

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In the following discussion, “McEwen Mining”, the “Company”, “we”, “our”, and “us” refers to McEwen Mining Inc. and as the context requires, its consolidated subsidiaries.

The following discussion updates our plan of operation as of July 31, 2018, for the foreseeable future. It also analyzes our financial condition at June 30, 2018 and compares it to our financial condition at December 31, 2017. Finally, the discussion analyzes our results of operations for the three and six months ended June 30, 2018 and compares those to the results for the three and six months ended June 30, 2017. With regard to properties or projects that are not in production, we provide some details of our plan of operation. We suggest that you read this discussion in conjunction with MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS and our audited consolidated financial statements contained in our annual report on Form 10-K for the year ended December 31, 2017.

The technical contents of this management's discussion and analysis has been reviewed and approved by Nathan M. Stubina, Ph.D., P.Eng., FCIM, Managing Director and a Qualified Person as defined by Canadian Securities Administrator National Instrument 43-101 “Standards of Disclosure for Mineral Projects”.

The discussion also presents certain Non-GAAP financial performance measures, such as earnings from mining operations, total cash costs, total cash cost per ounce, all-in sustaining costs, all-in sustaining cost per ounce, average realized price per ounce, and cash, investments and precious metals, that are important to management in its evaluation of our operating results and which are used by management to compare our performance to what we perceive to be peer group mining companies and relied on as part of management’s decision-making process. Management believes these measures may also be important to investors in evaluating our performance. For a detailed description of each of the Non-GAAP financial performance measures and certain limitations inherent in such measures, please see the discussion under “**Non-GAAP Financial Performance Measures**” below, on page 41.

Reliability of Information: Minera Santa Cruz S.A. (“MSC”), the owner of the San José Mine, is responsible for and has supplied to us all reported results from the San José Mine. The financial and technical information contained herein is, with few exceptions as noted, based entirely on information provided to us by MSC. Our joint venture partner, a subsidiary of Hochschild Mining plc, and its affiliates other than MSC do not accept responsibility for the use of project data or the adequacy or accuracy of this information.

Overview

We were organized under the laws of the State of Colorado on July 24, 1979. Since inception, we have been engaged in the exploration for, development of, production and sale of gold, silver, and copper. Robert R. McEwen, our Chairman and CEO, made his initial investment in the Company in July 2005. We operate in Argentina, Canada and the United States and have projects in Mexico. We own a 49% interest in Minera Santa Cruz S.A. (“MSC”), owner of the producing San José silver-gold mine in Santa Cruz, Argentina, which is operated by the joint venture majority owner, Hochschild Mining plc. We also own and operate the Black Fox gold mine and Complex in Timmins, Ontario, Canada, the formerly operating El Gallo 1 gold mine in Sinaloa, Mexico and are constructing the Gold Bar gold mine in Nevada, USA. Finally, we own the Los Azules copper deposit in San Juan, Argentina, the Fenix gold-silver project in Sinaloa, Mexico, and a portfolio of exploration properties in Argentina, Mexico, Nevada, and Timmins, Ontario in Canada.

In this report, “Au” represents gold; “Ag” represents silver; “oz” represents troy ounce; “gpt” represents grams per metric tonne; “ft.” represents feet; “m” represents meter; “km” represents kilometer; “sq.” represents square; and C\$ refers to Canadian dollars. All of our financial information is reported in United States (U.S.) dollars, unless otherwise noted.

Index to Management’s Discussion and Analysis:

	Page
Operating and Financial Highlights	26
Selected Consolidated Financial and Operating Results	27
Consolidated Financial Performance	28
Results of Consolidated Operations	28
Liquidity and Capital Resources	30
Results of Operations	32
<i>Mexico Segment</i>	32
<i>El Gallo 1</i>	32
<i>Advanced-stage Properties – Project Fenix</i>	34
<i>Canada Segment</i>	35
<i>Black Fox mine</i>	35
<i>Timmins Exploration activities</i>	37
<i>MSC Segment</i>	38
<i>MSC</i>	38
<i>U.S.A Segment</i>	40
Development-stage Property – Gold Bar project	41
<i>Los Azules Segment</i>	41
<i>Los Azules exploration property</i>	41
Non-GAAP Financial Performance Measures	41
Commitments and Contingencies	46
Critical Accounting Policies	47
Forward Looking Statements	47
Risk Factors Impacting Forward-Looking Statements	47

Operating and Financial Highlights

Highlights for the second quarter of 2018 include:

- Construction at Gold Bar continues on schedule; activity during the quarter ended June 30, 2018 focused on finishing civil works related to the heap leach pad, ponds and site infrastructure preparation for major equipment and material deliveries received during the quarter.
- We spent \$9.1 million in exploration activities including: \$5.8 million at Black Fox, \$1.9 million at Los Azules, and \$1.2 million in Nevada.
- We completed mining and crushing activities at El Gallo during the quarter, signaling the end of mining operations at the site.

- We completed a Preliminary Economic Assessment for Project Fenix, formerly El Gallo Silver and surrounding properties, which can potentially result in future production from the El Gallo Complex.
- Our consolidated production was 47,258 gold equivalent ounces, of which 10,808 gold equivalent ounces were produced from El Gallo 1; 14,055 gold equivalent ounces were produced from the Black Fox mine; and 22,395 gold equivalent ounces were produced from the San José mine, on a 49% attributable basis to us.
- Our consolidated gold and silver sales were \$33.8 million, comprised of \$14.4 million from the sale of 11,027 gold equivalent ounces by El Gallo 1, and \$19.4 million from the sale of 15,543 gold equivalent ounces by the Black Fox mine.
- We realized average prices of \$1,304 and \$16.13 per ounce of gold and silver, respectively, sold by El Gallo 1 and \$1,310 per ounce of gold by the Black Fox mine, excluding our stream settlement with regard to production from Black Fox.
- El Gallo 1 realized total cash costs of \$783 and all-in sustaining costs of \$816 per gold equivalent ounce.
- The Black Fox mine realized total cash costs of \$771 and all-in sustaining costs of \$1,056 per gold equivalent ounce.
- The San José mine realized total cash costs of \$806 and all-in sustaining costs of \$1,065 per gold equivalent ounce.
- We reported gross profit of \$9.9 million, and a net loss of \$5.4 million, or \$0.02 per share for the quarter.
- We realized net loss of \$2.3 million from our investment in MSC, and received \$2.4 million in dividends.

As of June 30, 2018, we reported \$34.5 million in cash, investments and precious metals valued at the London P.M. Fix spot price and no short-term bank indebtedness⁽¹⁾.

(1) For a reconciliation of precious metals valued at the London P.M. Fix spot price and cost, please see the discussion under “Non-GAAP Financial Performance Measures” below, on page 41.

Selected Financial and Operating Results

The following table presents selected financial and operating results of our Company for the three and six months ended June 30, 2018 and 2017:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, unless otherwise indicated)			
Gold and silver sales El Gallo 1	\$ 14,381	\$ 15,110	\$ 39,798	\$ 29,943
Gold and silver sales Black Fox mine, including stream	\$ 19,425	\$ —	\$ 35,049	\$ —
Loss on investment in MSC, net of amortization	\$ (2,265)	\$ (263)	\$ (2,477)	\$ (73)
Net loss	\$ (5,380)	\$ (1,712)	\$ (10,591)	\$ (4,728)
Net loss per common share	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Consolidated gold ounces ⁽¹⁾ :				
Produced	37.0	22.2	72.0	42.3
Sold, including stream	38.1	25.3	80.5	47.2
Consolidated silver ounces ⁽¹⁾ :				
Produced	772	780	1,468	1,502
Sold	747	869	1,457	1,568
Consolidated gold equivalent ounces ⁽¹⁾⁽²⁾ :				
Produced	47.3	32.6	91.6	62.3
Sold, including stream	48.1	37.0	99.9	68.1
Silver : gold ratio ⁽²⁾	75 : 1	75 : 1	75 : 1	75 : 1

(1) Includes the portion attributable to us from our 49% interest in the San José mine.

(2) Silver production is presented as a gold equivalent.

Consolidated Performance

During the second quarter of 2018 we reported a net loss of \$5.4 million, or \$0.02 per share, due to our significant exploration activities in Canada, Los Azules and the U.S., coupled with the increase in general and administrative expenses and the net loss reported by MSC. The net loss was partially offset by other income of \$1.2 million mainly attributable to a gain on foreign exchange recorded in the period. In comparison, during the second quarter of 2017, we reported a net loss of \$1.7 million or \$0.01 per share.

During the six months ended June 30, 2018, our net loss was \$10.6 million, or \$0.03 per share, compared to a net loss of \$4.7 million or \$0.02 per share for the same period in 2017. The net loss in 2018 was also driven by the increase in exploration expenditures, general and administrative expenses, the loss reported by MSC in the period, and other expenses recorded from realized and unrealized losses in marketable securities and derivatives recorded in the six months period.

Results of Consolidated Operations

Three months ended June 30, 2018 compared to 2017

Revenue. Consolidated gold and silver sales for the quarter ended June 30, 2018 increased by \$18.7 million to \$33.8 million, from \$15.1 million in 2017, due to \$19.4 million gold sales contributed by the Black Fox mine, acquired in October 2017, coupled with a \$14.4 million gold and silver sales reported by El Gallo 1.

Production costs applicable to sales. Consolidated production costs applicable to sales increased to \$24.3 million in the second quarter of 2018, from \$8.6 million in 2017, due to \$15.4 million production costs attributable to Black Fox mine, which as noted above was acquired in October 2017, and \$0.2 million higher production costs reported by El Gallo 1. The increase in production costs at El Gallo 1 were driven by higher costs associated with demobilizing crushing equipment and the termination of the mining contractor, as a result of concluding mining activities in late June 2018.

Overall, gross profit, defined as revenue less production costs applicable to sales, from the two mines was \$9.9 million for the three months period ended June 30, 2018, and \$6.6 million in the same period of 2017.

Other Operating Expenses

Mine development costs were \$0.7 million for both three months period-ended June 30, 2018 and 2017. In the 2018 period, mine development costs were incurred at the Fenix project in Mexico. Since Gold Bar has SEC Industry Guide 7 compliant reserves, development and construction expenditures were capitalized beginning in November 2017.

Exploration costs in the second quarter of 2018 increased to \$9.1 million from \$3.1 million in the 2017 period. Higher exploration costs were driven by the \$5.8 million incurred in the Timmins region, \$1.2 million in the U.S. and \$1.9 million at the Los Azules project, respectively, partly offset by the decrease in exploration costs incurred in Mexico. Exploration expenses of the Timmins properties in Canada were financed with the sale of flow-through shares in December 2017.

Property holding costs decreased slightly to \$0.2 million in the 2018 period from \$0.4 million in 2017, primarily as a result of timing of land claim payments, coupled with the depreciation of the Mexican peso against the U.S. dollar.

General and administrative expenses increased to \$5.8 million in 2018 from \$4.1 million in 2017, primarily due to higher overhead from the development of Gold Bar and the advancement of Los Azules, partly offset by the devaluation of the Mexican peso against the U.S. dollar in the second quarter of 2018, when compared to 2017.

MSC reported a net loss of \$2.3 million in the second quarter of 2018, compared to net loss of \$0.3 million in the same period of 2017 due to the decrease in net sales from lower number of gold and silver ounces sold, coupled with higher foreign exchange loss and the increase in current and deferred income tax reported in the period; partly offset by the decrease in production costs attributed to sales due to lower ounces sold in the quarter. Please refer to the section *Results of Operations – MSC* below, for further details.

The revision of estimates and accretion of asset retirement obligation increased to \$0.3 million in the 2018 period from \$0.1 million in the 2017 period, as a result of adding the Black Fox and Timmins properties to the existing estimate.

Other income (expenses)

Other income was \$1.2 million in the three months ended June 30, 2018 compared to other income of \$1.1 million in the same period of 2017. The change in other income was mainly driven by fluctuations in foreign exchanges and marketable securities.

Deferred income and mining tax recovery (expense)

Recovery of income taxes was \$2.1 million in the three months ended June 30, 2018, compared to income tax expense of \$0.2 million in 2017. The increase in the income tax recovery was mainly due to foreign currency fluctuations affecting our Argentina peso denominated deferred tax liabilities and the amortization of our flow-through premiums, partially offset by the recognition of a deferred mining tax liability relating to our Black Fox mine.

Six months ended June 30, 2018 compared to 2017

Revenue. Consolidated gold and silver sales for the six months ended June 30, 2018 increased to \$74.8 million, from \$29.9 million in 2017, due to \$35.0 million in gold sales contributed by the Black Fox mine, coupled with a \$9.9 million increase in gold and silver sales at El Gallo 1. The increase in gold and silver sales at El Gallo 1 was due to a higher number of ounces of gold and silver sold in the period from bullion inventory held at year end.

Production costs applicable to sales. Consolidated production costs applicable increased to \$50.7 million in the six months ended June 30, 2018, compared to \$15.5 million in 2017, due to \$28.2 million production costs reported by the Black Fox mine, coupled with \$6.9 million increase in production costs reported by El Gallo 1. The increase in production costs at El Gallo 1 was expected, and consistent with the higher sales volume in the quarter, as well as the cessation of mining activities at the end of the second quarter of 2018.

Overall, gross profit, defined as revenue less production costs applicable to sales, from the two mines was \$24.8 million for the six months period ended June 30, 2018, compared to \$14.4 million for the same period of 2017.

Other Operating Expenses

Mine development costs decreased to \$1.1 million for the six months ended June 30, 2018 from \$1.8 million in the 2017 period, due to the capitalization of the development and construction expenditures at Gold Bar, which now has SEC Industry Guide 7 complaint reserves.

Exploration costs in the period ended June 30, 2018, increased by \$9.1 million to \$20.6 million from \$11.5 million in the 2017 period. The increase is mainly due to a \$10.9 million and \$1.7 million increase in exploration expenditures incurred in the Timmins region and the U.S., respectively; partly offset by a \$2.0 million and \$1.8 million decrease in exploration costs at the Los Azules project and Mexico, respectively.

General and administrative expenses increased to \$10.5 million in 2018 from \$8.4 million in 2017, primarily due to higher overhead from the development of Gold Bar and the advancement of Los Azules, partly offset by the devaluation of the Mexican peso against the U.S. dollar, when compared to 2017.

For the six months ended June 30, 2018, we recognized a net loss of \$2.5 million from our investment in MSC, compared to a net loss of \$0.1 million in the same period in 2017, due to the decrease in net sales from lower number of gold and silver ounces sold, coupled with higher foreign exchange loss and the increase in deferred income tax expenses reported in the period, partly offset by the decrease in production costs attributed to sales due to lower ounces sold during the six months period of 2018, when compared to 2017. Please refer to the section *Results of Operations – MSC* below, for further details.

The revision of estimates and accretion of asset retirement obligations increased to \$0.6 million in the 2018 period, from \$0.2 million in 2017, as a result of adding the Black Fox and Timmins properties to the existing estimate.

Other (expenses) income

Other expense was \$0.7 million in the six months ended June 30, 2018, compared to other income of \$2.8 in the same period of 2017. The increase in other expense was mainly due to a \$1.6 million unrealized fair value loss on marketable equity securities, coupled with a \$0.8 million loss on sale of marketable securities, partly offset by a \$1.3 million increase in foreign exchange gain reported in 2018.

Deferred income and mining tax recovery (expense)

Recovery of income tax increased to \$3.3 million in the six months ended June 30, 2018, from \$2.5 million recovered in 2017. The increase was mainly due to foreign currency fluctuations affecting our Argentina peso denominated deferred tax liabilities and the amortization of our flow-through premiums; partially offset by the recognition of deferred mining taxes payable relating to our Black Fox mine.

Liquidity and Capital Resources

At June 30, 2018, we had working capital of \$19.2 million, consisting of \$58.2 million of current assets and \$39.0 million of current liabilities, compared to \$49.2 million working capital reported at year-end 2017. Included in current assets is \$3.6 million of restricted cash, which represents funds committed to the exploration program in Ontario, from our flow-through financing. The \$30.0 million decrease in working capital from December 31, 2017 to June 30, 2018 was the net result of the construction costs incurred at Gold Bar, coupled with increased exploration costs mainly from the Black Fox program, partly offset by cash generated from our operating activities, dividends received from MSC and VAT collections in Mexico. Overall, our cash balance (including restricted cash) decreased to \$19.6 million in 2018, from \$37.2 million in December 2017.

We believe that our working capital at June 30, 2018, combined with forecasted working capital to be generated over the next 12 months, will be sufficient to satisfy our non-discretionary obligations due in the next 12 months, including certain near-term committed amounts related to Gold Bar construction. However, we require additional funding in order to complete the construction and commissioning of the Gold Bar mine and are evaluating financing options for that purpose.

On May 31, 2018, we executed a non-binding term sheet with an unrelated third party to issue \$50 million in senior secured notes. This funding is expected to provide the working capital necessary to complete the construction and commissioning of the Gold Bar mine. If issued, the notes would bear interest at 9.75% per year and be due three years from the date of issue. Proceeds would be used to fund construction activities at Gold Bar and for general corporate purposes. In connection with the non-binding term sheet our Chairman, Chief Executive Officer and the beneficial owner of 24% of our outstanding common stock would be the purchaser of 50% of those notes. Closing of the transaction is contingent on execution of a definitive agreement and continuing diligence, as well as customary closing conditions.

In addition to constructing the Gold Bar mine, the Company continues to evaluate capital and development expenditure requirements to advance Los Azules, Black Fox, our other Timmins projects, and Mexican projects. If our working capital is not sufficient to advance these projects, the Company will defer these initiatives. Furthermore, if we make a positive decision to develop one or more of these initiatives, the expenditures incurred may significantly exceed our working capital. In such case, we would consider several financing methods, which may include incurring debt, issuing additional equity, equipment leasing, and other forms of financing.

Net cash provided by operations was \$0.6 million for the six months ended June 30, 2018, compared to net cash used of \$16.6 million in the same period of 2017. The significant changes period-to-period are summarized as follows:

- \$75.0 million cash received from gold and silver sales in 2018, compared to \$29.9 million in 2017, resulting from increased sales from the recently acquired Black Fox mine and a higher number of ounces sold during 2018 by El Gallo 1;
- \$2.9 million VAT collected in Mexico in the six months ended June 30, 2018, compared to \$0.4 million in the same period of 2017; and

- \$75.0 million cash paid to suppliers and employees in 2018, compared to \$46.6 million in 2017, due to significantly higher production, construction, exploration and other expenses.

Cash used in investing activities increased to \$17.0 million for the six months ending June 30, 2018, from \$5.3 million provided by investing activities in 2017, due to.

- \$7.3 million expenditures on mineral property interests primarily related to underground development at the Black Fox complex, compared to \$nil in 2017;
- \$20.1 million expenditures on property and equipment, mostly at the Gold Bar project, compared to \$0.9 million in 2017;
- \$7.2 million dividend received from MSC in 2018, compared to \$4.9 million in 2017; and
- \$3.7 million proceeds from sale of marketable securities during the six months ended June 30, 2018, compared to \$2.2 million in 2017.

We used \$1.6 million in financing activities in 2018, compared to \$1.5 million used in 2017, primarily as a result of the shareholders' distribution.

Results of Operations — Mexico Segment

The Mexico Segment includes El Gallo 1 and the advanced-stage Fenix project, located in Sinaloa.

El Gallo 1

El Gallo 1 is a mature operation, of which we have mined and depleted various pits during its operating life, which lately included sections of higher waste to ore stripping ratios, deeper ore and sulfide transitional deposits typical of late stage operations. Mining operations from the existing open pits ceased in May 2018, while crushing and processing activities ended during late June 2018. Current activities are limited to closure, and reclamation, which includes residual leaching activities that will continue until 2020.

Overview

The following table outlines production totals, sales totals, total cash costs, and all-in sustaining cash costs (on a gold equivalent basis) for El Gallo 1 for the three and six month periods ended June 30, 2018 and 2017:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, unless otherwise indicated)			
Tonnes of mineralized material mined	374	394	823	619
Average grade gold (gpt)	1.24	1.28	1.43	1.26
Tonnes of mineralized material processed	547	316	830	625
Average grade gold (gpt)	1.51	1.61	1.51	1.44
Gold ounces:				
Produced	10.8	9.7	23.0	19.4
Sold	11.0	12.0	30.0	24.0
Silver ounces:				
Produced	2.2	5.0	5.2	10.8
Sold	2.0	5.0	8.7	16.0
Gold equivalent ounces ⁽¹⁾ :				
Produced	10.8	9.8	23.0	19.6
Sold	11.0	12.0	30.1	24.2
Net sales	\$ 14,381	\$ 15,110	\$ 39,798	\$ 29,943
Average realized price (\$/ounce) ⁽²⁾ :				
Gold	\$ 1,304	\$ 1,257	\$ 1,322	\$ 1,239
Silver	\$ 16.13	\$ 17.20	\$ 16.59	\$ 17.44
London average price (\$/ounce):				
P.M. Fix Gold	\$ 1,306	\$ 1,257	\$ 1,318	\$ 1,238
Fix Silver	\$ 16.54	\$ 17.15	\$ 16.66	\$ 17.30
Silver : gold ratio ⁽¹⁾	75 : 1	75 : 1	75 : 1	75 : 1

(1) Silver production is presented as a gold equivalent.

(2) Average realized price is a non-GAAP financial performance measure with no standardized definition under U.S. GAAP. See “Non-GAAP Financial Performance Measures”, on page 41 for additional information, including definitions of this term.

Tonnes mined represent tonnes of mineralized material extracted, while tonnes processed represent tonnes of mineralized material crushed and placed on the leach pads. The difference between tonnes mined of 822,805 and tonnes processed of 830,267 for the six months ended June 30, 2018, corresponds to mineralized material taken from the stockpiled inventory. Due to long process cycles, actual recoveries from the heap are difficult to measure and may fluctuate significantly based on the timing, quantity and metallurgical attributes of new mineralized material placed on the leach pads, among other variables. The cumulative recovery rate realized for gold production from September 1, 2012 (start of production at El Gallo 1) to June 30, 2018 is estimated at 57% (June 30, 2017 – 61%).

Gold and silver production

- Production for the quarter ended June 30, 2018 increased to 10,808 gold equivalent ounces, from 9,780 gold equivalent ounces in the comparable period in 2017, as a result of the larger number of tonnes placed on the leach pads during the period, partly offset by lower average grades obtained when compared to the three months ended June 30, 2017.
- For the six months period ended June 30, 2018, production increased to 23,025 gold equivalent ounces from 19,588 ounces in the comparable period of 2017, due to a larger number of tonnes of mineral processed, coupled with higher average grades, when compared to the 2017 period. However, production is expected to decrease towards the second half of 2018 as a result of the completion of mining and crushing activities in the second quarter, and the transition to residual leaching.
- Average grades of mineralized material processed in the second quarter of 2018 were 1.51 g/t compared to 1.61 g/t in the same period of 2017. The decrease in average grades was due to lower average grades obtained from the Central pit, which had not been anticipated from the block model.

Gold and silver sales

- Revenue from sale of gold and silver at El Gallo 1 decreased to \$14.4 million in the second quarter of 2018, compared to \$15.1 million for the same period in 2017, due to the net result of a 8% decrease in the number of gold equivalent ounces sold partly offset by a 4% increase in average prices of gold realized in the period.
- For the six months ended June 30, 2018, revenue from sale of gold and silver at El Gallo 1 increased by 33% to \$39.8 million, from \$29.9 million in the same period of 2017, due to a 25% increase in gold equivalent ounces sold in 2018, coupled with a 7% increase in average realized prices of gold, when compared to 2017.

Total Cash Costs and All-In Sustaining Costs

The following table summarizes of our total cash cost, cash cost per ounce, all-in sustaining costs and all-in sustaining costs per ounce of gold equivalent at El Gallo 1:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, unless otherwise stated)			
El Gallo 1				
Total cash costs ⁽¹⁾	\$ 8,634	\$ 8,489	\$ 21,806	\$ 15,335
Total cash cost per gold equivalent ounce sold (\$/ounce) ⁽¹⁾⁽²⁾	\$ 783	\$ 706	\$ 724	\$ 635
All-in sustaining costs ⁽¹⁾	\$ 8,999	\$ 10,128	\$ 23,364	\$ 18,240
All-in sustaining cost per gold equivalent ounce sold (\$/ounce) ⁽¹⁾⁽²⁾	\$ 816	\$ 843	\$ 776	\$ 755
Silver : gold ratio ⁽²⁾	75 : 1	75 : 1	75 : 1	75 : 1

(1) Total cash cost, total cash cost per ounce, all-in sustaining costs, and all-in sustaining costs per ounce are non-GAAP financial performance measures with no standardized definition under U.S. GAAP. See “Non-GAAP Financial Performance Measures” on page 41 for additional information, including definitions of this term.

(2) Silver production presented as a gold equivalent. Gold equivalent ounces calculations are based on prevailing spot prices at the beginning of the year.

Total cash costs per gold equivalent ounce for El Gallo 1 for the quarter ended June 30, 2018 was \$783 compared to \$706 for the same period in 2017. On an aggregate basis, total cash costs at El Gallo 1 increased to \$8.6 million in the three months ended June 30, 2018, from \$8.5 million in the 2017 period. Total cash costs increased in the period due to additional costs associated with the demobilization of crushing equipment and termination of the mining contractor, in connection with the cessation of mining activities, along with the higher number of tonnes processed, partially offset by fewer ounces sold when compared to the prior period.

Total cash costs per gold equivalent ounce for El Gallo 1 for the six months ended June 30, 2018, were \$724 compared to \$635 for the six months period for 2017. On an aggregate basis, total cash costs at El Gallo 1 increased to \$21.8 million in the six months ended June 30, 2018, from \$15.3 million in the same period in 2017. The increase in 2018 is primarily due to higher ounces sold, higher production costs caused by the operational delays that occurred in the first quarter, coupled with additional costs from the termination of mining and crushing activities by June 30, 2018, noted above, compared to the same period of 2017.

All-in sustaining costs for the quarter ended June 30, 2018 were \$816 per gold equivalent ounce, compared to \$843 per gold equivalent ounce in the same period in 2017. On an aggregate basis, all-in sustaining costs decreased to \$9.0 million for the three month period ended June 30, 2018 from \$10.1 million in the 2017 period. All-in sustaining costs in the second quarter of 2018 decreased due to lower exploration and capital expenditures resulting from the end of mining activities in the second quarter of 2018, which were partly offset by the increase in production costs noted above.

During the six months ended June 30, 2018, El Gallo 1 reported all-in sustaining costs of \$776 per gold equivalent ounce, compared to \$755 in the same period of 2017. Aggregate all-in sustaining costs from El Gallo 1 for the six months period in 2018 also increased, to \$23.4 million from \$18.2 million in 2017, due to the increase in production costs noted above, partly offset by the decrease in exploration and capital expenditures incurred as previously mentioned.

Overall, we expect total cash costs and all-in sustaining costs to decrease from the amounts reported in the three and six months ended June 30, 2018, as a result of the termination of mining and crushing activities, and the continuation of the residual leaching, as planned.

Advanced-stage Properties –Fenix Project

On May 25, 2018, we announced the results of a new Preliminary Economic Assessment (PEA) study evaluating the potential production from the El Gallo Complex in Sinaloa, Mexico. The proposed redevelopment plan evaluated in the PEA has been named the Fenix Project.

During the three and six months ended June 30, 2018, we spent \$0.7 million and \$1.1 million respectively, on activities required for the completion of the Fenix Project's PEA. For the second half of 2018, we have estimated \$1.9 million to be incurred at the Fenix Project, including environmental permitting, exploration drilling, geotechnical studies, and metallurgic activities, among others.

Results of Operations — Canada Segment

The Canada segment is composed of the recently-acquired Black Fox Complex, which consists of the fully operational Black Fox gold mine, the Black Fox-Stock mill, and the Grey Fox and Froome advanced-stage exploration projects, and other gold exploration properties located in Timmins, Ontario, Canada.

Black Fox mine

The following table sets out production and sales totals for the Black Fox mine for the three and six months ended June 30, 2018. Since the mine was acquired in October 2017, no data for comparable periods is available:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, unless otherwise indicated)			
Tonnes of mineralized material mined	67	—	134	—
Average grade gold (gpt)	5.03	—	7.60	—
Tonnes of mineralized material processed	64	—	138	—
Average grade gold (gpt)	5.75	—	5.82	—
Gold ounces:				
Produced	14.0	—	26.1	—
Sold, excluding stream	14.3	—	25.6	—
Sold, stream	1.2	—	2.3	—
Sold, including stream	15.5	—	28.0	—
Silver ounces:				
Produced	1.0	—	1.6	—
Sold	—	—	—	—
Gold equivalent ounces ⁽¹⁾ :				
Produced	14.1	—	26.1	—
Sold, excluding stream	14.3	—	25.6	—
Sold, including stream	15.5	—	28.0	—
Net sales, excluding stream	\$ 18,765	\$ —	\$ 33,787	\$ —
Net sales, stream	\$ 660	\$ —	\$ 1,263	\$ —
Net sales, including stream	\$ 19,425	\$ —	\$ 35,049	\$ —
Average realized price (\$/ounce) ⁽²⁾ :				
Gold, excluding stream	\$ 1,310	\$ —	\$ 1,319	\$ —
Gold, stream	\$ 540	\$ —	\$ 538	\$ —
Gold, including stream	\$ 1,250	\$ —	\$ 1,253	\$ —
Silver	\$ —	\$ —	\$ —	\$ —
London average price (\$/ounce):				
P.M. Fix Gold	\$ 1,306	\$ 1,257	\$ 1,318	\$ 1,238
Fix Silver	\$ 16.54	\$ 17.15	\$ 16.66	\$ 17.30
Silver : gold ratio ⁽¹⁾	75 : 1	75 : 1	75 : 1	75 : 1

(1) Silver production is presented as a gold equivalent.

(2) Average realized price is a non-GAAP financial performance measures with no standardized definition under U.S. GAAP. See “Non-GAAP Financial Performance Measures”, on page 41 for additional information, including definitions of these terms.

Gold sales

- Revenue from the sale of gold by the Black Fox mine was \$19.4 million as a result of the sale of 15,543 ounces of gold during the quarter. The average realized price of gold was \$1,250 per ounce including sales under the stream agreement, or \$1,310 per ounce excluding sales under the stream agreement, which compare to the London P.M. Fix Gold average of \$1,306 noted during the second quarter of 2018.
- Revenue from the sale of gold by the Black Fox mine was \$35.0 million as a result of the sale of 27,966 ounces of gold during the six months ended June 30, 2018. The average realized price of gold was \$1,253 per ounce including sales under the stream agreement, or \$1,318 per ounce excluding sales under the stream agreement,

which compare to the London P.M. Fix Gold average of \$1,318 noted during the six months ended June 30, 2018. Per a contract, which we assumed in connection of the acquisition of the Black Fox property, we are required to sell a minor portion of our production to a third party at a price of \$538 per ounce. Refer to note 14 to the Consolidated Financial Statements, *Commitments and Contingencies*.

Total Cash Costs and All-In Sustaining Costs

The following table presents a summary of our total cash cost, cash cost per ounce, all-in sustaining costs and all-in sustaining costs per ounce of gold equivalent at the Black Fox mine:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, unless otherwise stated)			
Total cash costs ⁽¹⁾	\$ 11,981	\$ —	\$ 22,532	\$ —
Total cash cost per gold equivalent ounce sold (\$/ounce) ⁽¹⁾⁽²⁾	\$ 771	\$ —	\$ 806	\$ —
All-in sustaining costs ⁽¹⁾	\$ 16,419	\$ —	\$ 31,173	\$ —
All-in sustaining cost per gold equivalent ounce sold (\$/ounce) ⁽¹⁾⁽²⁾	\$ 1,056	\$ —	\$ 1,115	\$ —
Silver : gold ratio ⁽²⁾	75 : 1	75 : 1	75 : 1	75 : 1

- (1) Total cash costs, total cash cost per ounce, all-in sustaining costs, and all-in sustaining costs per ounce are non-GAAP financial performance measures with no standardized definition under U.S. GAAP. See “Non-GAAP Financial Performance Measures” on page 41 for additional information, including definitions of these terms.
- (2) Silver production is presented as a gold equivalent. Gold equivalent ounces calculations are based on prevailing spot prices at the beginning of the year.

Total cash costs per gold equivalent ounce for the quarter ended June 30, 2018 was \$771. On an aggregate basis, total cash cost recorded by the Black Fox mine was \$12.0 million and mostly comprised underground mining costs and milling expenditures incurred in the quarter.

Total cash costs per gold equivalent ounce for the six months ended June 30, 2018 was \$806. On an aggregate basis, total cash cost recorded by the Black Fox mine was \$22.5 million and mostly comprised underground mining costs and milling expenditures incurred in the six months period.

Overall, total cash costs were lower than guidance for the three and six months ended June 30, 2018, due to operational improvements including power savings, increase in mill recoveries, and higher equipment efficiencies than planned, coupled with lower haulage costs incurred during the quarter since the extraction focused on the upper parts of the mine. These lower production costs were partly offset by higher haulage costs associated to the higher number of tonnes mined, and higher general and administrative costs incurred in the period.

During the three months ended June 30, 2018, the Black Fox mine reported all-in sustaining costs of \$1,056 per gold equivalent ounce. Further, the aggregate all-in sustaining cost recorded in the period was \$16.4 million, which in addition to cash costs included \$3.1 million for underground mine development, \$1.0 million for exploration and study costs and capitalized exploration, and \$0.3 million in capital expenditures incurred during the three months ended June 30, 2018. All in sustaining costs were consistent with the expectation for the second quarter of 2018.

During the six months ended June 30, 2018, the Black Fox mine reported all-in sustaining costs of \$1,115 per gold equivalent ounce. Further the aggregate all-in sustaining cost recorded in the period was \$31.2 million, which in addition to cash costs included \$6.7 million for underground mine development, \$1.3 million for exploration and study costs and capitalized exploration, and \$0.4 million in capital expenditures incurred during the six months ended June 30, 2018.

Overall, all-in sustaining costs were lower than guidance for the three and six months ended June 30, 2018, due to lower cash costs noted above, coupled with lower capital expenditures incurred in the period due to the delay of some capital projects, which are partly offset by higher development costs as meters developed are ahead of schedule.

For 2018, we have budgeted a total of \$18.4 million for sustaining and capital expenditure activities at the Black Fox mine, of which we spent \$7.6 million during the first half of 2018.

Exploration Activities – Timmins

Black Fox mine and advanced-stage explorations projects

Our primary exploration goals are to grow known deposits and make new discoveries to contribute to near to mid-term gold production. During the second quarter, a total of \$5.8 million were spent on surface exploration drilling, for a year-to-date total exploration expense of \$11.0 million.

Drilling at Froome during the second quarter identified a mineralised structure in the footwall, approximately 150 meters north of the main Froome deposit. The gold-bearing trend hosts clusters of positive drill intersections at Froome North West, North and Southeast. In addition, new drill intersections at depth of the Froome deposit suggest there is potential for incremental resource expansion. Drilling will continue in third quarter to confirm and extend mineralization and define potential ounces to the main Froome deposit.

Drilling conducted at Gibson during the three months ended June 30, 2018 focused on identifying strike and down dip extensions and confirming the orientation of the mineralization within the Gibson NW and Gibson Main zones. Significant new results, combined with historical drill intersections, indicate the Gibson Main shoot has a strike length of at least 100 meters and extends from near surface to a depth of approximately 400 meters. This new intersection from the Gibson Main zone suggest the potential for extension of the shoot to a depth of approximately 500 meters below surface. Drilling will continue in the third quarter to further assess the depth extension of the Gibson Mineralized Zone.

Throughout the second quarter, a significant portion of the underground drilling at Black Fox was dedicated to confirming and expanding known mineralized trends that are located close to current workings and could be brought quickly into production. Infill drilling targeting the 780 to 820-meter level of the Deep Central Zone (DCZ) was designed to aid in future development and production planning and has returned high grade intercepts, re-asserting the high-grade nature and continuity of the Deep Central Zone at depth.

Underground mining and exploration efforts in third quarter will be dedicated to the conversion of ounces from the resource to reserve category, and to the development of an exploration drift to provide a drilling platform to target Black Fox at depth. The exploration drift greatly reduces the length of holes, compared to drilling from surface, and provides a much better drilling angle to help transition through the adverse ground conditions.

A new technical report and resource/reserve estimates for the Black Fox Complex was published on April 6, 2018. In addition, an updated mineral resource estimate for the Tamarack gold and base metal deposit was published on May 24, 2018. The updated resource estimate for Tamarack is the result of 46 new surface and underground exploration, delineation, and definition drill holes completed between October 2017 and April 2018, and already existing base metal assays not considered in previous estimates. The complete reports are available on our website at www.mcewenmining.com.

Drilling to date at our Stock property has identified a zone of gold mineralisation at Stock East with a strike length of approximately 500 meters that extends from surface to a depth of at least 450 meters. Results from the core re-sampling program (20 holes) have shown that the re-assays are comparable with the historical grades. Statistical analysis of the data including a 2 sample t-test indicate that the difference between the original grades and re-assays is close to zero. However, most of the re-sampling was completed on the core from the low-grade intersections of the historical holes, as the core from higher-grade historical intersections were mostly unavailable for re-sampling.

Timmins Properties

On April 26, 2017, we completed the acquisition of Lexam. With this strategic acquisition, we added several assets including the Fuller, Davidson-Tisdale, Buffalo Ankerite, and Paymaster projects, bringing the potential for development expansion through exploration. Trade-off studies and evaluation work on the properties are currently in progress. During the second quarter of 2018 we spent \$0.1 million in exploration activities at the Timmins properties.

The total exploration budget for 2018 at the Black Fox mine and advanced-stage exploration projects and the Timmins properties is \$16.2 million, from which we have spent \$11.0 million during the first half of 2018.

Results of Operations—MSC Segment

The MSC segment is composed of the San José mine, located in Argentina.

MSC (on a 100% basis)

The following table presents production totals, sales totals, total cash costs and all-in sustaining costs (on a co-product and gold equivalent basis) for the San José mine for the three and six month periods ended June 30, 2018 and 2017, presented on a 100% basis. Also, included at the bottom of the table are certain production figures on a 49% attributable basis, representing our interest.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
(in thousands, except otherwise stated)				
San José Mine—100% basis				
Tonnes of ore mined	135	132	247	240
Average grade (gpt):				
Gold	7.1	6.8	7.1	6.8
Silver	484	444	479	470
Tonnes of ore processed	142	135	264	250
Average grade (gpt):				
Gold	6.3	6.7	6.3	6.6
Silver	400	418	407	436
Average recovery (%):				
Gold	86.4	87.5	87.5	87.8
Silver	85.8	86.8	86.8	88.6
Gold ounces:				
Produced	24.8	25.5	46.9	46.6
Sold	23.7	27.4	46.0	47.4
Silver ounces:				
Produced	1,570	1,581	2,982	3,044
Sold	1,521	1,763	2,955	3,168
Gold equivalent ounces ⁽¹⁾ :				
Produced	45.7	46.5	86.6	87.2
Sold	43.9	50.9	85.4	89.7
Net sales	\$ 52,272	\$ 60,835	\$ 102,934	\$ 109,178
Gross average realized price (\$/ounce) ⁽²⁾ :				
Gold	\$ 1,230	\$ 1,244	\$ 1,281	\$ 1,248
Silver	\$ 16.32	\$ 16.38	\$ 16.09	\$ 17.18
London average price (\$/ounce):				
P.M. Fix Gold	\$ 1,306	\$ 1,257	\$ 1,318	\$ 1,238
Fix Silver	\$ 16.54	\$ 17.15	\$ 16.66	\$ 17.30
Silver : gold ratio ⁽¹⁾	75 : 1	75 : 1	75 : 1	75 : 1
McEwen Mining—49% basis				
Ounces produced:				
Gold	12.1	12.5	23.0	22.8
Silver	769	775	1,461	1,491
Gold equivalent ⁽¹⁾	22.4	22.8	42.4	42.7

(1) Silver production is presented as a gold equivalent.

(2) Average realized price is a non-GAAP financial performance measures with no standardized definition under U.S. GAAP. See “Non-GAAP Financial Performance Measures”, on page 41 for additional information, including definitions of these terms.

Gold and silver production

- Gold production at the San José mine for the three months ended June 30, 2018 decreased by 3% from 25,463 ounces in 2017 to 24,774 ounces in 2018, while silver production decreased by 1% from 1,580,654 ounces in 2017 to 1,569,790 ounces in 2018. For the six months ended June 30, 2018, gold production increased by 1% from 46,618 ounces in 2017 to 46,859 ounces in 2018, while silver production decreased by 2% from 3,043,865 ounces in 2017 to 2,982,140 ounces. Using a silver to gold ratio of 75:1, the San José mine produced 45,705 and 86,621 gold equivalent ounces in the three and six months ended June 30, 2018, compared to 46,538 and 87,202 gold equivalent ounces in the same period of 2017.

- The slight decrease in the number of ounces of gold and silver produced during three months ended June 30, 2018 was due to the 6% and 4% decrease in average grades of gold and silver processed in the second quarter, partially offset by a 5% increase in the number of tonnes processed during that time. The decrease in the number of ounces of gold and silver produced during the six months ended June 30, 2018 was also due to 5% and 7% decrease in average grades of gold and silver processed, partly offset by a 6% increase in the number of tonnes processed in that period.

Gold and silver sales

- For the three months ended June 30, 2018, net sales decreased by 14% to \$52.3 million from \$60.8 million for the same period in 2017, due to a 14% lower number of gold and silver ounces sold in the quarter of 2018, coupled with a 1% decrease in the average realized price of gold; with no variance in the average realized price of silver, during the 2018 period.
- For the six months ended June 30, 2018, net sales decreased by 6% to \$102.9 million from \$109.2 million as a result of a 3% and 7% decrease in the number of ounces of gold and silver sold in the six month period of 2018, respectively, coupled with a 6% decrease in the average realized price of silver; partly offset by a 3% increase in average realized prices of gold, during the period.
- The number of ounces of gold and silver sold decreased 14% in the three months ended June 30, 2018, from 27,409 ounces of gold and 1,763,050 ounces of silver in 2017 to 23,660 ounces and 1,520,793 ounces in 2018. Sales of gold and silver decreased 3% and 7% respectively for the six months ended June 30, 2018, from 47,432 ounces of gold and 3,167,833 ounces of silver in 2017 to 45,996 ounces of gold and 2,954,735 ounces of silver in 2018. The higher number of gold and silver ounces sold increased in the second quarter of 2017 as a result of the resolution of port delays that caused March 2017 doré shipments to be shipped in April 2017.

The difference between the average gross realized sale price per ounce of gold and silver sold by MSC and the average London fix prices noted above is due to adjustments of certain provisionally priced shipments of concentrates.

Total Cash Costs and All-In Sustaining Costs

The following table presents a summary of the total cash cost, cash cost per ounce, all-in sustaining costs and all-in sustaining costs per ounce of gold equivalent at the San José mine, on a 100% and 49% basis:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
(in thousands, unless otherwise indicated)				
San José mine - 100% basis				
Total cash costs ⁽¹⁾	\$ 35,402	\$ 46,874	\$ 74,123	\$ 82,344
All-in sustaining costs ⁽¹⁾	46,808	56,115	94,411	101,269
San José mine - 49% basis				
Total cash costs ⁽¹⁾	\$ 17,347	\$ 22,968	\$ 36,321	\$ 40,349
Total cash costs per ounce sold (\$/ounce) ⁽¹⁾ :				
Gold	\$ 815	\$ 934	\$ 901	\$ 914
Silver	\$ 10.59	\$ 12.07	\$ 11.06	\$ 12.31
Gold equivalent ⁽²⁾	\$ 806	\$ 921	\$ 868	\$ 918
All-in sustaining costs ⁽¹⁾	\$ 22,936	\$ 27,496	\$ 46,262	\$ 49,622
All-in sustaining costs per ounce sold (\$/ounce) ⁽¹⁾ :				
Gold	\$ 1,137	\$ 1,118	\$ 1,186	\$ 1,124
Silver	\$ 14.78	\$ 14.45	\$ 14.56	\$ 15.14
Gold equivalent ⁽²⁾	\$ 1,065	\$ 1,102	\$ 1,106	\$ 1,129
Silver : gold ratio ⁽²⁾	75 : 1	75 : 1	75 : 1	75 : 1

(1) Total cash costs, total cash cost per ounce, all-in sustaining costs, and all-in sustaining costs per ounce are non-GAAP financial

performance measures with no standardized definition under U.S. GAAP. See “Non-GAAP Financial Performance Measures” on page 41 for additional information, including definitions of these terms.

- (2) Silver production is presented as a gold equivalent. Gold equivalent ounces calculations are based on prevailing spot prices at the beginning of the year.

On a 100% basis, total cash costs per gold equivalent ounce sold by MSC in the second quarter of 2018 decreased by 12% to \$806 from \$921 in the same period of 2017. On an aggregate basis, total cash costs also decreased to \$35.4 million in 2018 from \$46.9 million in the second quarter of 2017. Total cash costs decreased due to lower commercial discounts, refining, smelting and transportation costs and general and administrative expenses, coupled with the lower number of gold equivalent ounces sold in the 2018 period, compared to 2017. The decrease in total cash costs was also the result of the strong devaluation of the Argentina peso against the U.S. dollar, which was partly offset by the increase in inflation during the quarter.

For the six months ended June 30, 2018, on a 100% basis, total cash costs per gold equivalent ounce sold by MSC decreased by 5% to \$868 from \$918 in the six months period of 2017. On an aggregate basis, total cash costs decreased by 10% to \$74.1 million in the six months ended June 30, 2018, from \$82.3 million during the six months period in 2017. The decrease in total cash costs was due to lower commercial discounts, refining, smelting and transportation costs and general and administrative expenses, coupled with the lower number of gold equivalent ounces sold. In addition, during the six months of 2018, MSC sold a fewer number of gold equivalent ounces, which also contributed to the decrease in cost, when compared to 2017.

For the quarter ended June 30, 2018, on a per ounce basis, all-in sustaining costs decreased 3% to \$1,065 per gold equivalent ounce in the 2018 period, compared to \$1,102 per gold equivalent ounce in the same period in 2017, based on a silver to gold ratio of 75:1 for both periods. On an aggregate basis, all-in sustaining costs decreased 17% from \$56.1 million to \$46.8 million, due to lower production costs outlined above, and exploration expenses, which were partly offset by the increase in capital expenditures and underground mine development expenses incurred in the quarter. The net impact of the strong devaluation of the Argentina peso against the U.S. dollar, offset by the high inflation noted in the period also contributed to the decrease in all-in sustaining costs.

For the six months ended June 30, 2018, on a per ounce basis, all-in sustaining costs also decreased to \$1,106 per gold equivalent ounce, compared to \$1,129 per gold equivalent ounce in the same period in 2017. On an aggregate basis, all-in sustaining costs decreased from \$101.3 million to \$94.4 million on 2018, due to lower exploration and capital expenditures, coupled with the lower number of ounces sold in 2018, compared to the 2017 period.

MSC Dividend Distribution (49%)

During the three and six months ended June 30, 2018, we received \$2.4 million and \$7.3 million in dividends from MSC, compared to \$2.4 million and \$4.9 million in dividends received during the same period in 2017.

For more details on our Investment in MSC, refer to Note 5 to the Consolidated Financial Statements, *Investment in Minera Santa Cruz S.A. (“MSC”) — San José mine*.

Results of Operations – U.S.A. Segment

The U.S.A. segment is comprised of the Gold Bar project (“Gold Bar”), a development-stage property located in Nevada, U.S., and other early stage exploration properties. During the three and six months ended June 30, 2018, we spent \$1.2 million and \$3.2 million on mine site exploration activities at Gold Bar including drilling, field mapping and other geochemical reconnaissance work. These compare to the \$0.4 million and \$0.9 million spent in the three and six months period of 2017.

Development-stage Property – Gold Bar

Gold Bar is located primarily on public lands managed by the Bureau of Land Management (“BLM”). The Company received the signed Record of Decision (“ROD”) on the final Gold Bar EIS on November 8, 2017. Construction at Gold Bar began immediately and is on schedule for year-end completion, with production expected in the first quarter of 2019.

Construction activities at Gold Bar during the three months ended June 30, 2018 focused on the heap leach pad, installation of the crushing and process facility, as well as site wide electrical and water utilities. All major equipment and bulk materials are either on site or purchased. Engineering for the project is complete and approximately 90% of contracts are awarded. Construction is advancing on schedule for completion by the end of 2018, targeting commercial production in first quarter of 2019. Year to date, we have capitalized to construction in progress \$18.2 million and \$27.0 million for the three and six months ended June 30, 2018, respectively. Cumulative to date we have capitalized \$33.0 million of construction costs. During the first three years of operation beginning in 2019, Gold Bar is projected to produce approximately 55,000, 74,000 and 68,000 ounces of gold respectively.

An updated Feasibility Study (“FS”) was completed during the quarter and announced on February 15, 2018. The complete FS is available electronically at our website at www.mcewenmining.com.

Results of Operations—Los Azules Segment

During the third quarter of 2017, we completed a Preliminary Economic Assessment (“PEA”) for our Los Azules project, results of which were announced on September 7, 2017. The complete PEA is available electronically at our website at www.mcewenmining.com.

For the 2017-2018 exploration season at Los Azules, we have budgeted \$6.7 million, of which we spent \$5.9 million during the second quarter of 2018. The activities performed were mainly technical site investigations and environmental base line monitoring work, to advance permitting efforts.

Non-GAAP Financial Performance Measures

In this report, we have provided information prepared or calculated according to U.S. GAAP, as well as some non-U.S. GAAP financial performance measures. Because the non-GAAP performance measures do not have any standardized meaning prescribed by U.S. GAAP, they may not be comparable to similar measures presented by other companies. These measures should not be considered in isolation or as substitutes for measures of performance prepared in accordance with GAAP. There are limitations associated with the use of such non-GAAP measures. Since these measures do not incorporate revenues, changes in working capital and non-operating cash costs, they are not necessarily indicative of operating profit or loss, or cash flow from operations as determined in accordance with U.S. GAAP.

The non-GAAP measures Earning from Mining Operations, Total Cash Costs, All-In Sustaining Cash Costs, Average Realized Prices, and Cash, Investments and Precious Metals, are not, and are not intended to be, presentations in accordance with U.S. GAAP. These measures represent, respectively, our Earnings from Mining Operations, Total Cash Costs, All-In Sustaining Cash Costs, and Average Realized Prices related to our wholly-owned El Gallo 1 and Black Fox mines and our minority interest in the San José mine, owned by MSC. The portions of the costs and prices related to the minority interest may be found in Note 5 to our Consolidated Financial Statements. The amounts in the tables labeled “49% basis” were derived by applying to each financial statement line item the ownership percentage interest used to arrive at our share of net income or loss during the period when applying the equity method of accounting. We do not control the interest in or operations of MSC and the presentations of assets and liabilities and revenues and expenses of MSC do not represent our legal claim to such items. The amount of cash we receive is based upon specific provisions of the joint venture operating agreement governing MSC and varies depending on factors including the profitability of the operations. We provide the Non-GAAP measures because we believe they assist investors and analysts in evaluating our operations, production costs applicable to sales and sales revenue, including both our wholly-owned property and our interest in the

San José mine, when read in conjunction with our reported results under U.S. GAAP. The presentation of these measures including the minority interest has limitations as an analytical tool. Some of these limitations include:

- The amounts shown on the individual line items were derived by applying our overall economic ownership interest percentage determined when applying the equity method of accounting and do not necessarily represent our legal claim to the assets and liabilities, or the revenues and expenses; and
- Other companies in our industry may calculate their earnings, costs and average realized prices differently than we do, limiting the usefulness as a comparative measure.

Because of these limitations, these non-GAAP measures should not be considered in isolation or as a substitute for our financial statements as reported under U.S. GAAP. We compensate for these limitations by relying primarily on our U.S. GAAP results and using the non-GAAP measures supplementally.

Earnings from Mining Operations

The term Earnings from Mining Operations used in this report is a Non-GAAP financial measure. We use and report this measure because we believe it provides investors and analysts with a useful measure of the underlying earnings from our mining operations.

We define Earnings from Mining Operations as Gold and Silver Sales from our El Gallo 1 and Black Fox mines, and our 49% attributable share of the San José mine's Net Sales, less their respective Production Costs Applicable to Sales. To the extent that Production Costs Applicable to Sales may include depreciation and amortization expense related to the fair value increments on historical business acquisitions (fair value paid in excess of the carrying value of the underlying assets and liabilities assumed on the date of acquisition), we exclude this expense in order to arrive at Production Costs Applicable to Sales that only include depreciation and amortization expense incurred at the mine site level. The San José mine Net Sales and Production Costs Applicable to Sales are presented, on a 100% basis, in Note 5 of the accompanying financial statements.

The following table presents a reconciliation of Earnings from Mining Operations to Gold and sales and Production costs applicable to sales, which are GAAP financial measures.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
El Gallo 1 earnings from mining operations				
Gold and silver sales	\$ 14,381	\$ 15,110	\$ 39,798	\$ 29,943
Production costs applicable to sales	(8,821)	(8,560)	(22,429)	(15,544)
Depreciation of mining related assets	(102)	(292)	(305)	(444)
Add: Amortization related to fair value increments on historical acquisitions included in Production Costs Applicable to Sales	573	532	1,405	1,065
El Gallo 1 earnings from mining operations	6,031	6,790	1,405	1,065
Black Fox earnings from mining operations				
Gold and silver sales, including stream	\$ 19,425	\$ —	\$ 35,049	\$ —
Production costs applicable to sales	(15,435)	—	(28,221)	—
Add: Amortization related to fair value increments on historical acquisitions included in Production Costs Applicable to Sales	205	—	501	—
Black Fox earnings from mining operations	4,195	—	7,329	—
San José earnings from mining operations (49% basis)				
Net sales	\$ 25,613	\$ 29,809	\$ 50,438	\$ 53,497
Production costs applicable to sales	(21,239)	(25,683)	(42,539)	(43,666)
San José earnings from mining operations	4,374	4,126	7,899	9,831

Total Cash Costs and All-In Sustaining Costs

The terms total cash costs, total cash cost per ounce, all-in sustaining costs, and all-in sustaining cost per ounce used in this report are non-GAAP financial measures. We report these measures to provide additional information regarding operational efficiencies on an individual mine basis (San José, Black Fox and El Gallo 1), and believe these measures provide investors and analysts with useful information about our underlying costs of operations. For the San José mine, we exclude the share of gold or silver production attributable to the controlling interest.

Total cash costs consists of mining, processing, on-site general and administrative expenses, community and permitting costs related to current operations, royalty costs, refining and treatment charges (for both doré and concentrate products), sales costs, export taxes and operational stripping costs, and exclude depreciation and amortization. The sum of these costs is divided by the corresponding gold equivalent ounces sold to determine a per ounce amount.

All-in sustaining costs consists of total cash costs (as described above), plus environmental rehabilitation costs and amortization of the asset retirement costs related to operating sites, sustaining exploration and development costs, and sustaining capital expenditures. Our all-in sustaining costs exclude the allocation of corporate general and administrative costs. The sum of these costs is divided by the corresponding gold equivalent ounces sold to determine a per ounce amount.

Costs excluded from total cash costs and all-in sustaining costs are income tax expense, all financing charges, costs related to business combinations, asset acquisitions and asset disposal, and any items that are deducted for the purpose of normalizing items.

For MSC, co-product total cash costs and all-in sustaining costs are calculated by dividing the respective proportionate share of the total cash costs and all-in sustaining costs for each metal sold for the period by the ounces of each respective metal sold. The respective proportionate share of each metal sold is calculated based on their pro-rated sales value. Approximately 55% of the value of the sales in the six months ended June 30, 2018 was derived from gold and 45% was derived from silver, which compared to 52% and 48%, respectively, for the same period in 2017.

The following tables reconcile these non-GAAP measures to the most directly comparable GAAP measure, Production Costs Applicable to Sales. Total cash costs, all-in sustaining costs, and ounces of gold and silver sold for the San José mine are provided to us by MSC.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, except ounces and per ounce)			
El Gallo 1 cash costs				
Production costs applicable to sales	\$ 8,821	\$ 8,560	\$ 22,429	\$ 15,544
Less: Depreciation	(573)	(532)	(1,405)	(1,065)
On-site general and administrative expenses	386	461	770	846
Property holding costs	—	—	12	10
Total cash costs, El Gallo 1	\$ 8,634	\$ 8,489	\$ 21,806	\$ 15,335
Gold equivalent ounces sold:	11,027	12,017	30,100	24,163
El Gallo 1 cash costs per gold equivalent ounce sold	\$ 783	\$ 706	\$ 724	\$ 635
	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, except ounces and per ounce)			
Black Fox mine cash costs				
Production costs applicable to sales	\$ 15,435	\$ —	\$ 28,221	\$ —
Less: Depreciation	(3,526)	—	(5,784)	—
Property holding costs	72	—	95	—
Total cash costs, Black Fox 1 mine	\$ 11,981	\$ —	\$ 22,532	\$ —
Gold equivalent ounces sold, including stream:	15,543	—	27,966	—
Black Fox mine cash costs per gold equivalent ounce sold	\$ 771	\$ —	\$ 806	\$ —

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, except ounces and per ounce)			
San José mine cash costs (49% basis)				
Production costs applicable to sales	\$ 21,239	\$ 25,683	\$ 42,539	\$ 43,666
Less: Operating site reclamation accretion and amortization	(152)	(165)	(283)	(303)
Depreciation	(5,967)	(5,852)	(10,887)	(9,870)
On-site general and administrative expenses	749	1,045	1,757	2,157
Refining, smelting, and transportation	335	840	691	1,624
Commercial discounts	1,110	1,382	2,444	2,987
Community costs related to current operations	33	35	60	88
Total cash costs, San José mine	\$ 17,347	\$ 22,968	\$ 36,321	\$ 40,349
McEwen's share of San José mine gold equivalent ounces sold	21,530	24,949	41,843	43,938
Total cash costs, San José mine, per gold equivalent ounce sold	\$ 806	\$ 921	\$ 868	\$ 918

Reconciliation of All-In Sustaining Costs to Total Cash Costs

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, except ounces and per ounce)			
El Gallo 1 all-in sustaining costs				
Total cash costs	\$ 8,634	\$ 8,489	\$ 21,806	\$ 15,335
Operating site reclamation accretion and amortization	87	82	173	163
On-site exploration expenses	278	1,022	1,256	1,930
Capitalised expenditures (sustaining)	—	535	129	812
All-in sustaining costs, El Gallo 1	\$ 8,999	\$ 10,128	\$ 23,364	\$ 18,240
Gold equivalent ounces sold	11,027	12,017	30,100	24,163
El Gallo 1 all-in sustaining cost per gold equivalent ounce sold	816	843	776	755

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, except ounces and per ounce)			
Black Fox mine all-in sustaining costs				
Total cash costs	\$ 11,981	\$ —	\$ 22,532	\$ —
Operating site reclamation accretion and amortization	150	—	306	—
On-site exploration expenses	962	—	1,250	—
Capitalised underground mine development (sustaining)	3,072	—	6,722	—
Capital expenditures (sustaining)	254	—	363	—
All-in sustaining costs, Black Fox mine	\$ 16,419	\$ —	\$ 31,173	\$ —
Gold equivalent ounces sold, including stream	15,543	—	27,966	—
Black Fox mine all-in sustaining cost per gold equivalent ounce sold	1,056	—	1,115	—

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, except ounces and per ounce)			
San José mine all-in sustaining costs (49% basis)				
Total cash costs	\$ 17,347	\$ 22,968	\$ 36,321	\$ 40,349
Operating site reclamation accretion and amortization	152	165	283	303
On-site exploration expenses	624	960	1,222	1,567
Capitalised underground mine development (sustaining)	3,118	2,844	5,682	5,861
Less: depreciation	(253)	(359)	(426)	(659)
Capital expenditures (sustaining)	1,948	918	3,180	2,201
All-in sustaining costs	\$ 22,936	\$ 27,496	\$ 46,262	\$ 49,622
McEwen's share of San José mine gold equivalent ounces sold	21,530	24,949	41,843	43,938
San José mine all-in sustaining cost per gold equivalent ounce sold	\$ 1,065	\$ 1,102	\$ 1,106	\$ 1,129

The following table summarizes the consolidated number of gold equivalent ounces sold:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Gold equivalent ounces sold at El Gallo 1	11,027	12,017	30,100	24,163
Gold equivalent ounces sold at Black Fox mine	15,543	—	27,966	—
McEwen's share of MSC gold equivalent ounces sold	21,529	24,949	41,843	43,938
Consolidated gold equivalent ounces sold (including McEwen's share of MSC)	48,099	36,966	99,909	68,101
Silver : gold ratio	75 : 1	75 : 1	75 : 1	75 : 1

Average realized prices

The term average realized price per ounce used in this report is also a non-GAAP financial measure. We report this measure to better understand the price realized in each reporting period for gold and silver.

Average realized price is calculated as gross sales of gold and silver (excluding commercial deductions) divided by the number of net ounces sold in the period (net of deduction units).

The following table reconciles this non-GAAP measure to the most directly comparable U.S. GAAP measure, *Sales of Gold and Silver*. Ounces of gold and silver sold for the San José mine are provided to us by MSC.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
(in thousands, except ounce and per ounce figures)				
El Gallo 1 average realized prices				
Gold sales	\$ 14,349	\$ 15,024	\$ 39,653	\$ 29,664
Silver sales	32	86	145	279
Gold and silver sales	\$ 14,381	\$ 15,110	\$ 39,798	\$ 29,943
Gold ounces sold	11,000	11,950	29,984	23,950
Silver ounces sold	2,000	5,000	8,734	16,000
Gold equivalent ounces sold	11,027	12,017	30,100	24,163
Average realized price per gold ounce sold	\$ 1,304	\$ 1,257	\$ 1,322	\$ 1,239
Average realized price per silver ounce sold	\$ 16.13	\$ 17.20	\$ 16.59	\$ 17.44
Average realized price per gold equivalent ounce sold	\$ 1,304	\$ 1,257	\$ 1,322	\$ 1,239
(in thousands, except ounce and per ounce figures)				
Black Fox mine average realized prices				
Gold sales, excluding stream	\$ 18,765	\$ —	\$ 33,787	\$ —
Gold sales, stream	660	—	1,263	—
Silver sales	—	—	—	—
Gold and silver sales, including stream	\$ 19,425	\$ —	\$ 35,049	\$ —
Gold ounces sold, before stream	14,320	—	25,617	—
Gold ounces sold, stream	1,223	—	2,349	—
Gold ounces sold, including stream	15,543	—	27,966	—
Silver ounces sold	—	—	—	—
Gold equivalent ounces sold, excluding stream	14,320	—	25,617	—
Gold equivalent ounces sold, including stream	15,543	—	27,966	—
Average realized price per gold ounce sold, before stream	\$ 1,310	\$ —	\$ 1,319	\$ —
Average realized price per gold ounce sold, stream	\$ 540	\$ —	\$ 538	\$ —
Average realized price per gold ounce sold, including stream	\$ 1,250	\$ —	\$ 1,253	\$ —
Average realized price per silver ounce sold	\$ —	\$ —	\$ —	\$ —
Average realized price per gold equivalent ounce sold, before stream	\$ 1,310	\$ —	\$ 1,319	\$ —

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(in thousands, except ounce and per ounce figures)			
San José mine average realized prices (49% basis)				
Gold sales	\$ 14,261	\$ 16,712	\$ 28,865	\$ 29,007
Silver sales	12,161	14,152	23,299	26,667
Gold and silver sales	\$ 26,422	\$ 30,864	\$ 52,164	\$ 55,674
Gold ounces sold	11,594	13,430	22,538	23,242
Silver ounces sold	745,189	863,895	1,447,820	1,552,238
Gold equivalent ounces sold	21,529	24,949	41,843	43,938
Average realized price per gold ounce sold	\$ 1,230	\$ 1,244	\$ 1,281	\$ 1,248
Average realized price per silver ounce sold	\$ 16.32	\$ 16.38	\$ 16.09	\$ 17.18
Average realized price per gold equivalent ounce sold	\$ 1,227	\$ 1,237	\$ 1,247	\$ 1,267

Cash, investments and precious metals

The term “cash, investments and precious metals” used in this report is also a non-GAAP financial measure. We report this measure to better understand our liquidity in each reporting period.

Cash, investments and precious metals is calculated as the sum of cash, restricted cash, investments, receivables from sale of gold, and ounces of doré held in precious metals inventories, with precious metals valued at the London PM Fix spot price at the corresponding period. The following table summarizes the calculation of cash, investments and precious metals amounts shown in this report:

	June 30, 2018	December 31, 2017
	(in thousands)	
Cash and cash equivalents	\$ 16,028	\$ 27,153
Restricted cash	3,621	10,000
Receivable from sale of gold	1,253	-
Investments	2,312	7,971
Precious Metals valued at market value	11,329	22,954
Total cash, investments and precious metals	\$ 34,543	\$ 68,078

A reconciliation between precious metals valued at cost and precious metals valued at market value is described in the following table:

	June 30, 2018	December 31, 2017
	(in thousands, except ounces and per ounce)	
Precious Metals (note 3 of the Consolidated Financial Statements)	\$ 6,922	\$ 12,902
Reconciliation of Precious Metals to Precious Metals valued at market value		
Number of ounces of doré in inventory, net of streaming agreement	9,060	17,780
London P.M. Fix, per ounce	\$ 1,250	\$ 1,291
Precious Metals valued at market value	\$ 11,329	\$ 22,954

Commitments and Contingencies

We have surety bonds outstanding to provide bonding for our environmental reclamation obligations in the United States and Canada. These surety bonds are available for draw down in the event we do not perform our reclamation obligations. When the specific reclamation requirements are met, the beneficiary of the surety bonds will cancel and/or return the instrument to the issuing entity. As of June 30, 2018, no liability has been recognized for our surety bonds of \$35.6 million.

As of June 30, 2018, we did not have any off-balance sheet arrangements (as that phrase is defined by SEC rules applicable to this report) which have or are reasonably likely to have a material adverse effect on our financial condition, results of operations or liquidity.

Critical Accounting Policies

Critical accounting policies and estimates used to prepare our financial statements are discussed with our Audit Committee as they are implemented and on an annual basis.

Significant changes in our Critical Accounting Policies since December 31, 2017 correspond to the adoption in January 1, 2018 of the Revenue Recognition and Financial Instruments accounting policies, as described in Note 1 to the Consolidated Financial Statements, *"Nature of Operations and Recent Accounting Pronouncements"*.

Forward-Looking Statements

This report contains or incorporates by reference "forward-looking statements", as that term is used in federal securities laws, about our financial condition, results of operations and business. These statements include, among others:

- statements about our anticipated exploration results, costs and feasibility of production, production estimates, receipt of permits or other regulatory or government approvals and plans for the development of our properties;
- statements concerning the benefits or outcomes that we expect will result from our business activities and certain transactions that we contemplate or have completed, such as receipt of proceeds, increased revenues, decreased expenses and avoided expenses and expenditures; and
- statements of our expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts.

These statements may be made expressly in this document or may be incorporated by reference to other documents that we will file with the SEC. You can find many of these statements by looking for words such as "believes", "expects", "anticipates", "estimates" or similar expressions used in this report or incorporated by reference in this report.

Forward-looking statements and information are based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties, risks and contingencies, and there can be no assurance that such statements and information will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and information.

We caution you not to put undue reliance on these statements, which speak only as of the date of this report. Further, the information contained in this document or incorporated herein by reference is a statement of our present intention and is based on present facts and assumptions, and may change at any time and without notice, based on changes in such facts or assumptions. Readers should not place undue reliance on forward-looking statements.

Risk Factors Impacting Forward-Looking Statements

The important factors that could prevent us from achieving our stated goals and objectives include, but are not limited to, those set forth in the "Risk Factors" section in our report on Form 10-K and the following:

- our ability to raise funds required for the execution of our business strategy;
- our ability to secure permits or other regulatory and government approvals needed to operate, develop or explore our mineral properties and projects;
- decisions of foreign countries, banks and courts within those countries;
- unexpected changes in business, economic, and political conditions;
- operating results of MSC;
- fluctuations in interest rates, inflation rates, currency exchange rates, or commodity prices;

- timing, quality of ore and amount of mine production;
- our ability to retain and attract key personnel;
- technological changes in the mining industry;
- changes in operating, exploration or overhead costs;
- access and availability of materials, equipment, supplies, labor and supervision, power and water;
- results of current and future exploration activities;
- results of pending and future feasibility studies or the expansion or commencement of mining operations without feasibility studies having been completed;
- changes in our business strategy;
- interpretation of drill hole results and the geology, grade and continuity of mineralization;
- the uncertainty of reserve estimates and timing of development expenditures;
- litigation or regulatory investigations and procedures affecting us;
- local and community impacts and issues including criminal activity and violent crimes;
- accidents, public health issues, and labor disputes;
- our continued listing on a public exchange;
- uncertainty relating to title to mineral properties; and
- changes in relationships with the local communities in the areas in which we operate.

We undertake no responsibility or obligation to update publicly these forward-looking statements, except as required by law and may update these statements in the future in written or oral statements. Investors should take note of any future statements made by or on our behalf.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our exposure to market risks includes, but is not limited to, the following risks: changes in foreign currency exchange rates, equity price risks, commodity price fluctuations and credit risk. We do not use derivative financial instruments as part of an overall strategy to manage market risk.

Further, our participation in the joint venture with Hochschild for the 49% interest held at MSC creates additional risks because, among other things, we do not exercise decision making power over the day-to-day activities at MSC; however, implications from our partner's decisions may result in us having to provide additional funding to MSC or in a decrease in our percentage of ownership.

Foreign Currency Risk

In general, the depreciation of non-U.S. dollar currencies with respect to U.S. dollar has a positive effect on our costs and liabilities for projects outside the U.S. while it has a negative effect on our assets denominated in non-U.S. dollar currency. Although we transact most of our business in U.S. dollars, some expenses, labor, operating supplies and property and equipment are denominated in Canadian dollars, Mexican pesos or Argentine pesos.

Since 2008, the Argentine peso has been steadily devaluing against the U.S. dollar by 10% to 40% on an annual basis. During the six months ended June 30, 2018, the Argentine peso devalued 55% compared to the devaluation of 8% in the comparative 2017 period.

During the six months ended June 30, 2018, the Mexican peso depreciated by 1% against the US dollar, compared to the appreciation of 14% during 2017.

The Canadian dollar experienced a 5% devaluation against the U.S. dollar for the six months ended June 30, 2018, compared to a 3% appreciation in the comparable period of 2017.

Further, we are also subject to foreign currency risk on the fluctuation of the Mexican peso on our VAT receivable balance. As of June 30, 2018, our VAT receivable balance was Mexican peso 96,962,512, equivalent to approximately \$4.9 million, for which a 1% change in the Mexican peso would have resulted in a gain/loss of \$0.1 million in the Statement of Operations.

The value of cash and cash equivalents denominated in foreign currencies also fluctuates with changes in currency exchange rates. Appreciation of non-U.S. dollar currencies results in a foreign currency gain on such investments and a depreciation in non-U.S. dollar currencies results in a loss. We have not utilized material market risk-sensitive instruments to manage our exposure to foreign currency exchange rates but may do so in the future. We hold portions of our cash reserves in non-U.S. dollar currencies. Based on our Canadian cash balance of \$2.9 million (C\$3.6 million) at June 30, 2018, a 1% change in the Canadian dollar would result in a gain/loss of \$0.1 million in the Statement of Operations. We also hold negligible portions of our cash reserves in Mexican and Argentina pesos, with the effect of a 1% change in these respective currencies resulting in gains/losses immaterial for disclosure.

Equity Price Risk

We have in the past sought and will likely in the future seek to acquire additional funding by sale of common stock or other equity securities. Movements in the price of our common stock have been volatile in the past and may also be volatile in the future. As a result, there is a risk that we may not be able to sell equity securities at an acceptable price to meet future funding requirements.

We have invested and may continue to invest in shares of common stock of other entities in the mining sector. Some of our investments may be highly volatile and lack liquidity caused by lower trading volumes. As a result, we are inherently exposed to fluctuations in the fair value of our investments, which may result in gains or losses upon their valuation.

Commodity Price Risk

We produce and sell gold and silver, therefore changes in the price of gold and silver could significantly affect our results of operations and cash flows in the future. We have in the past and may in the future hold a portion of our treasury in gold and silver bullion, where the value is recorded at the lower of cost or market. Gold and silver prices fluctuate widely from time to time. At June 30, 2018, we had no gold or silver sales subject to final pricing. Based on our revenues from gold and silver sales of \$74.8 million for the six months ended June 30, 2018, a 10% change in the price of gold and silver would have had an impact of approximately \$7.5 million on our revenues.

Silver and gold prices also have a material impact on MSC's results of operations. MSC has embedded derivatives arising from the sale of concentrate and doré which were provisionally priced at the time the sale was recorded. Therefore, fluctuations in gold and silver prices could have a significant impact on MSC's results of operations.

Credit Risk

We may be exposed to credit loss through our precious metals and doré sales agreements with Canadian financial institutions if these institutions are unable to make payment in accordance with the terms of the agreements. However, based on the history and financial condition of our counterparties, we do not anticipate any of the financial institutions to default on their obligation. As of June 30, 2018, we do not believe we have any significant credit exposure associated with precious metals and our doré sales agreements.

In Mexico, we are exposed to credit loss regarding our VAT taxes receivable if the Mexican tax authorities are unable or unwilling to make payments in accordance with our monthly filings. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The risk is mitigated to the extent that the VAT receivable balance can be applied against future income taxes payable. However, at this time we are uncertain when, if ever, our Mexican operations will generate sufficient taxable operating profits to offset this receivable against taxes payable. We continue to face risk on the collection of our VAT receivables, which amount to \$4.9 million as at June 30, 2018.

In Nevada and Ontario, Canada we are required to provide security to cover our projected reclamation costs. As at June 30, 2018, we have surety bonds of \$35.6 million in place to satisfy bonding requirements for this purpose. The bonds have an annual fee of 2% of their value. Although we do not believe we have any significant credit exposure associated with these bonds, we are exposed to the risk that the surety bonds may no longer be accepted by the governmental agencies as satisfactory reclamation coverage, in which case we would be required to replace the surety bonding with cash.

Inflationary Risk

Argentina has experienced a significant amount of inflation over the last three years and has now been classified as a highly inflationary economy. ASC 830 defines a hyperinflationary economy as one where the cumulative inflation rate exceeds 100% over the last three years which precede the reporting period. In this scenario, ASC 830 requires companies to change the functional currency of its foreign subsidiaries operating in a highly inflationary economy, to match the company's reporting currency. In our case, the functional currency of all our Argentine subsidiaries has always been our reporting currency, the US dollar. As such, we do not expect the classification of Argentina's economy as a highly inflationary economy, to change our financial reporting methodology.

Item 4. CONTROLS AND PROCEDURES

- (a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended ("Exchange Act"), is recorded, processed, summarized and reported, within time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of June 30, 2018, under the

supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

- (b) Changes in Internal Controls. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2018 that materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Part I, Item 1A, of our Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On June 11, 2018, we issued 178,321 shares of our common stock in a transaction that was not registered under the Securities Act of 1933, as amended (the “Securities Act”). The shares were issued to a single entity pursuant to the exemption from registration provided by Regulation S, Rule 901 *et seq* under the Securities Act. The shares were issued to a non-U.S. Person, as defined in Regulation S, in exchange for mining properties acquired by us. The shares were issued in an “offshore transaction”, as defined in Regulation S and we did not engage in any directed selling efforts. The shares were issued with resale restrictions.

Item 5. OTHER INFORMATION

We are filing as exhibits to this Quarterly Report on Form 10-Q the audited carve-out financial statements of the Black Fox Complex as of and for the year ended December 31, 2016 and unaudited carve-out financial statements as of and for the year ended December 31, 2015, and the accompanying notes thereto; the unaudited carve-out condensed financial statements of the Black Fox Complex as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016, and the accompanying notes thereto; and the related report of KPMG LLP dated December 15, 2017, each as previously filed on the Company’s Current Report on 8-K/A on December 15, 2017, to clarify incorporation by reference of such financial statements and report into the Company’s registration statement on Form S-3 (File No. 333-224476), which was declared effective on July 6, 2018.

Item 6. EXHIBITS

The following exhibits are filed with this report:

- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Robert R. McEwen.
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Andrew Elinesky.
- 32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Robert R. McEwen and Andrew Elinesky.
- 99.1 Audited carve-out financial statements of the Black Fox Complex as of and for the year ended December 31, 2016 and unaudited carve-out financial statements as of and for the year ended December 31, 2015, and the accompanying notes thereto.
- 99.2 Unaudited carve-out condensed financial statements of the Black Fox Complex as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016 and the accompanying notes thereto.
- 101 The following materials from McEwen Mining Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 are filed herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Consolidated Statements of Operations and Comprehensive (Loss) Income for the three and six months ended June 30, 2018 and 2017, (ii) the Consolidated Balance Sheets as of June 30, 2018 (Unaudited) and December 31, 2017, (iii) the Unaudited Consolidated Statement of Changes in Shareholder's Equity for the six months ended June 30, 2018 and 2017, (iv) the Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017, and (v) the Unaudited Notes to the Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MCEWEN MINING INC.

Date: July 31, 2018

/s/ Robert R. McEwen

By: Robert R. McEwen,
Chairman and Chief Executive Officer

Date: July 31, 2018

/s/ Andrew Elinesky

By: Andrew Elinesky,
Senior Vice President and Chief Financial Officer