



**Alacer Gold Corp.**

**Consolidated Financial Statements**

**For the Years Ended  
December 31, 2016 and 2015**



## **Management's Responsibility for Financial Reporting**

The consolidated financial statements, the notes thereto, and other information in Management's Discussion and Analysis of Alacer Gold Corp. (the "Corporation"), are the responsibility of Management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect Management's best estimates, judgments and policies that it believes appropriate in the circumstances.

The Corporation maintains a system of internal accounting controls which provide on a reasonable basis, assurance that the financial information is relevant, reliable, accurate and that the Corporation's assets are appropriately accounted for and safeguarded.

The Board of Directors, principally through the Audit Committee, is responsible for ensuring Management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors, all of whom are independent, and meets periodically with Management and the external auditors to review accounting, auditing, internal control and financial reporting matters.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants who were appointed by the shareholders. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements.

/signed/

**Rodney Antal**

President and Chief Executive Officer

/signed/

**Mark Murchison**

Chief Financial Officer

February 6, 2017



February 6, 2017

## **Independent Auditor's Report**

### **To the Shareholders of Alacer Gold Corp.**

We have audited the accompanying consolidated financial statements of Alacer Gold Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of net profit and comprehensive profit, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alacer Gold Corp. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

**(Signed) "PricewaterhouseCoopers LLP"**

**Chartered Professional Accountants, Licensed Public Accountants**

# Alacer Gold Corp.

## Consolidated Statements of Financial Position

(expressed in thousands of U.S. dollars)

	Note	As of December 31, 2016	As of December 31, 2015
<b>Assets</b>			
Current assets			
Cash and cash equivalents	6	\$ 214,551	\$ 360,745
Receivables and other	7	24,015	11,552
Inventories	8	66,545	57,748
		<u>305,111</u>	<u>430,045</u>
Mineral properties and equipment, net	9	435,358	325,358
Deferred tax asset	10	22,613	776
Other assets	11	102,307	59,439
<b>Total assets</b>		<u>\$ 865,389</u>	<u>\$ 815,618</u>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	12	\$ 31,348	\$ 23,767
Current income tax liabilities		4,311	2,407
		<u>35,659</u>	<u>26,174</u>
Asset retirement obligation	15	27,316	21,231
Other long-term liabilities	16	4,303	3,962
<b>Total liabilities</b>		<u>67,278</u>	<u>51,367</u>
<b>Equity</b>			
Equity attributable to owners of the corporation			
Share capital	17	1,474,524	1,473,183
Reserves		15,353	14,760
Deficit		(844,949)	(851,155)
		<u>644,928</u>	<u>636,788</u>
Non-controlling interest in subsidiary	18	153,183	127,463
<b>Total equity</b>		<u>798,111</u>	<u>764,251</u>
<b>Total liabilities and equity</b>		<u>\$ 865,389</u>	<u>\$ 815,618</u>

Signed on behalf of the Board

/signed/

**Edward C. Dowling, Jr.**  
Chairman

/signed/

**Richard P. Graff**  
Independent Lead Director

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

# Alacer Gold Corp.

## Consolidated Statements of Net Profit and Comprehensive Profit

(expressed in thousands of U.S. dollars)

		For the year ended	
		December 31,	
	Note	2016	2015
<b>Revenues</b>			
Gold sales		\$ 141,994	\$ 237,264
<b>Cost of sales</b>			
Production costs		85,207	98,720
Depreciation, depletion and amortization		38,644	49,218
Total cost of sales		<u>123,851</u>	<u>147,938</u>
Mining gross profit		18,143	89,326
<b>Other costs</b>			
Exploration and evaluation		2,005	1,954
General and administrative		14,154	11,139
Share-based employee compensation costs		4,583	3,943
Foreign exchange loss		9,848	3,353
Share of loss on investments accounted for using the equity method	20	11,306	4,678
Other (gain) loss	19	<u>(21,329)</u>	<u>(307)</u>
Profit (loss) before income tax		(2,424)	64,566
Income tax benefit	10	<u>(18,084)</u>	<u>(1,063)</u>
<b>Total net profit and comprehensive profit</b>		<u>15,660</u>	<u>\$ 65,629</u>
Net profit and comprehensive profit attributable to:			
Owners of the corporation	21	\$ 6,206	\$ 46,631
Non-controlling interest	18	<u>9,454</u>	<u>18,998</u>
Total net profit and comprehensive profit		<u>\$ 15,660</u>	<u>\$ 65,629</u>
Total net profit per share - Basic	21	\$ 0.02	\$ 0.16
Total net profit per share - Diluted	21	\$ 0.02	\$ 0.16

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

# Alacer Gold Corp.

## Consolidated Statements of Cash Flows

(expressed in thousands of U.S. dollars)

		For the year ended	
		December 31,	
	Note	2016	2015
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Total net profit and comprehensive profit		\$ 15,660	\$ 65,629
Non-cash items:			
Depreciation, depletion and amortization		38,969	49,984
Unrealized gain on financial instruments (hedge)	13	(15,882)	-
Unrealized foreign exchange impacts		7,372	1,051
Share-based employee compensation costs		4,583	3,943
Other non-cash expenses and items not affecting cash		10,990	4,311
Deferred taxes	10	(27,718)	(7,060)
Net change in non-cash working capital	26	2,914	(9,994)
		<u>36,888</u>	<u>107,864</u>
<b>Investing activities</b>			
Mineral properties and equipment		(147,064)	(65,008)
Sulfide ore stockpile		(21,253)	(15,273)
Equity investments		(23,393)	(4,644)
Contract advances and payables, net		(758)	(598)
		<u>(192,468)</u>	<u>(85,523)</u>
<b>Financing activities</b>			
Capital contribution		16,266	-
Finance facility costs		(3,638)	(6,621)
		<u>12,628</u>	<u>(6,621)</u>
Increase (decrease) in cash and cash equivalents		(142,952)	15,720
Cash and cash equivalents - beginning balance		360,745	346,615
Effect of exchange rates on changes in cash held in foreign currencies		(3,242)	(1,590)
<b>Cash and cash equivalents – ending balance</b>		<u>\$ 214,551</u>	<u>\$ 360,745</u>

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

# Alacer Gold Corp.

## Consolidated Statements of Changes in Equity

(expressed in thousands of U.S. dollars)

	Attributable to owners of the Corporation				Non-controlling interest	Total Equity
	Share capital	Reserves	Deficit	Total		
<b>Balance at January 1, 2015</b>	\$ 1,471,303	\$ 13,655	\$ (897,786)	\$ 587,172	\$ 108,465	\$ 695,637
Profit for the period	-	-	46,631	46,631	18,998	65,629
Transactions with owners of the corporation:						
Share plans - exercises	1,880	(2,316)	-	(436)	-	(436)
Amortization of share-based awards	-	3,003	-	3,003	-	3,003
Recognition of liability portion of share-based awards	-	418	-	418	-	418
Total transactions with owners of the corporation	1,880	1,105	-	2,985	-	2,985
<b>Balance at December 31, 2015</b>	<b>\$ 1,473,183</b>	<b>\$ 14,760</b>	<b>\$ (851,155)</b>	<b>\$ 636,788</b>	<b>\$ 127,463</b>	<b>\$ 764,251</b>
<b>Balance at January 1, 2016</b>	\$ 1,473,183	\$ 14,760	\$ (851,155)	\$ 636,788	\$ 127,463	\$ 764,251
Profit for the period	-	-	6,206	6,206	9,454	15,660
Transactions with owners of the corporation:						
Capital contribution	-	-	-	-	16,266	16,266
Share plans - exercises	1,341	(1,341)	-	-	-	-
Amortization of share-based awards	-	1,934	-	1,934	-	1,934
Recognition of liability portion of share-based awards	-	-	-	-	-	-
Total transactions with owners of the corporation	1,341	593	-	1,934	16,266	18,200
<b>Balance at December 31, 2016</b>	<b>\$ 1,474,524</b>	<b>\$ 15,353</b>	<b>\$ (844,949)</b>	<b>\$ 644,928</b>	<b>\$ 153,183</b>	<b>\$ 798,111</b>

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



# Alacer Gold Corp.

Notes to Consolidated Financial Statements  
December 31, 2016 and 2015

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

## 1. General information

Alacer Gold Corp. ("Alacer" or the "Corporation") is an intermediate gold mining company with an 80% interest in the Çöpler Gold Mine in Turkey operated by Anagold Madencilik Sanayi ve Ticaret A.S. ("Anagold") owned 80% by Alacer and 20% by Lidya Madencilik Sanayi ve Ticaret A.S. ("Lidya Mining").

The Corporation 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.

These consolidated financial statements of the Corporation as of and for the year ended December 31, 2016 are comprised of the Corporation, its subsidiaries, and joint ventures accounted for as equity investment (together referred to as the "Group" individually as "Group entities"). The Corporation is the ultimate parent.

## 2. Basis of presentation

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, except for forward sales contracts and marketable security investments that are measured at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5a.

These consolidated financial statements were authorized for issue by the Board of Directors ("BOD") on February 6, 2017.

## 3. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date on which control ceases.

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

The accounts of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. A list of Group entities appears in Note 18.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net profit and comprehensive profit is recognized directly in equity. Changes in the Corporation's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

## **b) Joint arrangements**

The Group conducts a portion of its business through joint arrangements where the venturers are bound by contractual arrangements establishing joint control over the ventures requiring unanimous consent of each of the venturers regarding strategic, financial and operating policies of the venture. The Group undertakes its joint arrangements through jointly controlled entities, being corporations, partnerships or other unincorporated entities in which each venturer has an interest. The Group accounts for investments in joint ventures using the equity method of accounting. The carrying value of the Group's investments in joint ventures represents the cost of the investment, including the Group's share of retained earnings and losses subsequent to formation. At the end of each reporting period, the Group assesses its investments in joint ventures for any indicators of impairment.

## **c) Transactions with non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. Gains or losses on disposals of non-controlling interests are recorded to the deficit account in Equity. For non-wholly-owned subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the consolidated statement of financial position. Profit (loss) for the period that is attributable to the non-controlling interests is calculated based on the ownership of the non-controlling shareholders in the subsidiary.

## **d) Segment reporting**

The Group currently operates in one reportable operating segment consisting of mining, development and exploration of mineral deposits in Turkey. Corporate and other results are shown separately for reconciliation purposes as presented in Note 25.

## **e) Foreign currency translation**

### *i) Functional currency*

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Primary and secondary indicators are used to determine the functional currency (primary indicators have priority over secondary indicators). Primary indicators include the currency that mainly influences sales prices and the currency that mainly influences labor, material and other costs. Secondary

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

indicators include the currency in which funds from financing activities are generated and the currency in which receipts from operating activities are usually retained. The functional currency for all Group entities is the United States dollar ("U.S. dollar").

*ii) Transactions and balances*

Foreign currency transactions are translated into an entity's functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statements of Profit and Comprehensive Profit.

**f) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held available on demand with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted cash balances are excluded from cash and cash equivalents, and are classified as either current or non-current assets, based upon the expiration date of the restriction.

**g) Inventories**

Product inventories are valued at the lower of production cost or net realizable value. Production costs are determined on an average cost basis and consist of direct production costs including mining, crushing, processing, site support costs, depreciation and allocated indirect costs, based on normal operating capacity. Supplies inventories are valued at the lower of average cost or net realizable value less any allowances for obsolescence.

*i) Finished goods inventory includes gold bullion and doré. Doré represents a bar containing predominantly gold by value, which is generally refined off-site to return saleable metals. Doré inventory is valued at the lower of average cost to produce the doré and net realizable value.*

*ii) Work-in-process inventory represents costs that are incurred in the process of converting mineralized ores into partially refined precious metals, or doré. Ore represents material that, at the time of extraction, is expected to be processed into a saleable form. The recovery of gold from ore is achieved through a heap leaching process. Under the heap leaching method, ore is crushed and placed on leach pads where it is treated with a chemical solution, which dissolves the gold contained in the ore. The resulting "pregnant" solution is further processed in a plant where the gold is recovered.*

Costs capitalized to work-in-process inventory include costs incurred to that stage of the mining process such as direct and indirect materials and consumables; stripping costs in the production phase of the mine; direct labor; repairs and maintenance; utilities; depreciation, depletion and amortization of mineral property, plant and equipment; and site support costs. Costs are removed from work-in-process inventory and transferred to finished goods inventory as ounces are produced based on the average cost to produce a recoverable ounce. Costs are transferred from inventory and recorded as

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

costs of sales in the Consolidated Statements of Profit and Comprehensive Profit upon the sale of refined gold.

Recoverable gold on the leach pads is estimated based on the quantities of ore placed on the leach pads (based on grade control measured tonnes added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on estimated ultimate recovery assumptions from the block model). The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, estimates are refined based on actual results and engineering studies over time. The ultimate recovery of gold from leach pads will not be known until the leaching process is concluded at the end of the mine life.

- iii)* Ore stockpiles inventory represents oxide ore that has been mined and is available for further processing. Ore stockpile quantities are measured by estimating the number of tonnes added and removed from the stockpile and are verified by periodic surveys. Costs are allocated to ore stockpiles based on the current mining cost per tonne incurred up to the point of stockpiling the ore, including applicable overhead, depreciation, depletion and amortization relating to mining operations, and are removed at the average cost per tonne. The carrying value of ore stockpiles inventory is measured at the lower of average cost and net realizable value which is determined based on the number of contained ounces (based on assay data) and the estimated metallurgical recovery rate.
- iv)* Stockpiles of sulfide ore are measured and valued in the same manner as oxide ore; however, the sulfide ore stockpile is currently classified as a non-current asset, as this material will not be processed within the next year.

## **h) Mineral properties and mining plant and equipment**

### *i) Mineral Properties*

Mineral properties consist of: the fair value attributable to mineral reserves and resources acquired in a business combination or asset acquisition; open-pit mine development costs including pre-production stripping costs; and estimates of any related-rehabilitation obligations. Mineral properties are comprised of historical costs associated with acquisition, evaluation, and development of mining properties and is stated at historical cost less depletion. Historical cost includes expenditures directly attributable to acquisitions and subsequent costs to evaluate and develop mineral reserves and resources. Such costs are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Mineral properties are not subject to depletion until processing plant construction associated with a mineral property is completed, initial commercial production is achieved, and future economic benefit is being derived. Incidental revenues and operating costs are included in mineral properties prior to a plant achieving commercial production, which occurs when a property is substantially complete and ready for its intended use. Mineral property costs are depleted using the units-of-production ("UOP") method based on proven and probable mineral reserves.

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

In open-pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred in order to provide initial access to the orebody (referred to as pre-production stripping) are capitalized as open-pit mine development costs. Stripping costs in the production phase of the mine are included in the cost of inventory produced during the relevant period. Capitalized open-pit mine development costs are amortized on a UOP method over the proven and probable reserves accessed by the mine development process. Capitalized open-pit mine development costs are amortized when the open-pit has entered production and the future economic benefit is being derived.

## ii) Mining Plant and Equipment

Mining plant and equipment is stated at historical costs less accumulated depreciation. Historical costs include initial purchase price or construction cost, costs directly attributable to bringing the asset into operation, including an estimate of its related rehabilitation obligation, and where relevant, borrowing costs.

Costs that meet the asset recognition criteria are capitalized. Costs incurred that do not extend the productive capacity or useful economic life of an asset are considered repairs and maintenance expense and are accounted for as a cost of work-in-process inventory and subsequently charged to period expense, when the related revenues are recognized.

Depreciation commences when mining plant and equipment are considered available for their intended use. At that date, they are measured as cost less accumulated depreciation and applicable impairment losses. Mining plant and equipment, net of residual value, is depreciated either on the UOP method or on a straight-line basis, over the shorter of estimated useful lives or life of the related mineral property. Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

### **Straight-line depreciation rates of major asset categories:**

Buildings, plant and equipment	5 - 25 years
Light vehicles and other mobile equipment	2 - 3 years
Furniture, computer and office equipment	2 - 3 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in 'Other gain, net' in the Consolidated Statements of Profit and Comprehensive Profit.

## iii) Construction-in-progress ("CIP")

Assets under construction at operating mines are capitalized as CIP. The cost of CIP comprises its purchase price and any costs directly attributable to bringing it to working condition and available for use, including borrowing costs and capitalized interest. CIP amounts incurred at operating mines are presented as a separate asset within Mineral Properties and Equipment. CIP is not depreciated. Once construction of the asset is completed and available for use, it is transferred to the appropriate mineral property and equipment asset class and depreciation commences.

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

iv) Leasing Arrangements

The Group may enter into both leasing arrangements and arrangements that are in substance leasing arrangements. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, including whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset. Leasing arrangements that transfer substantially all the risks and rewards of ownership of the asset to the Group are classified as finance leases. All other leases are classified as operating leases. Operating lease payments are recognized as an operating cost in the Consolidated Statements of Profit and Comprehensive Profit on a straight-line basis over the lease term. The Corporation presently has no finance leases.

v) Non-Producing Properties

Non-Producing Properties consist of: capitalized exploration and evaluation costs; exploration licenses and permits; and development projects. On acquisition of a mineral property in the exploration stage, an estimate of the fair value attributable to the exploration licenses acquired is determined, including the fair value attributable to mineral resources, if any, of that property. The fair value of the exploration license is recorded as an exploration asset (acquired exploration potential) as at the date of acquisition. Acquisition costs for exploration and evaluation stage properties are capitalized.

**i) Development property**

Once proven and probable reserves are established for a mineral property and it is determined that these reserves can be developed economically, development costs incurred are capitalized until initial plant construction has been completed and commercial production is achieved. Incidental revenues and operating costs are included in Mineral Properties prior to a plant achieving commercial production. Development property is not subject to depreciation or depletion until the asset is placed in service.

**j) Exploration and evaluation expenditures**

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or costs incurred during the evaluation process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond or reverse circulation drilling and other work involved in searching for ore.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of: (i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an orebody that is classified as either a mineral resource or a proven and probable reserve; (ii) determining the optimal methods of extraction and metallurgical and treatment processes; (iii) studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

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

Exploration and evaluation expenditures incurred prior to the date of a Definitive Feasibility Study (“DFS”) on an exploration project are expensed as incurred. Exploration and evaluation expenditures incurred during and subsequent to the DFS, including development drilling and related expenditures are capitalized as mineral property in the accounting period the expenditure is incurred.

## **k) Recoverability of long-lived assets**

Assets subject to depreciation, depletion and amortization are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized in the Consolidated Statements of Profit and Comprehensive Profit at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Previously impaired non-financial assets are reviewed for possible reversal of the impairment at the end of each reporting period.

## **l) Financial assets**

Classification of financial assets depends on the purpose for which the financial assets were acquired. Routine purchases and sales of financial assets are recognized on trade date, the date on which the Group commits to purchase or sell the asset. Management determines the classification of financial assets at initial recognition. The Group classifies and provides for financial assets as follows:

- i) Financial assets at fair value through profit or loss are financial assets held for trading, principally the Group's marketable equity securities, as well as forward gold sales contracts. A financial asset is classified in this category if acquired principally for the purpose of selling it in the short term. Derivatives are also categorized as held for trading unless they are designated as forward contracts. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed. Gains and losses arising from changes in fair value are presented in the Consolidated Statements of Profit and Comprehensive Profit in the period in which they arise.*
- ii) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortized cost using the effective interest method, less any provision for impairment.*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. When sold or impaired, any accumulated fair value adjustments previously recognized in Reserves are included in profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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Notes to Consolidated Financial Statements  
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(expressed in thousands of U.S. dollars, unless otherwise stated)

## m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share-based compensation are shown in equity as a deduction, net of tax, from the proceeds.

## n) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings using the effective interest method.

Fees paid to establish loan facilities are recognized as transaction costs of the loan and are deferred into other assets, subsequently accounted for as a discount to the loan principal and accreted over the instrument's life based on the effective interest rate once drawn. Transaction costs and fees are any expenditures directly connected with establishing and finalizing the borrowing arrangement. These costs include legal and accounting fees, printing costs, investment banker or registration fees, agency fees, and arrangement fees.

Commitment fees are amounts incurred by the Company for undrawn loan principal. For accounting treatment of these fees, an assessment is made to determine the probability the loan will be drawn down. If probable, these fees are capitalized along with the qualifying asset and are included as an indirect cost of Construction in Progress. If it is not probable the loan will be drawn or the commitment expires without drawing on the loan, the fees are recognized as a non-operating expense.

Interest expense is a non-operating expense shown on the profit and loss statement. It represents interest payable on any type of borrowings, except when the borrowing is directly attributable to the acquisitions, construction, or production of qualifying assets, in which case interest is capitalized under CIP. Interest expense is calculated as the effective interest rate times the outstanding principal amount of the debt times the number of days subject to the interest calculation.

Any premium or discount is recorded in a separate account. Discounts and premiums, if material, are amortized using the effective interest rate method. The amortization thereof is considered a borrowing costs for the current period, subject to potential capitalization, with the offsetting debit or credit to the premium or discount account in the liability section of the balance sheet.

In situations when debt instruments, including finance leases, are entered into to finance the acquisition, construction or production of a qualifying long-term asset (an asset that takes greater than twelve months to get ready for its intended use or sale), the attributable borrowing costs will be added to the cost of that asset until such time the asset is substantially ready for its intended use or sale.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability, or a portion of the liability, for at least twelve months after the balance sheet date.



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## **o) Current and deferred income taxes**

Income tax expense or benefit for the reporting period includes current and deferred income taxes. Tax expense or benefit is recognized in the Consolidated Statements of Net Profit and Comprehensive Profit, except to the extent it relates to items recognized directly in reserves. In such cases, associated income tax is recognized directly in reserves.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the statement of financial position date in the countries where Group entities operate. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and the respective carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, and joint arrangements, except for deferred income tax liabilities where the timing of the reversals of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Incentive tax credits in Turkey create deferred tax assets as eligible spending occurs. The deferred tax asset creates a tax credit in the period earned and can be applied to current and future year income tax payments.

## **p) Share-based payments**

Fair value of restricted share units or other share-based payments under incentive programs is measured at grant date and amortized over the period during which the employee becomes unconditionally entitled to the equity-based instrument. Amounts amortized are expensed or, to the extent appropriate, are capitalized as the cost of constructing long-term assets. Total value is determined by reference to the fair value of the instrument granted, excluding the impact of any non-market service and performance vesting conditions. The unvested units are subject to mark-to-market adjustments based on the share price at the

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end of the period and assumptions related to performance measures. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest.

The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. At each reporting date, the entity revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the Consolidated Statements of Profit, or Consolidated Statements of Changes in Equity, as appropriate for amounts capitalized as a cost of constructing long-term assets, with a corresponding adjustment to the reserve. The proceeds received, if any, net of any directly attributable transaction costs, are credited to share capital when the instruments are exercised or otherwise redeemed.

## q) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions for reclamation and closure cost obligations represent management's best estimate of the present value of the future expenditures required to settle the obligation which reflects estimates of future costs, inflation, changes in foreign exchange rates and assumptions of risks associated with the future expenditures, using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in the above factors can result in a change to the provision recognized by the Corporation. The increase in the provision due to passage of time is recognized as finance expense within Other (gain) in the Consolidated Statements of Profit.

An asset retirement obligation to incur decommissioning and reclamation costs generally occurs when an environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and are subject to periodic review.

Decommissioning and site reclamation costs arising from the installation of plant and other site preparation work, discounted to present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged through depreciation and/or depletion of the asset and unwinding of the discount on the provision.

## r) Revenue recognition

- i) Revenue from metal sales is recognized when all the following conditions have been satisfied:
- The significant risks and rewards of ownership have been transferred;
  - Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
  - The amount of revenue can be measured reliably;
  - It is probable that economic benefits associated with the transaction will flow to the Corporation;
- and

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- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## ii) Gold Bullion Sales

Gold bullion is sold primarily in the international gold market. The sales price is fixed based on the gold spot price and revenue from gold bullion sales is recorded at the time of physical delivery, which is also the date that title to the gold and risk of loss transfers to the purchaser.

## s) **Earnings per share**

The Corporation presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders, and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise any convertible arrangements, including share-based compensation granted to employees.

## t) **Future changes to standards**

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective until financial years beginning on or after January 1, 2017 and have not been early adopted. Pronouncements that are not applicable to the Group have been excluded from those described below.

### i) Accounting standards effective on or after January 1, 2017:

- A. The International Accounting Standards Board (“IASB”) has issued a new standard for the recognition of revenue, IFRS 15 – *Revenue from Contracts*. This standard will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, entities recognize transitional adjustments in retained earnings on the date of initial application (i.e. January 1, 2018), without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The standard is effective for annual reporting periods beginning on or after January 1, 2018. Early adoption is permitted. The Corporation is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.
- B. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments

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- standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation continues to monitor and assess the impact of this standard.
- C. In January 2016, the IASB issued IFRS 16 – *Leases* which establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17, *Leases*, and related Interpretations. IFRS 16 is effective from January 1, 2019 though a company can choose to apply IFRS 16 before that date but only in conjunction with IFRS 15 *Revenue from Contracts with Customers*. The Company is currently assessing the impact of this standard.
- D. In June 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.

## 4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk, and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the corporate finance function under policies approved by the BOD. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The BOD provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

The Group's risk exposures and the impact on the Group's financial instruments are summarized below:

### a) Credit risk

The portion of cash and cash equivalents held by banks and receivable balances are subject to credit risk. Such credit risk is managed by diversifying holdings among various financial institutions and by purchasing short-term investment grade securities and money market fund holdings, including bankers' acceptances, guaranteed investment contracts, corporate commercial paper, and United States and Canadian treasury notes in accordance with the Group's investment policy. Investment objectives are primarily directed towards preservation of capital and liquidity. The investment policy provides limitations on concentrations

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of credit risk, credit quality and the duration of investments, as well as minimum rating requirements for cash and cash equivalents held in banks and financial institutions.

The majority of the Group's receivable balances consist of Turkish value-added tax recoverable claims. The Group is also exposed to credit risk to the extent these amounts are not received. As at December 31, 2016, receivables from the Turkish value-added tax recoverable totaled \$6.5 million.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Consolidated Statements of Financial Position. Management monitors its exposure to credit risk on an ongoing basis. Concentration of credit risk exists with respect to the Group's cash and cash equivalents, which totaled \$214.6 million and \$360.7 million as at December 31, 2016 and 2015, respectively.

## b) Liquidity risk

The Group's approach to managing liquidity risk is to provide reasonable assurance that it can provide sufficient capital to meet liabilities when due. The Group maintains sufficient cash and cash equivalents in order to meet short-term business requirements. The Group's ability to settle other long term liabilities when due is dependent upon future liquidity from capital sources or positive cash flows from commercial operations.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 6 months</b>	<b>6 months to 1 year</b>	<b>1 year to 2 years</b>	<b>2 years to 5 years</b>
<b>As at December 31, 2016:</b>				
Trade and other payables	\$ 31,348	-	-	-
Total	<u>\$ 31,348</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>As at December 31, 2015:</b>				
Trade and other payables	\$ 23,767	-	-	-
Total	<u>\$ 23,767</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

This table does not include other commitments discussed in Note 23.

## c) Market risk

### i) Interest rate risk

The Group holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. All other financial assets and liabilities in the form of receivables, payables and provisions are non-interest bearing. Future net cash flows from interest income on cash and cash equivalents and interest expense on variable rate borrowings will be affected by interest rate fluctuations. The Group manages interest rate risk by maintaining an investment policy for short-term investments and cash

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and cash equivalents. This policy focuses primarily on preservation of capital and liquidity. The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

As at December 31, 2016, Management estimates that if interest rates had changed by 0.1% (i.e. 10 basis points), assuming all other variables remained constant, the impact to pre-tax net profit (loss) would have been approximately \$0.2 million (2015 - \$0.4 million).

## *ii) Currency risk*

The Group's functional currencies are the U.S. dollar. The Group is affected by currency transaction risk and currency translation risk. Consequently, fluctuations of the U.S. dollar in relation to other currencies impact the fair value of financial assets and liabilities and operating results.

Certain short-term financial liabilities are denominated in other currencies, predominately the Turkish Lira. To reduce exposure to currency transaction risk, the Group maintains cash and cash equivalents in each of these currencies to meet short-term liquidity requirements. Other assets and liabilities subject to currency translation risk primarily include non-U.S. dollar cash and cash equivalents, receivables, deferred tax assets, and taxes and royalties payable.

As at December 31, 2016, Management estimates that if foreign exchange rates had weakened 10% against the U.S. dollar, assuming all other variables remained constant, pre-tax profit would have decreased \$2.2 million (2015 - \$1.3 million), and a strengthening of 10% in foreign exchange rates, assuming all other variables remained constant, would have increased pre-tax profit by \$2.7 million (2015 - \$1.3 million). This is mainly a result of foreign exchange gains or losses on translation of Turkish Lira denominated cash and cash equivalents, receivables, and payables.

## *iii) Commodity price risk*

The market price of gold is a significant driver of profitability and ability to generate free cash flow. The Corporation sells gold produced in the international market at prevailing market rates. Future declines in commodity prices may impact the valuation of long-lived assets, and fluctuations in commodity pricing may impact cash flows and profitability. The Corporation has entered into a forward sales hedge program to secure the gold price on gold production (Note 13).

As at December 31, 2016, Management estimates that if gold prices had increased (decreased) by 10% for the full year, assuming all other variables remained constant, the impact to gold sales would have been approximately \$14.2 million (2015 - \$23.7 million).

## **d) Fair value of financial instruments**

Financial assets and financial liabilities are initially recognized at fair value; subsequent measurement is dependent on the applicable classification. The Group has classified loans and receivables at amortized cost, which approximates fair value. The Group has classified marketable equity securities at fair value through profit and loss. The Group has classified accounts payable and accrued liabilities as other financial liabilities. The carrying amounts of accounts payable and accrued liabilities approximate the fair values of those financial instruments, due to the short-term maturity of such instruments.

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In accordance with IAS 39, The Company records the fair value of the forward contracts instrument 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. At the end of the reporting period, a corresponding gain or loss is recorded in the Consolidated Statements of Profit and Comprehensive Profit as Other (Gain) Loss. This amount recorded in the financial statements as “Other Unrealized (Gain) Loss” provides transparency on the performance of the forward contracts portfolio. The movement in fair value, based on the forward gold price at period-end as reported by the banking institutions holding the position, will be reported in the profit/loss statement. At the point a position is settled, an “Other Realized (Gain) Loss” is recorded. This amount represents the difference between the settlement price and the contracted price.

IFRS requires disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritize 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 carried at fair value by valuation method as of December 31, 2016 and 2015.

<b>December 31, 2016</b>				
<b>Fair Value Hierarchy</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash, cash equivalents, and trade receivables	\$ 238,566	\$ -	\$ -	\$ 238,566
Marketable equity securities	64	-	-	64
Forward sales contracts	-	15,882	-	15,882
	<u>\$ 238,630</u>	<u>\$ 15,882</u>	<u>\$ -</u>	<u>\$ 254,512</u>

<b>December 31, 2015</b>				
<b>Fair Value Hierarchy</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash, cash equivalents, and trade receivables	\$ 372,297	\$ -	\$ -	\$ 372,297
Marketable equity securities	91	-	-	91
Forward sales contracts	-	-	-	-
	<u>\$ 372,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 372,388</u>

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## e) Capital risk management

The Group's objectives when managing capital (including borrowings, if any, and share capital) are to:

- Ensure the Group has sufficient cash available to support the continuing mining, development, exploration and other areas of the business;
- Ensure the Group has sufficient capital and capacity to support its long-term growth strategy;
- Provide investors with an appropriate rate of return in context of a balanced risk profile;
- Ensure compliance with borrowing covenant ratios, if applicable; and
- Minimize counterparty credit risk.

The Group adjusts its capital structure based on changes in business results, economic conditions, and the Group's strategy. The Group, upon BOD approval, has the ability to adjust its capital structure by issuing new equity, issuing new debt and by selling or acquiring assets. Within the context of its strategy, the Group can also control how much capital is returned to shareholders through dividends and share buybacks.

## 5. Critical accounting estimates and judgments

Many of the amounts included in the Consolidated Statements of Financial Position require Management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on Management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the Consolidated Statements of Financial Position. Information about such judgments and estimates is contained in the accounting policies within these Notes to Consolidated Financial Statements, and the critical areas are summarized below.

### a) Judgments and estimates

#### i) Mineral reserve and resource estimates

Amounts estimated for reserves and resources are determined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators and Canadian Institute of Mining, Metallurgy and Petroleum standards. Proven and probable reserves are the economically mineable parts of the Corporation's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Corporation estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons, as also defined by NI 43-101. The information relating to the geological data on the size, depth, and shape of an orebody requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, gold and other commodity prices, future capital requirements and production costs along with geological assumptions, and judgments made in estimating the size and grade of the orebody. Changes in the proven and probable reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment; reclamation and remediation obligations; recognition of deferred tax amounts; and depreciation, depletion and amortization.



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*ii) Depreciation, depletion and amortization*

Plant assets and other facilities used directly in mining activities are depreciated using the UOP method over a period not to exceed the estimated life of the orebody based on recoverable ounces to be mined from proven and probable reserves. Mobile and other equipment is depreciated, net of residual value, on a UOP or straight-line basis, over the useful life of the equipment but does not exceed the related estimated life of the mine based on proven and probable reserves. The calculation of the UOP rate, and therefore the annual depreciation, depletion and amortization expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining, and differences in gold price used in the estimation of mineral reserves. Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

*iii) Inventories*

The assumptions used in the valuation of work-in-process inventories include estimates of gold contained in the ore stacked on leach pads, assumption of the amount of gold stacked that is expected to be recovered from the leach pads, and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Group may be required to write-down the recorded value of its work-in-process inventories, which would reduce the Group's earnings and working capital.

*iv) Mine restoration provision estimates*

The Group's calculation of rehabilitation and closure provisions (and corresponding capitalized closure cost assets where necessary) relies on estimates of costs required to rehabilitate and restore disturbed land to appropriate post-operations' condition. Key assumptions are reviewed regularly and adjusted to reflect current assumptions used to calculate these estimates. Significant judgment is required in determining the provision for mine closure and rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. Factors that will affect this liability include future development and operating activity, changes in technology, and price and interest rate changes.

*v) Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognizes tax-related assets and liabilities based on the Group's current understanding of tax laws as applied to the Group's circumstances. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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vi) Recoverability of long-lived assets

The Group reviews and evaluates long-term non-financial assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. This assessment is done at the cash generating unit level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. An impairment is considered to exist if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value in use, is less than the carrying amount. Future cash flows are estimated based on expected future production, gold and other commodity prices, operating costs and capital costs. Changes in any of the assumptions or estimates used in determining the fair value of assets could impact the impairment analysis.

## 6. Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash at banks and on hand	\$ 41,456	\$ 15,748
Money market funds and other	173,095	344,997
	<u>\$ 214,551</u>	<u>\$ 360,745</u>

Cash is deposited at banks and financial institutions and earns interest based on market rates. The fair value of cash and cash equivalents approximates the values as disclosed in the table above.

## 7. Receivables and other

	December 31, 2016	December 31, 2015
Consumption taxes recoverable (VAT)	\$ 6,536	\$ 8,263
Forward sales contract receivable (hedge) (Note 13)	10,802	-
Non-trade receivables	1,965	1,484
Prepaid expenses and advances	4,688	1,775
Other current assets	24	30
	<u>\$ 24,015</u>	<u>\$ 11,552</u>

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## 8. Inventories

	December 31, 2016	December 31, 2015
Work-in-process	\$ 57,766	\$ 48,625
Finished goods	3,769	106
Oxide ore stockpiles	96	1,256
Supplies and other	4,914	7,761
	<u>\$ 66,545</u>	<u>\$ 57,748</u>

There were no write-downs of inventory to net realizable value during the years ended 2016 and 2015. A reserve for obsolescence of \$1.4 (2015 - \$1.1 million) is included in the Supplies and other balance above. The Corporation's sulfide ore stockpile is classified as a non-current asset, as shown in Note 11.

## 9. Mineral properties and equipment, net

	Mineral properties <sup>1</sup>	Mining plant and equipment	Construction-in- progress <sup>2</sup>	Non-producing properties <sup>2</sup>	Total
<b>Balance at January 1, 2015</b>	\$ 131,668	\$ 99,775	\$ 6,113	\$ 69,503	\$ 307,059
Additions	-	14	26,846	43,946	70,806
Transfers	6,522	8,430	(14,952)	-	-
Disposals	(175)	(737)	-	(1,242)	(2,154)
Rehabilitation provision	2,162	-	-	-	2,162
Depreciation, depletion	(25,658)	(26,857)	-	-	(52,515)
<b>Balance at January 1, 2016</b>	<u>\$ 114,519</u>	<u>\$ 80,625</u>	<u>\$ 18,007</u>	<u>\$ 112,207</u>	<u>\$ 325,358</u>
Additions	-	-	110,850	37,868	148,718
Transfers	6,378	4,486	(10,864)	-	-
Disposals	(28)	(634)	-	-	(662)
Rehabilitation provision	4,959	-	-	-	4,959
Depreciation, depletion	(24,567)	(18,448)	-	-	(43,015)
<b>Balance at December 31, 2016</b>	<u>\$ 101,261</u>	<u>\$ 66,029</u>	<u>\$ 117,993</u>	<u>\$ 150,075</u>	<u>\$ 435,358</u>

<sup>1</sup> Mineral properties represent assets subject to depreciation including production stage properties, capitalized mine development costs related to current production, and capitalized pre-production stripping.

<sup>2</sup> Construction-in-progress and Non-producing properties are not subject to depreciation. Construction-in-progress includes the Sulfide Project costs incurred following construction approval and sustaining capital expenditures. Non-producing properties includes the Sulfide Project costs incurred prior to construction approval and other capitalized mine development costs not yet in production.

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## 10. Income taxes

a) **Income tax expense** - The following table summarizes activity for the years ended December 31:

	2016	2015
Current income tax expense	\$ 9,634	\$ 5,997
Deferred income tax benefit	<u>(27,718)</u>	<u>(7,060)</u>
Income tax benefit	<u>\$ (18,084)</u>	<u>\$ (1,063)</u>

The Corporation 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.

b) **Reconciliation of income tax expense** - The following table summarizes the difference between income tax expense at the Canadian statutory rate of 30% and actual income tax expense for the years ended December 31:

	2016	2015
Net profit (loss) before income tax for the year	<u>\$ (2,424)</u>	<u>\$ 64,566</u>
Income tax expense at Canadian statutory rate of 30%	(727)	19,370
Effect of difference in foreign tax rates	(71)	(8,139)
Incentive tax credits	(39,536)	(27,771)
Unrecognized income tax assets, net	2,284	4,122
Foreign currency valuations	16,461	11,997
Other	<u>3,505</u>	<u>(642)</u>
Income tax benefit	<u>\$ (18,084)</u>	<u>\$ (1,063)</u>

The Corporation applies the liability method to recognize deferred income tax expense on temporary differences between the tax bases of assets and their carrying amounts in the financial statements.

# Alacer Gold Corp.

Notes to Consolidated Financial Statements  
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## c) Significant components of deferred tax assets and liabilities

	<b>Consolidated statement of financial position</b>	
	<b>2016</b>	<b>2015</b>
Deferred income tax assets:		
Incentive tax credits recognized	\$ 54,059	\$ 20,420
Deferred income tax liabilities	(31,446)	(19,644)
<b>Deferred income tax asset</b>	<u>\$ 22,613</u>	<u>\$ 776</u>
<b>Tax attributes not recognized:</b>	<b>2016</b>	<b>2015</b>
Loss carry-forwards	\$ 121,739	\$ 154,745
Capital loss carry-forwards	\$ 885,704	\$ 845,251

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 Group did not recognize deferred income tax assets of \$168.8 million (2015: \$174.1 million) in respect of losses amounting to \$121.7 million (2015: \$154.7 million) that can be carried forward against future taxable income, and in respect of capital losses amounting to \$885.7 million (equivalent to \$1.2 billion Canadian Dollars). Canadian operating losses total \$101.8 million and can be carried forward 20 years, U.S. losses total \$15.1 million and can be carried forward 20 years, Luxembourg losses total \$1.7 million and can be carried forward indefinitely, and Turkish losses total \$3.1 million and can be carried forward 5 years.

Deferred income tax liabilities of \$53.5 million (2015: \$53.5 million) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totaled \$535.0 million at December 31, 2016 (2015: \$534.7 million).

## 11. Other long-term assets

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Inventory (sulfide ore stockpiles)	\$ 69,235	\$ 45,817
Forward sales contract receivable (hedge) (Note 13)	5,080	-
Equity accounted investments (Note 20)	15,500	3,413
Finance facility costs (Note 14)	10,312	7,299
Long-term advances and other	2,116	2,819
Marketable security investments	64	91
	<u>\$ 102,307</u>	<u>\$ 59,439</u>

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## 12. Trade and other payables

	December 31, 2016	December 31, 2015
Trade payables and accruals	\$ 28,827	\$ 19,201
Withholding taxes	83	1,518
Royalties payable	2,438	3,048
	<u>\$ 31,348</u>	<u>\$ 23,767</u>

## 13. Financial Instruments – forward sales contracts (hedge)

The following table is a summary of the carrying amounts of the Corporation's financial instruments that are recognized in the interim consolidated statements of financial position:

		Consolidated statement of financial position	
Financial instrument classification		December 31, 2016	December 31, 2015
Trade and other receivables (Note 7)	Forward sales contract - Short-term	\$ 10,802	\$ -
Other long-term assets (Note 11)	Forward sales contract - Long-term	\$ 5,080	\$ -
		<u>\$ 15,882</u>	<u>\$ -</u>

The carrying value of these instruments is the fair value of the 142,009 unsettled forward gold sales contracts as of December 31, 2016.

Quarter Ending	Ounces	Average Fixed Price
Q1 2017	19,009	1,282
Q2 2017	15,655	1,282
Q3 2017	26,836	1,282
Q4 2017	31,309	1,282
Q1 2018	27,955	1,282
Q2 2018	13,418	1,282
Q3 2018	7,827	1,282
<b>Unsettled Forward Sales at December 31, 2016</b>	<b>142,009</b>	<b>\$ 1,282</b>
Forward sales settled in 2016	53,774	1,282
<b>Forward Sales Program Total</b>	<b>195,783</b>	<b>\$ 1,282</b>

Forward gold sales are settled in cash during the settlement period. Realized and unrealized gains (losses) are recorded as Other (Gain) Loss in the Consolidated Statements of Profit and Comprehensive Profit. See Note 19.

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In accordance with IAS 39, a three level hierarchy was evaluated to determine the applicable fair value accounting methodology to be used for the hedge instrument. Level 2 of the hierarchy is applicable and therefore, the Corporation calculates fair value of financial instruments utilizing observable market data and other inputs. The observable market data utilized is the London AM Fix and the forward gold curve.

## 14. Borrowings

On June 16, 2016, the Corporation signed a \$350 million project finance facility with a syndicate of lenders (BNP Paribas (Suisse) SA, ING Bank A.S., Societe Generale Corporate & Investment Banking and UniCredit Bank Austria AG). The facility has no mandatory hedging, has an 8-year term, and interest rates of LIBOR plus 3.5% to 3.95%. Advances under the facility are subject to customary conditions precedent including execution of security documentation and a minimum of \$220 million capital spend at Çöpler. As of December 31, 2016, the Corporation has no outstanding debt balances that are owed for credit facilities or debt arrangements. The costs to establish and finalize the financing facility (including syndicate bank fees, legal and accounting fees, investment and registration fees, and other agency fees) was \$10.3 million, which will be amortized over the life of the loan when the finance facility is drawn (see Note 11).

## 15. Asset retirement obligation

	December 31, 2016	December 31, 2015
<b>Balance, beginning of period</b>	\$ 21,231	\$ 18,860
Arising during the period	4,959	2,162
Unwinding of discount	1,126	209
<b>Balance, end of period</b>	<u>\$ 27,316</u>	<u>\$ 21,231</u>

At the end of each year, the Corporation reviews cost estimates and assumptions used in the valuation of environmental provisions. Changes in these cost estimates and assumptions have a corresponding impact on the carrying value of the obligation. The primary factors that can cause expected future cash flows to change include construction of new processing facilities, material changes in reserve estimates and the life-of-mine plan, changes in ore characteristics that may impact required environmental protection measures and related costs, changes in water quality that impact the amount of water treatment required, and changes in laws and regulations governing the protection of the environment. The environmental provision established for reclamation and closure cost obligations represents the present value of rehabilitation costs for the Çöpler Gold Mine.

For the year ended December 31, 2016, the Corporation updated the reclamation and closure cost obligation for the Çöpler Gold Mine. The primary factors that changed with regard to the expected future cash flows relate to the commencement of construction of new Pressure-Oxidation processing facilities and the related results of the Technical Report released June 9, 2016. The update was prepared based on management and third-party estimates, and did not result in a material change to the estimated provision. The total undiscounted inflated expenditures are estimated at \$101.3 million as of December 31, 2016. The critical assumptions used in the updated estimate include the timing of when the expenditures are expected to be incurred (up to the year 2044), the estimated inflation rate (8.53%), and the discount rate (7.25%) used to

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determine net present value. Rates are based on estimated overnight borrowing rate set by the Central Bank of the Republic of Turkey Monetary Policy Committee.

## 16. Other long-term liabilities

	December 31, 2016	December 31, 2015
Share-based compensation	2,585	2,200
Other provisions	1,718	1,762
	<u>\$ 4,303</u>	<u>\$ 3,962</u>

## 17. Share capital and share-based payments

### a) Share capital

The Corporation 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 December 31, 2016, 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>
<b>Balance at January 1, 2015</b>	<u>290,671,481</u>	<u>\$ 1,471,303</u>
Shares issued:		
On exercise of share-based awards	17b <u>730,015</u>	<u>1,880</u>
<b>Balance at December 31, 2015</b>	291,401,496	\$ 1,473,183
Shares issued:		
On exercise of share-based awards	17b <u>743,387</u>	<u>1,341</u>
<b>Balance at December 31, 2016</b>	<u>292,144,883</u>	<u>\$ 1,474,524</u>

### b) Share-based payments

#### i) Restricted share unit plan

In May 2009, shareholders approved a restricted share unit ("RSU") plan (the "2009 RSU Plan") for employees and officers. Under the 2009 RSU Plan, 2,000,000 common shares of the Corporation were reserved for issuance pursuant to the 2009 RSU Plan.



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On June 2, 2011, the Corporation adopted two new RSU plans, the 2011 RSU plan and the Non-Executive Director (NED) RSU Plan (collectively, the “Alacer RSU Plans”). The aggregate number of common shares issuable pursuant to the Alacer RSU Plans, together with the aggregate number of common shares issuable pursuant to any other previously established or proposed share compensation arrangement of the Corporation, shall not exceed 5% of the total number of issued and outstanding common shares (calculated on a non-diluted basis) and the award value of all awards shall not exceed 1% of the total number of issued and outstanding common shares (calculated on a non-diluted basis) and the award value of all awards shall not exceed \$0.1 million in value of equity per non-executive director. The maximum number of common shares issuable to insiders under the Alacer RSU Plans, or when combined with any other previously established or proposed share compensation arrangements, at any time or within any 12-month period, may not exceed 5% of the outstanding issue.

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 Corporation. Alternatively, the Corporation, at its discretion, may elect to satisfy all or part of its payment obligation in cash. Fair value at grant date is based on market price of the Corporation’s common shares and a forfeiture rate of 17%. In the event an RSU participant’s employment or engagement as a service provider to the Corporation or one of its affiliates terminates for any reason other than death, such RSU participant’s RSUs will be forfeited and no common shares of the Corporation will be issued.

The following table summarizes activity for the years ended December 31:

	2016		2015	
	Number of RSUs	Weighted average price	Number of RSUs	Weighted average price
<b>Outstanding - Beginning of year</b>	3,130,184	\$ 1.91	3,081,054	\$ 2.32
Granted	1,438,326	1.86	1,481,385	1.62
Vested and redeemed	(743,387)	1.84	(730,015)	2.54
Forfeited	<u>(1,169,335)</u>	2.02	<u>(702,240)</u>	2.37
<b>Outstanding - End of year</b>	<u>2,655,788</u>	\$ 1.89	<u>3,130,184</u>	\$ 1.91

## ii) Performance share unit plan

In August 2014, the Board of Directors approved a performance share unit (“PSU”) plan (the “PSU Plan”) for senior employees and officers. 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 Corporation 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 Corporation.

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In January 2016 there were 1,009,769 PSUs granted. As of December 31, 2016, there were a total of 2,640,959 PSUs issued and outstanding. PSUs are valued based on the share price and certain performance measures and settled in cash.

The following table summarizes activity for the years ended December 31:

	<u>2016</u>	<u>2015</u>
	<b>Number of PSUs</b>	<b>Number of PSUs</b>
<b>Outstanding - Beginning of year</b>	1,931,875	827,391
Granted	1,009,769	1,104,484
Vested and redeemed	(252,446)	-
Forfeited	(48,239)	-
<b>Balance at December 31, 2016</b>	<u>2,640,959</u>	<u>1,931,875</u>

*iii)* Deferred share unit plan

In May 2009, shareholders approved a deferred share unit (“DSU”) plan (the “DSU Plan”) pursuant to which directors of the Corporation may be granted DSUs. A total of 1,000,000 common shares of the Corporation were reserved for issuance pursuant to the DSU Plan. On June 2, 2011, shareholders approved an amendment to the DSU Plan stating no additional grants of units would be made under the DSU Plan after June 2, 2011, and the DSU Plan would remain in effect until all DSUs granted under the DSU Plan have been redeemed. In 2015, a new DSU plan was approved. In February 2016, 244,016 DSUs were granted under the 2015 plan. As of December 31, 2016 there were 446,641 units outstanding under the 2009 and 2015 plans. DSUs are valued based on the share price and settled in cash.

The following table summarizes activity for the years ended December 31:

	<u>2016</u>	<u>2015</u>
	<b>Number of DSUs</b>	<b>Number of DSUs</b>
<b>Outstanding - Beginning of year</b>	202,625	95,229
Granted	244,016	124,854
Vested and redeemed	-	-
Forfeited	-	(17,458)
<b>Balance at December 31, 2016</b>	<u>446,641</u>	<u>202,625</u>

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## 18. Group entities and transactions with non-controlling interests

<u>Alacer Gold Corp.</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>31-Dec 2016</u>	<u>31-Dec 2015</u>
Alacer Management Corp.	USA	100%	100%
Alacer Gold Holdings Corp. S.à.r.l.	Luxembourg	100%	100%
Alacer Gold Corp. S.à.r.l.	Luxembourg	100%	100%
Alacer Gold Madencilik Anonim Şirketi	Turkey	100%	100%
Anagold Madencilik Sanayi Ve Ticaret Anonim Şirketi	Turkey	80%	80%
Kartaltepe Madencilik Sanayi Ticaret Anonim Şirketi	Turkey	50%	50%
Tunçpınar Madencilik Sanayi Ve Ticaret Anonim Şirketi	Turkey	50%	50%
Polimetal Madencilik Sanayi Ticaret Anonim Şirketi	Turkey	50%	20%

In 2009, the Group and Lidya Mining formalized an agreement to create a strategic relationship which allowed Lidya Mining to acquire up to a 20% interest in Çöpler, through ownership of Anagold stock, and outlined a structure for cooperation and cross-investment to jointly explore and develop other mineral properties in Turkey on a 50/50 basis, except for Polimetal.

In addition, and in conjunction with the strategic relationship with Lidya Mining, during 2011 the Corporation and Lidya Mining completed two joint ventures on other non-Çöpler Turkish holdings. During 2012 the Corporation and Lidya Mining completed a third non-Çöpler Turkish holding joint venture. The joint venture agreements provide for equal ownership by the Corporation and Lidya Mining. In 2013, the Corporation elected to reduce its ownership in Polimetal from 50% to 20%, but still maintaining its rights to clawback its interest in the Polimetal joint venture to 50% on a project-by-project basis. With the September 2016 release of the prefeasibility study with maiden Mineral Resources and Mineral Reserves, the Company decided to finance the clawback for \$7.7 million. As of December 2016, Alacer's interest in the Polimetal joint venture is 50%. (See additional information in Note 20.)

As a 20% shareholder of Anagold, Lidya Mining is responsible for its proportionate share of Anagold's capital and operating costs, and will receive the benefit of its proportionate share of revenues and other income. Non-controlling interest represents the 20% interest of Lidya Mining in Anagold, based on investment amounts adjusted for its share of profit or losses.

The following table summarizes activity for the years ended December 31:

	<b>2016</b>	<b>2015</b>
<b>Non-controlling interest, beginning of period</b>	\$ 127,463	\$ 108,465
Capital contribution	16,266	-
Share of profit in Anagold	9,454	18,998
<b>Non-controlling interest, end of period</b>	<b>\$ 153,183</b>	<b>\$ 127,463</b>

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Set out below is summarized financial information for Anagold, the entity which has the 20% non-controlling interest held by Lidya Mining. The amounts disclosed are based on those included in the consolidated financial statements before inter-company eliminations.

Summarized statements of financial position	As of	As of
	December 31, 2016	December 31, 2015
Current assets	204,156	226,774
Current liabilities	27,015	19,554
	<u>\$ 177,141</u>	<u>\$ 207,220</u>
Non-current assets	554,537	377,681
Non-current liabilities	60,309	42,432
	<u>\$ 494,228</u>	<u>\$ 335,249</u>
Net assets	<u>\$ 671,369</u>	<u>\$ 542,469</u>

Summarized income statements	For the year ended	
	December 31, 2016	December 31, 2015
Revenue	\$ 141,994	\$ 237,264
Profit before income tax	\$ 20,883	\$ 86,035
Income tax expense (benefit)	<u>\$ (26,386)</u>	<u>\$ (8,956)</u>
Total net profit	<u>\$ 47,269</u>	<u>\$ 94,991</u>
Attributable to:		
Owners of the Corporation	\$ 37,815	\$ 75,993
Non-controlling interest	\$ 9,454	\$ 18,998

Summarized cash flows	For the year ended	
	December 31, 2016	December 31, 2015
Cash flows from operating activities	\$ 110,588	\$ 120,801
Cash flows from investing activities	\$ (167,626)	\$ (77,818)
Cash flows from financing activities	\$ 12,628	\$ (6,621)

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Lidya Mining is entitled to receive dividend payments equaling its 20% share of legally declarable dividends from Anagold. Commencing in 2015, there have been no dividend payments made to Lidya Mining related to Anagold's 2016, 2015 or 2014 earnings due to expected future capital expenditure commitments, including the Sulfide Project.

## 19. Other gain

The following table summarizes activity for the years ended December 31:

	2016	2015
Finance (income) expense, net	\$ (67)	\$ 25
Unrealized gain on financial instruments (hedge) (Note13)	(15,882)	-
Realized gain on financial instruments (hedge)	(1,427)	-
Gain on settlement of Australian tax matter	(4,444)	-
Write-down of property, plant and equipment assets	97	1,122
Non-operating transactions	394	(1,454)
<b>Total other gain loss</b>	<b>\$ (21,329)</b>	<b>\$ (307)</b>

## 20. Investments accounted for using the equity method

The Group has interests in exploration joint ventures (see Note 18) that are accounted for using the equity method. The aggregated financial information on the Kartaltepe Madencilik Sanayi Ticaret Anonim Şirketi, Tunçpınar Madencilik Sanayi Ve Ticaret Anonim Şirketi, and Polimetal Madencilik Sanayi Ticaret Anonim Şirketi joint ventures are as follows:

	For the year ended	
	December 31, 2016	December 31, 2015
Aggregate amount of the Corporation's share of net losses	\$ 11,306	\$ 4,678

The aggregate amount of the Corporation's share of net losses is the current reporting period's expenditures of the joint ventures.

	As of December 31, 2016	As of December 31, 2015
Aggregate carrying amount (Note 11)	\$ 15,500	\$ 3,413

The Corporation has no commitments and contingencies for the joint ventures.

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Notes to Consolidated Financial Statements  
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## 21. Profit (loss) per share

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

Diluted profit (loss) per share is calculated using the treasury method, except the if-converted method is used in assessing the dilution impact of convertible instruments (until maturity) and options. The treasury method, which assumes that outstanding stock options with an average exercise price below the market price of the underlying shares, is exercised and the assumed proceeds are used to repurchase common shares of the Corporation at the average market price of the common shares for the period. The if-converted method assumes that all convertible instruments (until maturity) and options have been converted in determining fully diluted profit (loss) per share if they are in-the-money, except where such conversion would be anti-dilutive. The following table summarizes activity for the years ended December 31:

	2016	2015
Net profit attributable to owners of the Corporation	\$ 6,206	\$ 46,631
Weighted average number of shares outstanding – basic	291,957,513	290,986,927
Weighted average number of shares outstanding – diluted	294,613,301	294,117,111
Total net profit per share – basic	\$ 0.02	\$ 0.16
Total net profit per share – diluted	\$ 0.02	\$ 0.16

## 22. Contingencies

The Group has contingent liabilities associated with legal claims arising in the ordinary course of business. The Corporation believes these claims will have no material impact where a liability would be recorded in the financial statements.

## 23. Commitments

### a) Contractual Obligations

Contractual commitments related to purchase obligations and capital expenditures are as follows:

(\$ 000's)	Less than one year	Between one and five years	More than five years	Total
Purchase obligations for operations	\$ 699	\$ 260	\$ -	\$ 959
Capital expenditure commitments	87,008	-	22,000	109,008
Total contractual obligations	\$ 87,707	\$ 260	\$ 22,000	\$ 109,967

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## b) Non-controlling interest dividends

Lidya Mining is entitled to receive dividend payments equaling its 20% share of legally declarable dividends from Anagold. There have been no dividend payments made to Lidya Mining in 2016 and 2015 related to Anagold's 2015 or 2014 earnings due to current and future capital expenditure commitments, including the Sulfide Project.

## c) Other

In connection with exploration and development activities, the Group may enter into option, lease, royalty or other similar agreements with third parties. Generally, payments required on these commitments do not occur until the property has reached commercial production.

## 24. Related party transactions

In 2016, the Corporation 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 current scope of work under the contract is valued at \$89 million, of which year-to-date transactions total \$20 million.

There were no other related party transactions for services rendered during 2016 and 2015, except key management compensation as detailed below.

### Key management compensation

The compensation of directors of the Corporation and key management personnel of the Group is shown below for the years ended December 31:

	<b>2016</b>	<b>2015</b>
Salaries, director fees and other employee benefits	\$ 4,470	\$ 4,864
Share-based compensation expense	2,334	4,201
Termination benefits	1,014	-
<b>Total</b>	<b>\$ 7,818</b>	<b>\$ 9,065</b>

## 25. Segment information

The Corporation operates one segment directed towards the acquisition, exploration and production of gold in Turkey. The segment net profit (loss) and the segment assets and liabilities as of and for the years ended December 31, 2016 and 2015 are shown in the following tables:

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	Turkish Business Unit	Corporate and other	Total
<u>For the year ended December 31, 2016:</u>			
Revenues	\$ 141,994	\$ -	\$ 141,994
Production costs	85,207	-	85,207
Depreciation, depletion, amortization	34,989	3,655	38,644
Mining gross profit (loss)	21,798	(3,655)	18,143
Exploration and evaluation	1,649	356	2,005
Administration, finance and other, net	10,573	7,989	18,562
Income tax expense (benefit)	(20,132)	2,048	(18,084)
<b>Net profit (loss) for the period</b>	<b>\$ 29,708</b>	<b>\$ (14,048)</b>	<b>\$ 15,660</b>

<u>For the year ended December 31, 2015:</u>			
Revenues	\$ 237,264	\$ -	\$ 237,264
Production costs	98,720	-	98,720
Depreciation, depletion, amortization	43,939	5,279	49,218
Mining gross profit (loss)	94,605	(5,279)	89,326
Exploration and evaluation	1,837	117	1,954
Administration, finance and other, net	10,979	11,827	22,806
Income tax expense (benefit)	(1,169)	106	(1,063)
<b>Net profit (loss) for the period</b>	<b>\$ 82,958</b>	<b>\$ (17,329)</b>	<b>\$ 65,629</b>

	Turkish Business Unit	Corporate and other	Total
<u>As of December 31, 2016:</u>			
Current assets	\$ 209,794	\$ 95,317	\$ 305,111
Non-current assets	538,728	21,550	560,278
<b>Total assets</b>	<b>\$ 748,522</b>	<b>\$ 116,867</b>	<b>\$ 865,389</b>
Current liabilities	\$ 31,330	\$ 4,329	\$ 35,659
Non-current liabilities	29,034	2,585	31,619
<b>Total liabilities</b>	<b>\$ 60,364</b>	<b>\$ 6,914</b>	<b>\$ 67,278</b>
<u>As of December 31, 2015:</u>			
Current assets	\$ 345,635	\$ 84,410	\$ 430,045
Non-current assets	361,765	23,808	385,573
<b>Total assets</b>	<b>\$ 707,400</b>	<b>\$ 108,218</b>	<b>\$ 815,618</b>
Current liabilities	\$ 22,223	\$ 3,951	\$ 26,174
Non-current liabilities	22,993	2,200	25,193
<b>Total liabilities</b>	<b>\$ 45,216</b>	<b>\$ 6,151</b>	<b>\$ 51,367</b>



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## 26. Net change in non-cash working capital

The following table summarizes activity, excluding cash and cash equivalents transactions, for the years ended December 31:

	<b>2016</b>	<b>2015</b>
Changes in non-cash working capital accounts:		
Trade and other payables	\$ 5,308	\$ (10,008)
Receivables and other	(9,432)	7,398
Inventories	5,134	(4,203)
Current income tax liabilities	1,904	(3,181)
	<u>\$ 2,914</u>	<u>\$ (9,994)</u>
Interest paid, net	\$ -	\$ -
Income taxes paid	\$ 7,949	\$ 9,549

**Form 52-109F1**  
**Certification of Annual Filings**  
**Full Certificate**

I, Rodney P. Antal, *President & Chief Executive Officer of Alacer Gold Corp.*, certify the following:

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of Alacer Gold Corp. (the “issuer”) for the financial year ended December 31, 2016.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- 5.2 N/A
- 5.3 **Limitation on scope of design:** The issuer has disclosed in its annual MD&A

- (a) the fact that the issuer's other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of
    - (i) a proportionately consolidated entity in which the issuer has an interest;
    - (ii) a special purpose entity in which the issuer has an interest; or
    - (iii) a business that the issuer acquired not more than 365 days before the issuer's financial year end; and
  - (b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.
6. **Evaluation:** The issuer's other certifying officer(s) and I have
- (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
  - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A
    - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
    - (ii) N/A.
7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2016 and ended on December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: February 6, 2017

(signed) "Rodney P. Antal"

Rodney P. Antal  
President & Chief Executive Officer

**Form 52-109F1**  
**Certification of Annual Filings**  
**Full Certificate**

I, Mark E. Murchison, *Chief Financial Officer of Alacer Gold Corp.*, certify the following:

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of Alacer Gold Corp. (the “issuer”) for the financial year ended December 31, 2016.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- 5.2 N/A
- 5.3 **Limitation on scope of design:** The issuer has disclosed in its annual MD&A

- (a) the fact that the issuer's other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of
    - (i) a proportionately consolidated entity in which the issuer has an interest;
    - (ii) a special purpose entity in which the issuer has an interest; or
    - (iii) a business that the issuer acquired not more than 365 days before the issuer's financial year end; and
  - (b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.
6. **Evaluation:** The issuer's other certifying officer(s) and I have
- (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
  - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A
    - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
    - (ii) N/A.
7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2016 and ended on December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: February 6, 2017

(signed) "Mark E. Murchison"

Mark E. Murchison  
Chief Financial Officer