4,316
General and administrative		2,110	2,177	8,346	7,666
Share-based employee compensation costs		5,831	302	13,357	3,245
Foreign exchange (gain) loss		(3,039)	37,722	8,397	68,944
Other loss (gain)	4	970	(1,980)	20,107	(184)
Other operating costs		<u>7,737</u>	<u>39,649</u>	<u>54,380</u>	<u>83,987</u>
Operating profit (loss)		57,884	(26,091)	88,410	(39,422)
Finance costs (income) - net	5	5,939	(2,431)	10,202	(3,686)
Share of (income) loss on investments accounted for using the equity method		(1,554)	27	(4,778)	2,522
Profit (loss) before income tax		53,499	(23,687)	82,986	(38,258)
Income tax expense (benefit)	6	8,102	8,645	20,016	(17,352)
Total net profit (loss) and comprehensive profit (loss)		<u>\$ 45,397</u>	<u>\$ (32,332)</u>	<u>62,970</u>	<u>(20,906)</u>
Net profit (loss) and comprehensive profit (loss) attributable to:					
Owners of the corporation	7	\$ 34,831	\$ (27,142)	\$ 43,001	\$ (20,581)
Non-controlling interest		10,566	(5,190)	19,969	(325)
Total net profit (loss) and comprehensive profit (loss)		<u>\$ 45,397</u>	<u>\$ (32,332)</u>	<u>\$ 62,970</u>	<u>\$ (20,906)</u>
Total net profit (loss) per share of owners of the corporation - Basic	7	\$ 0.12	\$ (0.09)	\$ 0.15	\$ (0.07)
Total net profit (loss) per share of owners of the corporation - Diluted	7	\$ 0.12	\$ (0.09)	\$ 0.15	\$ (0.07)

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

Alacer Gold Corp.

Consolidated Statements of Cash Flows (unaudited)

(expressed in thousands of U.S. dollars)

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2019	2018	2019	2018
Cash provided by (used in):					
Operating activities					
Total net profit and comprehensive profit		\$ 45,397	\$ (32,332)	\$ 62,970	\$ (20,906)
Non-cash items:					
Depreciation, depletion and amortization		23,108	7,762	47,050	29,435
Non-cash related to hedging activities	18	(262)	(3,008)	2,164	(5,350)
Unrealized foreign exchange impacts		(2,974)	38,159	10,281	67,883
Share-based employee compensation costs		5,831	302	13,357	3,244
Finance costs on leases	19	1,973	-	5,264	-
Other non-cash expenses (income) and items not affecting cash		279	830	(4,224)	6,139
Income tax expense (benefit)		8,102	8,645	18,905	(17,352)
Impairment on Gediktepe		309	-	17,222	-
Net change in non-cash working capital	8	18,930	934	(12,459)	4,503
		<u>100,693</u>	<u>21,292</u>	<u>160,530</u>	<u>67,596</u>
Investing activities					
Mineral properties and equipment, except right-of-use assets		(25,665)	(57,580)	(11,839)	(213,792)
Sulfide ore stockpile		-	(2,044)	(2,764)	(15,132)
Equity investments		(48)	(1,013)	(967)	(4,592)
Contract advances and payables		-	(1,247)	104	(5,323)
		<u>(25,713)</u>	<u>(61,884)</u>	<u>(15,466)</u>	<u>(238,839)</u>
Financing activities					
Borrowings, principal and interest		(21,957)	(5,417)	(67,963)	87,191
Borrowings, restricted cash	11	15,103	-	(30,634)	-
Finance lease principal and interest payments	19	(2,364)	-	(7,044)	-
		<u>(9,218)</u>	<u>(5,417)</u>	<u>(105,641)</u>	<u>87,191</u>
Increase (decrease) in cash and cash equivalents		65,762	(46,009)	39,423	(84,052)
Cash and cash equivalents - beginning balance		78,749	162,894	104,798	202,813
Effect of exchange rates on changes in cash held in foreign currencies		341	(1,123)	631	(2,999)
Cash and cash equivalents – ending balance		<u>\$ 144,852</u>	<u>\$ 115,762</u>	<u>\$ 144,852</u>	<u>\$ 115,762</u>
Non-cash investing and financing activities					
IFRS 16 - right-of-use assets	3 a)	\$ 2,405	\$ -	\$ (99,846)	\$ -
IFRS 16 - lease liabilities	3 a)	\$ (240)	\$ -	\$ 103,462	\$ -
Supplemental cash flow information					
Interest paid		\$ (4,850)	\$ (5,376)	\$ (16,302)	\$ (12,631)
Income taxes paid		\$ -	\$ (1,451)	\$ (1,111)	\$ (3,965)

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

Alacer Gold Corp.

Consolidated Statements of Financial Position (unaudited)

(expressed in thousands of U.S. dollars)

	Note	As of September 30, 2019	As of December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	10	\$ 144,852	\$ 104,798
Receivables and other assets	12	29,197	24,984
Inventories	13	121,930	86,698
		<u>295,979</u>	<u>216,480</u>
Mineral properties and equipment, net	14	1,031,488	952,281
Investments accounted for using the equity method		7,459	18,628
Deferred income tax asset	6	70,080	95,133
Restricted cash	11	30,634	-
Other long-term assets	15	60,819	75,601
Total assets		<u>\$ 1,496,459</u>	<u>\$ 1,358,123</u>
Liabilities			
Current liabilities			
Trade and other payables	16	\$ 57,045	\$ 51,441
Borrowings, short-term	17	68,150	68,155
Short-term portion of lease liability	19	1,813	-
Current income tax liabilities		1,323	-
		<u>128,331</u>	<u>119,596</u>
Borrowings, long-term	17	221,550	272,665
Long-term portion of lease liability	19	101,649	-
Asset retirement obligation	20	24,601	23,877
Other long-term liabilities	21	12,775	6,881
Total liabilities		<u>488,906</u>	<u>423,019</u>
Equity			
Share capital	22	\$ 1,479,052	\$ 1,477,586
Reserves		25,526	17,513
Deficit		(705,838)	(748,839)
Equity attributable to owners of the corporation		<u>798,740</u>	<u>746,260</u>
Non-controlling interest in subsidiary		208,813	188,844
Total equity		<u>1,007,553</u>	<u>935,104</u>
Total liabilities and equity		<u>\$ 1,496,459</u>	<u>\$ 1,358,123</u>

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Alacer Gold Corp.

Consolidated Statements of Changes in Equity (unaudited)

(expressed in thousands of U.S. dollars)

	Attributable to owners of the Corporation			Total	Non-controlling interest	Total Equity
	Share capital	Reserves	Deficit			
Balance at January 1, 2018	\$ 1,476,265	\$ 15,251	\$ (763,445)	\$ 728,071	\$ 179,399	\$ 907,470
Profit for the period	-	-	(20,581)	(20,581)	(325)	(20,906)
Transactions with owners of the corporation:						
Share plans - exercises	1,321	(1,437)	-	(116)	-	(116)
Amortization of share-based awards	-	1,960	-	1,960	-	1,960
Reclassification of share-based awards withholding tax obligation (IFRS 2)	-	977	(512)	465	-	465
Total transactions with owners of the corporation	1,321	1,500	(512)	2,309	-	2,309
Balance at September 30, 2018	\$ 1,477,586	\$ 16,751	\$ (784,538)	\$ 709,799	\$ 179,074	\$ 888,873
Balance at January 1, 2019	\$ 1,477,586	\$ 17,513	\$ (748,839)	\$ 746,260	\$ 188,844	\$ 935,104
Profit for the period	-	-	43,001	43,001	19,969	62,970
Transactions with owners of the corporation:						
Share plans - exercises	1,466	(2,409)	-	(943)	-	(943)
Amortization of share-based awards	-	1,952	-	1,952	-	1,952
Share-based awards capitalized for Sulfide Project	-	8,470	-	8,470	-	8,470
Total transactions with owners of the corporation	1,466	8,013	-	9,479	-	9,479
Balance at September 30, 2019	\$ 1,479,052	\$ 25,526	\$ (705,838)	\$ 798,740	\$ 208,813	\$ 1,007,553

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

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Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 and 2018 (unaudited)

(expressed in thousands of U.S. dollars, unless otherwise stated)

1. General information

Alacer Gold Corp. (“Alacer” or the “Company”) is an intermediate gold producer, with an 80% interest in the Çöpler Gold Mine in Turkey operated by Anagold Madencilik Sanayi ve Ticaret A.S. (“Anagold”), and the remaining 20% owned by Lidya Madencilik Sanayi ve Ticaret A.S. (“Lidya Mining”). The Çöpler Gold Mine is located in east-central Turkey in the Erzincan Province, approximately 1,100 kilometers (“km”) southeast from Istanbul and 550km east from Ankara, Turkey’s capital city.

The Company is incorporated under the laws of the Yukon Territory, Canada. The address of its registered office is 3081 Third Avenue, Whitehorse, Yukon, Y1A 4Z7. Corporate administrative services are provided by Alacer Management Corp., a wholly owned subsidiary of Alacer.

These unaudited interim consolidated financial statements (the “financial statements”) as of and for the three and nine-month periods ended September 30, 2019 are comprised of Alacer, its subsidiaries, and joint ventures accounted for as equity investments, and together are referred to as either “Alacer” or the “Company”.

2. Basis of presentation

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including International Accounting Standard (“IAS”) 34 Interim Financial Reporting. These financial statements do not include all the notes of the type normally included in audited annual consolidated financial statements. Accordingly, these financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements and related notes for the year ended December 31, 2018. The accounting policies applied in these financial statements are consistent with those used in the Company’s audited consolidated financial statements for the year ended December 31, 2018, except for the adoption of new and amended accounting standards as set out in Note 3a.

The preparation of these financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expense. Interim results are not necessarily indicative of the results expected for the financial year. Actual annual results may differ from interim estimates. The significant judgments made by management applied in the preparation of these financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2018, except for those significant judgements made by management arising from the adoption of new and amended accounting standards and significant changes in the reporting period as set out in Note 3a and 3d, respectively.

The financial risk management program carried out during the period covered by these financial statements is consistent with the program adhered to in 2018 as described in the Company’s audited consolidated financial statements for the year ended December 31, 2018.

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The format of the financial statements has been changed from the format presented in the Company's audited annual consolidated financial statements for the year ended December 31, 2018 to reflect the adoption of new and amended accounting standards as set out in Note 3a and other changes made as set out in Note 3c. These financial statements were authorized for issue by the Company's Board of Directors ("BOD") on October 29, 2019.

3. Accounting Changes

This note explains the impact on the Company's financial statements of the adoption of new accounting standards that have been applied starting January 1, 2019 and new accounting pronouncements that have been issued but are not yet effective, which are expected to be applicable to the Company starting on or after January 1, 2020. Accounting pronouncements that are not applicable to the Company have been excluded.

a) Impact of adoption of new accounting standards that have been applied starting January 1, 2019

Overview of IFRS 16 Leases

The Company has adopted IFRS 16 *Leases* as of January 1, 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore reflected as of January 1, 2019.

The Company leases various pieces of equipment, light vehicles, and real estate property. Lease contracts are typically made for fixed periods of one to fifteen years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants on the Company and leased assets are not used as security for borrowing purposes.

Until the end of 2018, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) on a straight-line basis over the period of the lease.

Effects of Adoption of IFRS 16

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the individual lease, if the rate could be readily determined, or the Company's incremental borrowing rates, if the rate could not be readily determined, as of January 1, 2019. According to IFRS 16, each lease payment is allocated between the lease liability and finance cost. The finance cost, or amortization of the discount, on the lease liability is charged to the Consolidated Statements of Profit (Loss) and

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Comprehensive Profit (Loss) using the effective interest method so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

The Company has considered the net present value of the following lease payments in the calculation of the lease liability on January 1, 2019:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- Where a lease contains an extension option, the lease payments for the extension period were included in the calculation of the lease liability if the Company was reasonably certain that it would exercise the option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The weighted average discount rate applied to the lease liabilities on January 1, 2019 was 7.6%.

No adjustments were required upon adoption of IFRS 16 for finance leases as the Company did not have any leases previously classified as such as of December 31, 2018.

The effects of adoption of IFRS 16 as reflected on January 1, 2019 were to recognize a lease liability of \$105,009. The short and long-term lease liabilities as at September 30, 2019 and upon adoption of IFRS 16 on January 1, 2019 are shown in the table below:

	Balance at September 30, 2019	Balance at January 1, 2019
Short-term portion of lease liability	\$ 1,813	\$ 2,185
Long-term portion of lease liability	101,649	102,824
Total lease liability	\$ 103,462	\$ 105,009

As shown in the table above, the total lease liability recognized as at January 1, 2019 was \$105,009. The right-of-use assets were measured at an amount equal to the lease liability, adjusted for a \$139 deferred rent liability related to real estate property leases as of January 1, 2019.

As shown in Note 14, the right-of-use assets are now shown as part of Mineral properties and equipment in the Consolidated Statements of Financial Position. Depreciation of right-of use assets are now included within depreciation, depletion, and amortization costs on the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss). The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a units of production basis. Depreciation of right-of use assets are now

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included within depreciation, depletion, and amortization in the Operating activities section of the Consolidated Statements of Cash Flows.

The right-of-use assets relate to the following types of assets:

	Balance at September 30, 2019	Balance at January 1, 2019
Air Liquide Oxygen Plant	\$ 96,200	\$ 100,980
Real estate properties	3,116	3,423
Light vehicles	501	425
Office equipment	29	42
Total right-of-use assets	<u>\$ 99,846</u>	<u>\$ 104,870</u>

Leases are now included within current and long-term liabilities in the Consolidated Statements of Financial Position. Interest expense on lease liabilities are now included within Finance costs on the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss). Cash payments for the interest and principal portions of lease liabilities are shown as cash flows from financing activities in the Consolidated Statements of Cash Flows.

The effects of adoption of IFRS 16 by segments, as reflected on January 1, 2019, are shown in the table below:

Segments:	Turkish Business Unit	Corporate and other	Total
Right-of-use assets	\$ 101,982	\$ 2,888	\$ 104,870
Lease liabilities	\$ (101,982)	\$ (3,027)	\$ (105,009)

The change in accounting policy affected the following items in the Consolidated Statements of Financial Position on January 1, 2019:

Mineral properties and equipment - increase by	104,870
Lease liabilities - increase by	(105,009)
Deferred rent - decreased by	139
	<u>\$ -</u>
Deferred tax assets - increase by	\$ 39

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Until the end of 2018, payments made under operating leases were charged to the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) on a straight-line basis over the period of the lease and thus operating lease payments were fully included in calculations of earnings per share. On adoption of IFRS 16, only depreciation charged from right-of-use assets and interest expense on lease liabilities are now included in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss); and therefore, included in calculations of basic and diluted earnings per share. Principal portions of lease payments are not included in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) and are instead applied against the lease liability in the Consolidated Statements of Financial Position. As a result of the adoption of IFRS 16, there is a 0.01 decrease in the Company's basic and diluted earnings per share for the nine-month period ended September 30, 2019.

Short-term lease payments, payments for leases of low-value assets, and variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and are not shown in the Consolidated Statements of Financial Position in accordance with IFRS 16. These payments are shown within Production costs within the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) and within the Operating activities section of the Consolidated Statements of Cash Flows. The net increase/decrease in cash and cash equivalents did not change as a result of adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has considered the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- The exclusion of low value leases (i.e. those with a value of less than US\$5,000);
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The significant judgments, estimates, and assumptions made by management applied in the preparation of these financial statements, specifically as they relate to IFRS 16 *Leases*, primarily included evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets covered under leases, as well as determining the lease term, when the lease contained an extension option, and assessing if the Company was reasonably certain that it would exercise the extension option. Significant judgments, estimates, and assumptions over both of these factors would affect the present value of the lease liabilities upon adoption of the new accounting standard, as well as the associated value of the right-of-use assets.

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b) Future changes to accounting standards are expected to be applicable to the Company starting January 1, 2020

In March 2018 the International Accounting Standards Board (IASB) issued a revised *Conceptual Framework for Financial Reporting* which is currently being used by the Board and Interpretations Committee of the IASB in developing new pronouncements. However, preparers of the financial statements will only begin referring to the new framework from January 1, 2020.

c) Presentation of financial statements

The presentation of certain line items in the financial statements has been changed from the Company's audited annual consolidated financial statements for the year ended December 31, 2018. Where applicable, comparatives have been reordered to present amounts on the same basis as current period figures. All reclassifications considered necessary for a fair presentation have been included in these financial statements.

d) Significant changes in the current reporting period – Declaration of commercial production of the sulfide plant

In accordance with IAS 16, *Property, plant and equipment*, gold sales proceeds from the sulfide plant and associated operating costs related to those gold sales and interest expense were included in construction-in-process (CIP) within the Mineral Properties and Equipment asset in the Consolidated Statements of Financial Position to the point of declaration of commercial production of the sulfide plant up to and including May 31, 2019. The gold sales proceeds, operating costs, and net amount capitalized included in CIP during the period prior to the declaration of commercial production are shown in the table below as of:

	January 1, 2019 to May 31, 2019	January 1, 2018 to December 31, 2018
Gold sales proceeds included in CIP	\$ 82,283	\$ 24,088
Production Costs included in CIP	(29,443)	(19,781)
Net capitalized	<u>\$ 52,840</u>	<u>\$ 4,307</u>

The Company declared commercial production for the sulfide plant as of May 31, 2019. As a result, all gold sales proceeds from the sulfide plant and associated operating costs commencing on June 1, 2019 are included in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) and shown as revenues and production costs and no longer included in CIP.

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The revenues, production costs, and depreciation, depletion and amortization included in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) related to the sulfide plant after the period of the declaration of commercial production are shown in the table below:

	June 1, 2019
	to
	September 30, 2019
Revenues	\$ 133,765
Production costs	(44,344)
Depreciation, depletion and amortization	(21,382)
Cost of sales	<u>(65,726)</u>
Gross profit	\$ 68,039

The Company considered several factors in declaring commercial production of the sulfide plant as of May 31, 2019. Those factors included:

- The sulfide plant operated consistently and sustainably in May 2019 following the first scheduled shutdown of the plant in April 2019. During May, the sulfide plant operated at design for the sulfide sulfur processed and averaged a throughput rate of over 80%. Gold recovery was approximately 93%, plant utilization was approximately 85%, and over 22,000 ounces of gold were recovered with processing costs in line with management expectations.
- All major capital expenditures to bring the sulfide plant to the condition necessary for it to be capable of operating in the manner intended by management were completed.
- The completion of a seven-month period of operational testing of the sulfide plant.
- The view that the sulfide plant can sustain ongoing processing of sulfide ores at levels intended by management subsequent to the declaration of commercial production.

Significant judgments, estimates, and assumptions were made by management in determining that the sulfide plant met the criteria required for the declaration of commercial production as of May 31, 2019. Judgement was applied to ascertain the point in time when the sulfide plant was capable of operating in the manner intended by management. Production throughput rates, plant utilization, and gold recoveries, amongst other criteria, were all utilized in determining the appropriate timing of the declaration. Changes in the assumptions or estimates regarding timing of commercial production would have material impacts on the amount of revenue, production costs, and depreciation recorded in the Consolidated Statement of Profit and Comprehensive Profit and the carrying value of mineral properties and equipment shown on the Consolidated Statement of Financial Position.

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Upon declaration of commercial production of the sulfide plant as of May 31, 2019, all Sulfide Project costs were reclassified from CIP to Mining plant and equipment and Mineral properties as shown in Note 14.

4. Other loss (gain)

The following table summarizes activities for the periods ended:

	For the three months ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Unrealized (gain) loss on financial instruments (Note 18)	\$ (262)	\$ (3,008)	\$ 2,164	\$ (5,349)
Realized loss on financial instruments	326	1,136	539	5,854
Impairment loss on non-current assets	309	-	17,222	-
Write-down of property, plant and equipment assets	(6)	-	(6)	-
Other	603	(108)	188	(689)
Total other loss	<u>\$ 970</u>	<u>\$ (1,980)</u>	<u>\$ 20,107</u>	<u>\$ (184)</u>

The impairment loss on non-current assets relates in full to the divestment of the Company's 50% interest in the Gediktepe Project joint venture. On July 17, 2019, the Company announced the sale of its 50% non-operating interest in the Gediktepe Project to its joint venture partner, Lidya Mining. The Gediktepe Project is located in the Balikesir Province south of Istanbul in the country of Turkey. The Gediktepe deposit is a polymetallic orebody containing gold, silver, copper, and zinc. The gold is contained in both oxide and sulfide ore.

As consideration for the sale of its 50% equity interest, Alacer will receive in the future:

- 10% Net Smelter Return ("NSR") on all oxide ore production
- 2% NSR on all sulfide ore production
- Cash consideration of \$10 million as various development and production milestones are met

The consideration received is dependent on the future development of the project.

The transaction is expected to close following receipt of all customary regulatory approvals and satisfaction of completion of all closing conditions which is expected in Q4 2019.

The Gediktepe Project joint venture is contained within the Turkish business unit segment in Note 23.

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(expressed in thousands of U.S. dollars, unless otherwise stated)

5. Finance costs (income) - net

The following table summarizes activities for the periods ended:

	For the three months ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Finance (income)				
Interest (income) from financial assets held for cash management	\$ (823)	\$ (756)	\$ (2,457)	\$ (1,498)
Total finance (income)	\$ (823)	\$ (756)	\$ (2,457)	\$ (1,498)
Finance costs				
Interest and finance costs on loan borrowings	4,548	5,293	15,335	13,178
Amortization of the discount on ARO liabilities	241	(1,675)	724	(2,188)
Amortization of the discount on lease liabilities	1,973	-	5,264	-
Total finance costs	\$ 6,762	\$ 3,618	\$ 21,323	\$ 10,990
Less: amount capitalized	\$ -	\$ (5,293)	\$ (8,664)	\$ (13,178)
Finance costs (income) - expensed	\$ 6,762	\$ (1,675)	\$ 12,659	\$ (2,188)
Net finance costs (income)	\$ 5,939	\$ (2,431)	\$ 10,202	\$ (3,686)

Finance income is earned on the Company's cash and money market funds, including restricted cash balances, which are deposited at banks and financial institutions. Interest and finance costs on loan borrowings are related to the finance facility described in Note 17. Capitalized interest relates to interest incurred prior to June 1, 2019 which was the period prior to the Company's declaration of commercial production of the sulfide plant. Finance costs related to lease and ARO liabilities both represent amortization of the discount expense calculated using the effective interest method.

6. Income tax expense (benefit)

The following table summarizes activities for the periods ended:

	For the three months ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Income tax expense (benefit):				
Current income tax expense	\$ 1,839	\$ 3,249	\$ 3,849	\$ 5,165
Deferred income tax expense (benefit)	6,263	5,396	16,167	(22,517)
Income tax expense (benefit)	\$ 8,102	\$ 8,645	\$ 20,016	\$ (17,352)

The Company receives incentive tax credits for qualifying expenditures at the Çöpler Gold Mine. Application of these tax credits reduces income tax expense in the current period and offsets current and future cash tax payments.

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a) Significant components of deferred tax assets and liabilities

	Consolidated statements of financial position on	
	September 30, 2019	December 31, 2018
Deferred income tax assets:		
Incentive tax credits recognized	\$ 143,010	\$ 155,209
Deferred income tax (liabilities)	(72,930)	(60,076)
Deferred income tax asset	\$ 70,080	\$ 95,133

Deferred income tax assets are recognized for incentive tax credits to the extent that the realization of the related tax benefit through future taxable profits is probable. The deferred tax liability is comprised of temporary differences. Through September 30, 2019, the deferred tax liability on the balance sheet was primarily impacted by the revaluation of non-monetary assets due to foreign exchange. The Company applies the liability method to recognize deferred income tax expense on temporary differences between the tax basis of assets and their carrying amounts in the financial statements.

7. Profit (loss) per share

Basic profit per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted profit per share is calculated using the “if-converted method” in assessing the dilution impact of convertible instruments until maturity. The if-converted method assumes that all convertible instruments until maturity have been converted in determining fully diluted profit per share if they are in-the-money, except where such conversion would be anti-dilutive.

The following table summarizes activities for the periods ended:

	For the three months ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net profit (loss) and comprehensive profit (loss) attributable to owners of the Corporation	\$ 34,831	\$ (27,142)	\$ 43,001	\$ (20,581)
Weighted average number of shares outstanding – basic	294,683,090	293,840,088	294,647,404	293,804,747
Weighted average number of shares outstanding – diluted	300,189,302	296,738,604	300,153,616	296,703,263
Total net profit (loss) per share – basic	\$ 0.12	\$ (0.09)	\$ 0.15	\$ (0.07)
Total net profit (loss) per share – diluted	\$ 0.12	\$ (0.09)	\$ 0.15	\$ (0.07)

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8. Net change in non-cash working capital

The following table summarizes activities, excluding cash and cash equivalents transactions, for the periods ended:

	For the three months ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Changes in non-cash working capital accounts:				
Trade and other payables	\$ (12,009)	\$ 8,977	\$ 5,604	\$ (3,057)
Receivables and other	23,416	1,545	(4,213)	(714)
Inventories	(11,512)	(13,038)	(35,232)	(6,778)
Current income tax liabilities	1,323	1,961	1,323	1,468
Subtotal of non-cash working capital accounts	<u>\$ 1,218</u>	<u>\$ (555)</u>	<u>\$ (32,518)</u>	<u>\$ (9,081)</u>
Adjustments for amounts:				
Included on separate line within Operating Activities:				
Non-Cash change related to short-term hedging activity	(86)	2,547	(1,508)	4,532
DD&A in short-term inventory	1,164	2,813	1,737	(655)
Change in short-term share based comp. liability	(3,219)	103	(5,148)	858
Unrealized foreign exchange impacts	644	(4,265)	(1,381)	(6,357)
Change in tax liability accruals	(1,841)	(3,248)	(2,739)	(5,165)
Non-Cash Related to A/R in connection to Gediktepe Impairment	(309)	-	(309)	-
Included within Investing Activities:				
Trade and other payables related to capitalized projects	16,897	(2,468)	9,120	3,556
Receivables and other related to capitalized projects	-	1,248	(103)	5,324
Inventory related to sulfide stockpile	-	4,759	13,882	11,491
Write-off of deferred rent related to IFRS 16 implementation	-	-	139	-
Included within Financing Activities:				
Interest paid shown as financing activity	4,462	-	6,369	-
Net change in non-cash working capital	<u>\$ 18,930</u>	<u>\$ 934</u>	<u>\$ (12,459)</u>	<u>\$ 4,503</u>

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9. Financial instruments

The table below shows those assets and liabilities that the Company has identified as financial assets and financial liabilities to be measured at fair value through the Statement of Profit or amortized costs under IFRS 9 *Financial Instruments*. The Company currently has no financial assets and financial liabilities to be measured at fair value through the Statement of Comprehensive Income.

	Note	September 30, 2019	December 31, 2018
Financial assets			
Financial assets at amortized cost			
Receivables and other assets	12	\$ 29,197	\$ 24,984
Financial assets at fair value through profit and loss (FVPL)			
Cash and cash equivalents	10	\$ 144,852	\$ 104,798
Restricted cash	11	\$ 30,634	\$ -
Financial liabilities			
Financial liabilities at amortized cost			
Trade and other payables, excluding swap contract obligations	16	\$ 55,203	\$ 51,106
Borrowings, short-term	17	\$ 68,150	\$ 68,155
Borrowings, long-term	17	\$ 221,550	\$ 272,665
Financial liabilities at fair value through profit and loss (FVPL)			
Current interest rate swap contract obligations	16, 18	\$ 1,842	\$ 335
Other long-term liabilities - share based compensation	21	\$ 9,007	\$ 3,845
Other long-term liabilities - non-current interest rate swap contract obligations	18, 21	\$ 1,427	\$ 770

IFRS requires disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The following are the three levels of the fair value hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are directly or indirectly observable for the asset or liability
- Level 3 – Inputs that are not based on observable market data

The following table shows the Company's financial assets and liabilities carried at fair value by valuation method at September 30, 2019 and December 31, 2018:

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September 30, 2019

Fair Value Hierarchy	Level 1	Level 2	Level 3	Total
Cash, cash equivalents	\$ 144,852	\$ -	\$ -	\$ 144,852
Restricted cash	30,634	-	-	30,634
Interest rate swap contracts - current	-	(1,842)	-	(1,842)
Interest rate swap contracts - non-current	-	(1,427)	-	(1,427)
Other long-term liabilities - share based compensation	(9,007)	-	-	(9,007)
	<u>\$ 166,479</u>	<u>\$ (3,269)</u>	<u>\$ -</u>	<u>\$ 163,210</u>

December 31, 2018

Fair Value Hierarchy	Level 1	Level 2	Level 3	Total
Cash, cash equivalents	\$ 104,798	\$ -	\$ -	\$ 104,798
Restricted cash	-	-	-	-
Interest rate swap and forward sales contracts - current	-	(335)	-	(335)
Interest rate swap and forward sales contracts - non-current	-	(770)	-	(770)
Other long-term liabilities - share based compensation	(3,845)	-	-	(3,845)
	<u>\$ 100,953</u>	<u>\$ (1,105)</u>	<u>\$ -</u>	<u>\$ 99,848</u>

The Company has some financial instruments which are not measured at fair value in the Consolidated Statement of Financial Position. For the majority of these instruments, the fair values are not materially different from their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following financial instrument related to the finance facility described in Note 17 at September 30, 2019:

	Fair Value	Carrying Value
Liabilities		
Borrowings	312,959	289,700

10. Cash and cash equivalents

	September 30, 2019	December 31, 2018
Cash at banks and on hand	\$ 107,278	\$ 53,132
Money market funds and other	37,574	51,666
	<u>\$ 144,852</u>	<u>\$ 104,798</u>

Cash and money market funds are deposited at banks and financial institutions and earn variable interest based on market rates. They do not include restricted cash, which is shown in Note 11. The carrying value of

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cash and cash equivalents and money market funds approximates their fair values due as the balances earn interest at current market rates.

11. Restricted cash

	September 30, 2019	December 31, 2018
Restricted cash	\$ 30,634	\$ -

Restricted cash is deposited at banks and financial institutions and represents accounts required as part of the finance facility described in Note 17. The restricted cash is expected to be in place over the duration of the term of the finance facility. Restricted cash is not available for use within one year. There was no requirement to maintain restricted cash accounts in 2018. The carrying value of restricted cash approximates its fair value as the balances earn interest at current market rates.

12. Receivables and other assets

	September 30, 2019	December 31, 2018
Consumption taxes recoverable (VAT)	19,250	17,322
Non-trade receivables	2,680	6,059
Prepaid expenses and advances	6,783	1,578
Other current assets	484	25
	<u>\$ 29,197</u>	<u>\$ 24,984</u>

The Company's receivable balances consist predominately of value-added tax (VAT) recoverable claims with government entities in the country of Turkey. VAT is usually recovered in 90 to 120 days and can be netted with payroll withholding taxes and other taxes payable in the same tax jurisdiction. Prepaid expenses and advances primarily include annual insurance premiums paid in advance.

13. Inventories

	September 30, 2019	December 31, 2018
Work-in-process	\$ 56,535	\$ 51,948
Finished goods	8,031	4,991
Oxide ore stockpiles	2,017	1,823
Sulfide ore stockpiles	19,101	10,584
Supplies and reagents	36,246	17,352
	<u>\$ 121,930</u>	<u>\$ 86,698</u>

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Work-in-process inventories represent materials that are currently in the process of being actively converted into saleable product. This primarily includes cash operating costs and depreciation related to oxide ore placed on the heap leach pad for processing.

The Company's Sulfide ore stockpiles are classified as short-term if expected to be consumed in the next twelve months. Otherwise, Sulfide ore stockpiles are classified as long-term and listed under Other long-term assets in Note 15.

Supplies and reagents are materials, spare parts and consumables used when processing ore to produce doré.

Finished goods inventory includes doré produced from both oxide and sulfide work-in-process inventory and gold bullion.

There were no write-downs of inventory to net realizable value. As of September 30, 2019, a reserve for obsolescence of \$2.1 million (\$1.9 million - December 31, 2018) is included in the Supplies and reagents balance.

14. Mineral properties and equipment, net

	Mineral properties ¹	Mining plant and equipment	Construction-in-progress ²	Right-of-use lease assets	Non-producing properties ²	Total
Balance at January 1, 2019	\$ 58,807	\$ 36,016	\$ 707,556	\$ -	\$ 149,902	\$ 952,281
Additions	-	-	20,318	105,103	-	125,421
Transfers	31,209	844,867	(726,174)	-	(149,902)	-
Disposals / Refunds	-	(36)	-	-	-	(36)
Rehabilitation provision	-	-	-	-	-	-
Depreciation, depletion	(10,538)	(30,383)	-	(5,257)	-	(46,178)
Balance at September 30, 2019	\$ 79,478	\$ 850,464	\$ 1,700	\$ 99,846	\$ -	\$ 1,031,488

¹Mineral properties represent assets subject to depreciation including production stage properties, capitalized prefeasibility costs related to the sulfide project, and capitalized mine development costs related to current production.

²CIP and Non-producing properties are not subject to depreciation. Prior to June 1, 2019, CIP and non-producing properties primarily included amounts capitalized related to the Sulfide Project. CIP primarily included Sulfide Project costs incurred following construction approval while non-producing properties included Sulfide Project costs incurred prior to construction approval but for which there was a high degree of confidence of future economic benefits. As of May 31, 2019, the Company declared commercial production of the sulfide plant and accordingly reclassified Sulfide Project costs from CIP and non-producing properties to Mining plant and equipment and Mineral properties.

As discussed in Note 3a, upon adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rates as of January 1, 2019. Right-of-use assets related to leases were measured at an amount equal to the lease liability on January 1, 2019, adjusted for a \$139 deferred rent liability related to real estate property leases as of January 1, 2019. Those right-of-use assets are now included in Mineral properties and equipment as shown in the table above.

As discussed in Note 3d, gold sales proceeds (in 2019, 63,514 gold ounces were sold and \$82 million cash proceeds received; and in 2018, 19,063 gold ounces were sold and \$24 million cash proceeds received) from the sulfide plant and operating costs related to those gold sales and interest expense were included in

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construction-in-process (CIP) within the Mineral Properties and Equipment asset in the Consolidated Statements of Financial Position during the period prior to the plant achieving commercial production up to and including May 31, 2019.

15. Other long-term assets

	September 30, 2019	December 31, 2018
Long-term sulfide ore stockpiles	59,381	74,500
Long-term advances and deposits	1,438	1,101
	<u>\$ 60,819</u>	<u>\$ 75,601</u>

Long-term sulfide ore stockpiles represent sulfide ore that has been extracted from the mine and is not expected to be further processed within twelve months. The Company's current sulfide ore stockpile inventories expected to be consumed in the next twelve months are classified as current assets (Note 13).

16. Trade and other payables

	September 30, 2019	December 31, 2018
Trade payables	\$ 31,524	\$ 30,309
Accruals	17,562	18,677
Interest rate swap contracts obligation (Note 18)	1,842	335
Withholding taxes	694	516
Royalties payable	5,423	1,604
	<u>\$ 57,045</u>	<u>\$ 51,441</u>

Trade payables include the Company's obligations to suppliers of goods or services acquired on trade credit. This represents invoices received but not yet paid for, goods delivered, or services already consumed by the Company and usually settled within a month. Trade payables have contractual maturity dates of less than six months. Accruals include estimated amounts for goods or services received but not yet invoiced by the supplier, as well as obligations that build up throughout the year and settled once annually, such as short-term incentive compensation payments.

Discretionary hedging to fix the LIBOR interest rate exposure on approximately 80% of the original finance facility borrowing via interest rate swap contracts is currently implemented. The short-term liability related to the interest rate swap contracts is shown above and is more fully discussed in Note 18.

Trade and other payables are measured at amortized cost, except for interest rate swap contracts which are measured at fair value. Due to the short-term nature of trade and other payables, excluding interest rate swap contracts, their carrying amount is considered to be the same as their fair value.

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17. Borrowings

The Company has a finance facility with a syndicate of lenders (BNP Paribas (Suisse) SA, ING Bank NV, Societe Generale Corporate & Investment Banking and UniCredit S.P.A.). The finance facility has interest rates of LIBOR, which is floating, plus a fixed interest rate margin depending on the tranche. Additionally, it has no mandatory hedging requirements, no pre-payment penalties, and final repayment is scheduled in Q4 2023. On August 1, 2019, the Company announced that the sulfide plant had successfully passed the lenders' completion test. As a result of this, the fixed interest rate margin on the finance facility reduced by 25 basis points to a range of 3.50% - 3.70%. In addition, key amendments to the finance facility were agreed including removal of mandatory cash sweeps and a reduction in the required amounts of restricted cash. Restricted cash accounts must be maintained over the term of the finance facility and are shown in Note 11.

As defined by the Company's Significant Accounting Policies as more fully discussed in the Company's audited annual consolidated financial statements for the year ended December 31, 2018, the Finance Facility Costs incurred to establish and finalize the financing facility (including syndicate bank fees, legal and accounting fees, investment and registration fees, and other agency fees) are accounted for as a discount to the loan principal and amortized over the life of the loan. All related interest expense through May 31, 2019 was capitalized in CIP, since the borrowing was directly attributable to funding the Sulfide Project construction. Capitalized interest amounted to \$8.7 million at September 30, 2019 (\$12.6 million at September 30, 2018). As indicated in Note 3d, the Company declared commercial production for the sulfide plant as of May 31, 2019. As a result, all interest expense incurred related to the finance facility on and after June 1, 2019 is no longer capitalized and instead is recognized in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss). As of September 30, 2019, the Corporation is in compliance with all aspects of the finance facility.

The following table is a summary of the carrying amounts of the Corporation's borrowings that are recognized in the Consolidated Statements of Financial Position as of:

	September 30, 2019	December 31, 2018
Short-term portion of the Finance Facility	\$ 70,000	\$ 70,000
Short-term portion of Discounted Finance Facility Costs	(1,850)	(1,845)
Long-term portion of the Finance Facility	227,500	280,000
Long-term portion of Discounted Finance Facility Costs	(5,950)	(7,335)
	<u>\$ 289,700</u>	<u>\$ 340,820</u>

The first repayment of principal for the finance facility occurred in March 2019 with final principal repayment on or before December 21, 2023. The repayment schedule is a flat 5% paid quarterly.

The borrowing is measured at amortized cost using a nominal value method, net of finance facility costs, at each reporting date on the Consolidated Statement of Financial Position. The nominal value method is used

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to measure the Company's carrying value of borrowings per IFRS 9 *Financial Instruments* as a floating interest rate exists on the borrowing facility.

The table below analyzes the Company's borrowings into relevant maturity groupings based on the remaining period at the Consolidated Statements of Financial Position date to the contractual maturity date. The amounts shown in the table below are the contractual undiscounted cash flows which include payments for both principal and interest for borrowings.

(\$ 000's)	Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	More than five years	Total contractual cash flows	Carrying amount
Borrowings	42,897	41,390	79,780	166,992	-	331,059	289,700
Total contractual obligations	\$ 42,897	\$ 41,390	\$ 79,780	\$ 166,992	\$ -	\$ 331,059	\$ 289,700

The difference between the total contractual undiscounted cash flows and the carrying amount of the borrowing liability measured at nominal value is the expected interest payments between the respective Consolidated Statements of Financial Position reporting date and the borrowing maturity date. Expected future interest payments have been projected based on assumptions as at September 30, 2019 around the LIBOR forward rates. Thus, future actual interest payments may differ from those estimated in these financial statements based on that factor.

18. Financial Instruments - interest rate swap contracts

As indicated in Note 17, the Company has a finance facility with a syndicate of lenders. While no mandatory hedging is required, the Company may choose to hedge. Discretionary hedging to fix the LIBOR interest rate exposure on approximately 80% of the original finance facility borrowing via interest rate swap contracts is currently implemented as more fully discussed in the Company's audited annual consolidated financial statements for the year ended December 31, 2018.

In accordance with IFRS 9 *Financial Instruments*, the Company records the fair value of interest rate swap contracts at the end of the reporting period as an asset (in the money) or liability (out of the money). The fair value is calculated as the difference between a market-based price and the contracted price.

The fair and carrying value of the interest rate swap contract asset or liability is derived by the difference between the variable LIBOR interest forward rates as compared to a fixed interest rate of 2.86% on the hedged amounts for settlement between the respective Consolidated Statements of Financial Position reporting date and the interest rate swap contract settlement date. Unrealized gains/losses on the interest rate swap contracts have been projected based on assumptions as at September 30, 2019 around the LIBOR forward rates. Thus, future actual gains/losses may differ from those estimated in these financial statements based on that factor.

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The following table is a summary of the carrying amounts of the Company's interest rate swap contracts that are recognized in the Consolidated Statements of Financial Position at:

Financial instrument classification	September 30, 2019	December 31, 2018
Interest rate swap contracts - Short-term	1,842	335
Trade and other payables (Note 16)	<u>\$ 1,842</u>	<u>\$ 335</u>
Interest rate swap contracts - Long-term	1,427	770
Other long-term liabilities (Note 21)	<u>\$ 1,427</u>	<u>\$ 770</u>
Net liability	<u>\$ 3,269</u>	<u>\$ 1,105</u>

The change or unrealized gains (losses) in the 2019 carrying amount of the Company's financial instruments, \$2.2 million loss for YTD 2019 and \$0.3 million gain for Q3 2019, relates only to the Company's interest rate swap contracts. The \$5.3 million unrealized gain for YTD 2018 and \$3.0 million unrealized gain for Q3 2018 includes the gains (losses) related to gold forward sales contracts, foreign currency forward sales contracts, and interest rate swap contracts. These changes are recorded in Other loss (gain) in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) and shown in Note 4.

Interest rate swap contracts are settled in cash during the settlement period. Realized gains (losses) are also recorded in Other loss in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) and shown in Note 4.

The following table is a summary of the interest rate swap program:

Quarter Ending	Hedged amount of debt (million \$)	Hedged Rate	Forward Curve	(Loss) Gain (million \$)
Q4 2019	225	2.86%	2.18%	(0.4)
Q1 2020	200	2.86%	1.98%	(0.4)
Q2 2020	175	2.86%	1.69%	(0.5)
Q3 2020	150	2.86%	1.57%	(0.5)
Q4 2020	125	2.86%	1.49%	(0.4)
Q1 2021	100	2.86%	1.49%	(0.3)
Q2 2021	75	2.86%	1.41%	(0.3)
Q3 2021	50	2.86%	1.39%	(0.2)
Q4 2021	50	2.86%	1.38%	(0.2)
Weighted average rates of unsettled interest rate swap contracts		<u>2.86%</u>	<u>1.74%</u>	
Total unrealized (loss) on unsettled interest rate swap contracts				(3.3)
Q3 2018	350	2.86%	2.33%	(0.5)
Q4 2018	350	2.86%	2.37%	(0.4)
Q1 2019	350	2.86%	2.82%	0.0
Q2 2019	275	2.86%	2.61%	(0.2)
Q3 2019	250	2.86%	2.34%	(0.3)
Weighted average rates of settled interest rate swap contracts		<u>2.86%</u>	<u>2.49%</u>	
Total realized (loss) on settled interest rate swap contracts				(1.5)
Program total for interest rate swap contracts				(4.7)

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19. Lease liabilities

	September 30, 2019
Balance at inception (1/1/2019)	\$ 105,009
Arising during the period	233
Lease payments	(7,044)
Amortization of discount	5,264
Balance, end of period	<u>\$ 103,462</u>

As noted in Note 3a, the Company adopted IFRS 16 *Leases* on January 1, 2019. On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the individual lease, if the rate could be readily determined, or the Company's incremental borrowing rates, if the rate could not be readily determined, as of January 1, 2019. The weighted average discount rate applied to the lease liability on January 1, 2019 was 7.6%. Lease liabilities are now included within current and long-term liabilities in the Consolidated Statements of Financial Position.

The finance cost or amortization of the discount on the lease liability is charged to the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) using the effective interest method.

The following table is a summary of the carrying amounts of the Company's lease liabilities measured at the present value of the remaining lease payments that are recognized in the Consolidated Statements of Financial Position as of:

	September 30, 2019
Current portion of lease obligation	\$ 1,813
Long-term portion of lease obligation	101,649
	<u>\$ 103,462</u>

The table below analyzes the Company's lease liabilities into relevant contractual maturity date groupings based on the remaining period at the Consolidated Statements of Financial Position date to the contractual maturity date of the lease. The amounts shown in the table below are the contractual undiscounted cash flows related to lease liabilities.

(\$ 000's)	Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	More than five years	Total contractual cash flows	Carrying amount
Lease liabilities	4,786	4,822	9,723	28,928	153,005	201,264	103,462
Total contractual obligations	<u>\$ 4,786</u>	<u>\$ 4,822</u>	<u>\$ 9,723</u>	<u>\$ 28,928</u>	<u>\$ 153,005</u>	<u>\$ 201,264</u>	<u>\$ 103,462</u>

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The difference between the total contractual undiscounted cash flows related to lease payments to vendors and lessors and the carrying amount of the lease liability is the amortization of the discount related to the lease liability.

20. Asset retirement obligation (“ARO”)

	September 30, 2019	December 31, 2018
Balance, beginning of period	\$ 23,877	\$ 37,938
Arising during the period	-	13,622
Change in estimates	-	(30,433)
Accreting and unwinding of discount	724	2,750
Balance, end of period	<u>\$ 24,601</u>	<u>\$ 23,877</u>

At the end of each year, the Company reviews cost estimates and assumptions used in the valuation of environmental provisions. Refer to the Company’s audited annual consolidated financial statements and related notes for the year ended December 31, 2018 for information related to the movements in ARO liabilities in 2018.

21. Other long-term liabilities

	September 30, 2019	December 31, 2018
Interest rate swap contracts	\$ 1,427	\$ 770
Share-based compensation	9,007	3,845
Long-term employee benefits	2,341	2,266
	<u>\$ 12,775</u>	<u>\$ 6,881</u>

Discretionary hedging to fix the LIBOR interest rate exposure on approximately 80% of the original finance facility borrowing via interest rate swap contracts is currently implemented. The long-term liability related to the interest rate swap contracts is shown above and is more fully discussed in Note 18. Share-based compensation costs represent non-cash long-term incentives that are tied to the price of the Company’s shares. Incentive grants are generally expensed over a three-year vesting period. The unvested units are subject to mark-to-market adjustments based on the share price at the end of the reporting period and assumptions related to performance measures. Long-term employee benefits primarily represent employee vacation accruals.

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22. Share capital and share-based payments

a) Share capital

The Company has an unlimited number of common shares, without nominal or par value, authorized for issuance and an unlimited number of preferred shares, without nominal or par value, issuable in series. As of September 30, 2019, there have been no transactions involving preferred shares.

The following table summarizes activity for common shares:

	<u>Common Shares</u>	
	<u>Number of Shares</u>	<u>\$</u>
Balance at December 31, 2017	<u>293,091,028</u>	<u>\$ 1,476,265</u>
Shares issued:		
On exercise of share-based awards (Note 22b)	<u>749,060</u>	<u>1,321</u>
Balance at December 31, 2018	<u>293,840,088</u>	<u>\$ 1,477,586</u>
Shares issued:		
On exercise of share-based awards (Note 22b)	<u>843,002</u>	<u>1,466</u>
Balance at September 30, 2019	<u>294,683,090</u>	<u>\$ 1,479,052</u>

b) Share-based payments

i) Restricted share unit ("RSU") plan

The Company's outstanding RSUs were granted under the 2014 RSU plan or the 2017 RSU plan (collectively, the "Alacer RSU Plans"). The 2014 RSU plan will only remain active until all RSUs granted under the plan are vested or terminated. All new RSUs will be granted under the 2017 RSU plan. Each RSU becomes payable as they vest over their lives (typically at three years), are subject to normal performance criteria, and entitles participants to receive one common share of the Company. Alternatively, the Company, at its discretion, may elect to satisfy all or part of its payment obligation in cash. The Company has never elected to settle in cash. RSUs are treated as equity instruments.

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The following table summarizes activity for the nine-month periods ending September 30, 2019 and 2018:

	2019		2018	
	Number of RSUs	Weighted average price	Number of RSUs	Weighted average price
Outstanding - Beginning of year	2,898,516	\$ 1.72	2,655,853	\$ 1.71
Granted	4,266,618	2.60	1,470,934	1.76
Vested and redeemed	(843,002)	1.74	(749,060)	1.73
Forfeited	(815,920)	1.74	(479,211)	1.73
Outstanding - September 30	5,506,212	\$ 2.40	2,898,516	\$ 1.72

ii) Performance share unit ("PSU") plan

The Company's outstanding PSUs were granted under the 2014 PSU plan or the 2017 PSU plan (collectively, the "Alacer PSU Plans"). The 2014 PSU plan will only remain active until all PSUs granted under the plan are vested or terminated. All new PSUs will be granted under the 2017 PSU plan. Each PSU granted entitles the participant, at the end of the applicable performance period (typically three years), to receive a payment in cash for the equivalent value of one Share provided: (i) the participant continues to be employed or engaged by the Company or any of its affiliates, and (ii) all other terms and conditions of the grant have been satisfied, including the performance metrics associated with each PSU. The grant of a PSU does not entitle the PSU participant to exercise any voting rights, receive any dividends or exercise any other right which attaches to ownership of Shares in the Company. PSUs are treated as liability instruments.

The following table summarizes activity for the nine-month periods ending September 30, 2019 and 2018:

	2019	2018
	Number of PSUs	Number of PSUs
Outstanding - Beginning of year	3,435,797	2,735,089
Granted	1,397,134	1,518,666
Vested and redeemed	(753,248)	(817,958)
Forfeited	(128,623)	-
Outstanding - September 30	3,951,060	3,435,797

iii) Deferred share unit ("DSU") plan

The Company's outstanding DSUs were granted under the 2014 DSU plan or the 2017 DSU plan (collectively, the "Alacer DSU Plans"), which are plans exclusively for directors. The 2014 DSU plan will only remain active until all DSUs granted under the plan are vested or terminated. All new DSUs will be

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granted under the 2017 DSU plan. DSUs are valued based on the share price and settled in cash upon the director's departure from the Company. DSUs are treated as liability instruments.

The following table summarizes activity for the nine-month periods ending September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
	Number of DSUs	Number of DSUs
Outstanding - Beginning of year	878,578	651,020
Granted	175,659	227,558
Vested and redeemed	-	-
Forfeited	-	-
Outstanding - September 30	<u>1,054,237</u>	<u>878,578</u>

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23. Segment information

The Company operates one segment directed towards the acquisition, exploration and production of gold in Turkey. The following table shows the segment net profit (loss) for the nine-month period ended September 30, 2019 and 2018:

	Turkish Business Unit	Corporate and other	Total
<u>For the nine months ended September 30 2019:</u>			
Revenues	\$ 313,721	\$ -	\$ 313,721
Production costs	123,881	-	123,881
Depreciation, depletion, amortization	45,479	1,571	47,050
Gross profit (loss)	144,361	(1,571)	142,790
Exploration and evaluation	3,833	340	4,173
G&A, FX, and other loss (gain)	29,316	7,534	36,850
Share-based employee compensation	(64)	13,421	13,357
Finance costs (income) - net	10,509	(307)	10,202
Share of (income) on investments accounted for using the equity method	(4,778)	-	(4,778)
Income tax expense	18,952	1,064	20,016
Total net profit (loss) and comprehensive profit (loss) for the period	\$ 86,593	\$ (23,623)	\$ 62,970
<u>For the nine months ended September 30 2018:</u>			
Revenues	\$ 124,177	\$ -	\$ 124,177
Production costs	50,264	-	50,264
Depreciation, depletion, amortization	27,678	1,670	29,348
Gross profit (loss)	46,235	(1,670)	44,565
Exploration and evaluation	4,112	204	4,316
G&A, FX, and other loss (gain)	70,440	5,986	76,426
Share-based employee compensation	177	3,068	3,245
Finance (income) - net	(3,466)	(220)	(3,686)
Share of loss on investments accounted for using the equity method	2,522	-	2,522
Income tax (benefit) expense	(18,476)	1,124	(17,352)
Total net profit (loss) and comprehensive profit (loss) for the period	\$ (9,074)	\$ (11,832)	\$ (20,906)

The following table shows the segment assets and liabilities as of September 30, 2019 and December 31, 2018:

	Turkish Business Unit	Corporate and other	Total
<u>As of September 30 2019:</u>			
Current assets *	\$ 274,949	\$ 21,030	\$ 295,979
Non-current assets	1,168,914	31,566	1,200,480
Total assets	\$ 1,443,863	\$ 52,596	\$ 1,496,459
Current liabilities	\$ 118,014	\$ 10,317	\$ 128,331
Non-current liabilities	348,994	11,581	360,575
Total liabilities	\$ 467,008	\$ 21,898	\$ 488,906
<u>As of December 31 2018:</u>			
Current assets *	\$ 193,823	\$ 22,657	\$ 216,480
Non-current assets	1,121,524	20,119	1,141,643
Total assets	\$ 1,315,347	\$ 42,776	\$ 1,358,123
Current liabilities	\$ 114,541	\$ 5,055	\$ 119,596
Non-current liabilities	299,578	3,845	303,423
Total liabilities	\$ 414,119	\$ 8,900	\$ 423,019

* Intercompany investments and receivables have been eliminated.

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24. Related party transactions

In 2016, a subsidiary of the Company entered into a new related party agreement for the construction of the sulfide process plant with an affiliate of our joint venture partner, GAP İNŞAAT YATIRIM VE DIŞ TİCARET A.Ş. ("GAP"). The contract close-out is complete. The total value of transaction spend through September 30, 2019 is \$157 million.

In 2019, a subsidiary of the Company, Anagold, entered into a related party agreement with Kartaltepe Madencilik Sanayi Ticaret Anonim Şirketi, another subsidiary of the Company, to purchase ore from Çakmaktepe for processing at the Çöpler oxide plant. Production from phase one of Çakmaktepe is 80% attributable to Alacer as a commercial arrangement has been entered into whereby the Çöpler operation purchased Çakmaktepe ore, with the cost included in production. Çakmaktepe phase one mining was completed and the total value of transactions through September 30, 2019 was approximately \$24 million.