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

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

The following discussion updates our plan of operation as of May 2, 2018, for the foreseeable future. It also analyzes our financial condition at March 31, 2018 and compares it to our financial condition at December 31, 2017. Finally, the discussion analyzes our results of operations for the three months ended March 31, 2018 and compares those to the results for the three months ended March 31, 2017. With regard to properties or projects that are not in production, we provide some details of our plan of operation. We suggest that you read this discussion in conjunction with MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS and our audited consolidated financial statements contained in our annual report on Form 10-K for the year ended December 31, 2017.

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

The discussion also presents certain Non-GAAP financial performance measures, such as earnings from mining operations, total cash costs, total cash cost per ounce, all-in sustaining costs, all-in sustaining cost per ounce, and average realized price per ounce, that are important to management in its evaluation of our operating results and which are used by management to compare our performance to what we perceive to be peer group mining companies and relied on as part of management's decision-making process. Management believes these measures may also be important to investors in evaluating our performance. For a detailed description of each of the Non-GAAP financial performance measures and certain limitations inherent in such measures, please see the discussion under "**Non-GAAP Financial Performance Measures**" below, on page 36.

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

Overview

We were organized under the laws of the State of Colorado on July 24, 1979. Since inception, we have been engaged in the exploration for, development of, production and sale of gold, silver, and copper. Robert R. McEwen, our Chairman and CEO made his initial investment in the Company in July 2005. We own and operate the gold producing El Gallo 1 mine in Sinaloa, Mexico. We own a 49% interest in MSC, owner and operator of the producing San José Mine in Santa Cruz, Argentina. We also own the Gold Bar Project in Nevada, United States; the Los Azules Project in San Juan, Argentina, the Black Fox Complex and other projects in Timmins in Ontario, Canada, and a portfolio of exploration properties in Argentina, Mexico and the United States.

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

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Operating and Financial Highlights

Highlights for the first quarter of 2018 include:

- Construction activities at Gold Bar are on schedule for completion by the end of 2018. Activity during the quarter ended March 31, 2018 focused on finishing civil works related to the heap leach pad, ponds and site infrastructure, in preparation for major equipment and material deliveries during the second quarter of the year.
- A new technical report and resource/reserves estimate was released for the Black Fox Complex on April 6, 2018.
- Our consolidated gold and silver sales were $41.0 million, comprised of $25.4 million from the sale of 19,074 gold equivalent ounces by the El Gallo 1 mine, and $15.6 million from the sale of 12,423 gold equivalent ounces by the Black Fox mine.

- We realized average prices of $1,333 and $16.78 per ounce of gold and silver, respectively, sold by the El Gallo 1 mine and $1,330 per ounce of gold by the Black Fox mine, excluding our stream settlement.
- Our consolidated production was 24,295 gold equivalent ounces, from which 12,217 gold equivalent ounces were produced by the El Gallo 1 mine and 12,078 gold equivalent ounces were produced by the Black Fox mine.
- The San José mine reported production of 40,915 gold equivalent ounces, comprised of 22,085 ounces of gold and 1,412,350 ounces of silver, on a 100% basis, or 20,049 gold equivalent ounces, represented by 10,822 ounces of gold and 692,052 ounces of silver, on the 49% basis attributable to us.
- The El Gallo 1 mine realized total cash costs of $691 and all-in sustaining costs of $753 per gold equivalent ounce.
- The Black Fox mine realized total cash costs of $849 and all-in sustaining costs of $1,188 per gold equivalent ounce.
- The San José mine realized total cash costs of $934 and all-in sustaining costs of $1,148 per gold equivalent ounce.
- We reported a net loss of $5.2 million, or $0.02 per share for the quarter.
- We realized net loss of $0.2 million from our investment in MSC, and received $4.9 million in dividends.

As of March 31, 2018, we reported $55.4 million in cash and restricted cash, investments and precious metals valued at the London P.M. Fix spot price and no short-term bank indebtedness[(1)].

(1) For a reconciliation of precious metals valued at the London P.M. Fix spot price and cost, please see the discussion under "Non-GAAP Financial Performance Measures" below, on page 36.

Selected Financial and Operating Results

The following table presents selected financial and operating results of our Company for the three months ended March 31, 2018 and 2017:

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, unless otherwise indicated)	
Gold and silver sales El Gallo 1 mine	$ 25,417	$ 14,833
Gold and silver sales Black Fox mine	$ 15,624	$ —
(Loss) income on investment in MSC, net of amortization	$ (212)	$ 190
Net loss	$ (5,211)	$ (3,018)
Net loss per common share	$ (0.02)	$ (0.01)
Consolidated gold ounces[(1)]:		
Produced	35.1	20.1
Sold	42.4	21.8
Consolidated silver ounces[(1)]:		
Produced	696	723
Sold	709	699
Consolidated gold equivalent ounces[(1)(2)]:		
Produced	44.3	29.7
Sold	51.8	31.1
Silver : gold ratio[(2)]	75 : 1	75 : 1

(1) Includes the portion attributable to us from our 49% interest in the San José mine.
(2) Silver production is presented as a gold equivalent.

Consolidated Performance

Despite increased operating profit obtained from the El Gallo 1 mine and the addition of Black Fox, we reported a net loss of $5.2 million, or $0.02 per share, for the first quarter of 2018 due to our significant exploration activities in Canada, Los Azules and the U.S., coupled with the increase in general and administrative expenses and the net loss reported by MSC. Furthermore, the realized loss on sale of marketable securities, coupled with unrealized losses on marketable securities and derivatives in the 2018 period also contributed to the $5.2 million net loss reported. In comparison, during the first quarter of 2017, we reported a net loss of $3.0 million or $0.01 per share.

Results of Consolidated Operations

Three months ended March 31, 2018 compared to 2017

Revenue. Consolidated gold and silver sales for the period ended March 31, 2018 increased by $26.2 million to $41.0 million, from $14.8 million in 2017, due to $15.6 million gold sales contributed by the Black Fox mine, acquired in October 2017, coupled with a $10.6 million increase in gold and silver sales at the El Gallo 1 mine. The increase in gold and silver sales at the El Gallo 1 mine was due to a higher number of ounces of gold and silver sold in the quarter, from bullion inventory held at year end.

Production costs applicable to sales. Consolidated production costs applicable to sales increased to $26.4 million in the first quarter of 2018, from $7.0 million in 2017, due to $12.8 million production costs attributable to Black Fox mine, which as noted above was acquired in October 2017, and $6.6 million higher production costs reported by the El Gallo 1 mine. The increase in production costs at the El Gallo 1 mine was expected, and consistent with the higher sales volume in the quarter. Overall, gross profit from the two mines was $14.6 million, or 36%.

Operating Income (Expenses)

Mine development costs decreased to $0.4 million for the three months period ended March 31, 2018 from $1.1 million in the 2017 period, due to the capitalization of the development and construction expenditures at Gold Bar, which now has SEC Industry Guide 7 compliant reserves.

Exploration costs in the first quarter of 2018 increased to $11.4 million from $8.4 million in 2017. The increase is mainly due to a $5.3 million and $1.5 million increase in exploration expenditures incurred in the Timmins region and in the U.S., respectively; partly offset by a $3.1 million and $0.6 decrease in exploration costs at the Los Azules project and Mexico, respectively. For a complete discussion on exploration costs, please refer to the Exploration properties section below.

Property holding costs increased slightly to $1.4 million in the 2018 period from $1.2 million in 2017, primarily as a result of the appreciation of the Mexican peso against the U.S. dollar.

General and administrative expenses increased to $5.2 million in 2018 from $4.3 million in 2017, primarily due to higher overhead from the development of Gold Bar and the advancement of Los Azules. The appreciation of the Mexican peso against the U.S. dollar in the first quarter of 2018 also contributed to the increase in general and administrative expenses, when compared to 2017.

MSC reported a net loss of $0.2 million in the first quarter of 2018, compared to net income of $0.2 million in the same period of 2017 due to higher production costs applicable to sales reported in the 2018, partly offset by the devaluation of the Argentina peso against the U.S. dollar. Please refer to the section *Results of Operations – MSC* below, for further details.

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

Other (expenses) income

Other expenses was $1.9 million in the three months ended March 31, 2018 compared to other income of $1.8 million in the same period of 2017. The $3.7 million increase in other expenses was mainly due to a $1.1 million unrealized fair value loss on marketable securities, coupled with $0.7 million loss on sale of marketable securities and $0.9 unrealized loss on derivative instruments, partly offset by a $0.9 million foreign currency gain reported in the current quarter.

Recovery of income taxes

Recovery of income taxes decreased to $1.1 million in the three months ended March 31, 2018, from $2.7 million in 2017, mainly due to foreign currency fluctuations affecting our Argentina peso denominated deferred taxes, along with the amortization of our flow-through premiums, partially offset by the recognition of deferred mining taxes payable relating to our Black Fox mine.

Liquidity and Capital Resources

We had working capital of $39.3 million at March 31, 2018, which consisted of $79.6 million of current assets and $40.3 million of current liabilities, compared to $49.2 million working capital reported at year-end 2017. Included in current assets is $8.8 million of restricted cash, which represents funds committed to the exploration program in Ontario, from our flow-through financing. The $9.9 million decrease in working capital, from December 31, 2017 to March 31, 2018, was the net result of increased cash used in operating activities, from higher production and exploration costs in the period, coupled with construction costs at Gold Bar, which were partly offset by the dividend received from MSC and the VAT collections in Mexico. Overall, our cash balance (including restricted cash) increased to $38.7 million in 2018, from $37.2 million in December 2017.

We believe that our working capital at March 31, 2018 is sufficient to satisfy any non-discretionary obligations due in the next 12 months, and to fund ongoing operations and corporate activities over the next twelve months. Furthermore, we believe we have sufficient working capital to fund near term Gold Bar construction commitments to advance the project. However, additional funds will be required to complete the construction of the Gold Bar mine.

In addition to constructing the Gold Bar mine, the Company continues to evaluate capital and development expenditure requirements to advance Los Azules, Black Fox, our other Timmins projects, and Mexican projects, as well as exploration expenditures on all our operations and projects. If we make a positive decision to pursue one or more of these initiatives, the expenditures incurred may significantly exceed our working capital. In such case, we would explore several financing methods, which may include incurring debt, issuing additional equity, equipment leasing, and other forms of financing.

Net cash provided by operations was $11.1 million for the three months ended March 31, 2018, compared to net cash used of $6.9 million in the same period of 2017. The significant changes period-to-period are summarized as follows:

- $41.3 million cash received from gold and silver sales in 2018, compared to $14.8 million in 2017, resulting from increased sales from the recently acquired Black Fox mine and a higher number of ounces sold during 2018 by the El Gallo 1 mine;
- $4.9 million dividend received from MSC in 2018, compared to $2.5 million in 2017;
- $2.0 million VAT collected in Mexico in the first quarter of 2018, compared to $0.5 million in the same period of 2017; and
- $35.1 million cash paid to suppliers and employees in 2018, compared to $24.2 million in 2017, due to significantly higher production, construction, exploration and other expenses.

Cash used in investing activities increased to $8.2 million in the first quarter of 2018, from $0.3 million in 2017, due to.

- $4.1 million expenditures on mineral property interests primarily at the Black Fox complex, compared to $nil in 2017;
- $6.7 million expenditures on property and equipment, mostly at the Gold Bar project, compared to $0.4 million in 2017; and

- $2.7 million proceeds from sale of marketable securities during the three months ended March 31, 2018, compared to $nil in 2017.

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

Results of Operations — Mexico Segment

The Mexico Segment includes the El Gallo 1 mine, the El Gallo 2 advanced-stage project, and exploration properties neighboring the El Gallo area.

El Gallo 1 mine

The El Gallo 1 mine is a mature operation, of which we have mined and depleted various pits during its operating life. The current operations are producing from sections of higher waste to ore stripping ratios, deeper ore and sulfide transitional deposits typical of late stage operations. However, mining activities from the existing open pits will cease in the second quarter of 2018 while leaching activities will continue until 2020, or later, as long as it remains economical to do so.

Overview

The following table outlines production totals, sales totals, total cash costs, and all-in sustaining cash costs (on a gold equivalent basis) for the El Gallo 1 mine for the three month periods ended March 31, 2018 and 2017:

	Three months ended March 31,	
	2018	2017
	(in thousands, unless otherwise indicated)	
Tonnes of mineralized material mined	449	225
Average grade gold (gpt)	1.58	1.23
Tonnes of mineralized material processed	283	309
Average grade gold (gpt)	1.51	1.28
Gold ounces:		
Produced	12.2	9.7
Sold	19.0	12.0
Silver ounces:		
Produced	3.0	5.8
Sold	6.7	11.0
Gold equivalent ounces(1):		
Produced	13.2	9.8
Sold	19.1	12.1
Net sales	$ 25,417	$ 14,833
Average realized price ($/ounce)(2):		
Gold	$ 1,333	$ 1,220
Silver	$ 16.78	$ 17.54
London average price ($/ounce):		
P.M. Fix Gold	$ 1,329	$ 1,219
Fix Silver	$ 16.77	$ 17.42
Silver : gold ratio(1)	75 : 1	75 : 1

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

(2) Average realized price is a non-GAAP financial performance measure with no standardized definition under U.S. GAAP. See "Non-GAAP Financial Performance Measures", on page 36 for additional information, including definitions of this term.

Tonnes mined represent tonnes of mineralized material extracted, while tonnes processed represent tonnes of mineralized material crushed and placed on the leach pads. The difference between tonnes mined of 449,268 and tonnes processed of 282,836 correspond to mineralized material mined and added to the stockpiled inventory. Due to long process cycles, actual recoveries from the heap are difficult to measure and may fluctuate significantly based on the timing, quantity and metallurgical attributes of new mineralized material placed on the leach pads, among other variables. The cumulative recovery rate realized for gold production from September 1, 2012 (start of production at the El Gallo 1 mine) to March 31, 2018 is estimated at 58% (March 31, 2017 – 60%).

Gold and silver production

- Production for the quarter ended March 31, 2018 increased to 12,217 gold equivalent ounces, from 9,808 gold equivalent ounces in the comparable period in 2017, as a result of expanded leaching obtained from the larger number of tonnes placed on the leach pads in late 2017.

- Average grades of material processed in the first quarter of 2018 were 1.51 g/t compared to 1.28 g/t in the same period of 2017. The increase in average grades was the result of higher number of tonnes processed from the lowest section of the Central pit, which has higher grades than the Lupita pit, from which the larger percentage of tonnes were processed in 2017.

Gold and silver sales

- Revenue from sale of gold and silver at our El Gallo 1 mine increased to $25.4 million in the first quarter of 2018, compared to $14.8 million for the same period in 2017, due to a 57% increase in the number of ounces of gold equivalent sold, coupled with an 9% increase in the average realized price of gold, and partly offset by the 4% decrease in the average realized price of silver, during the period.

- The average realized prices of gold and silver were $1,333 and $16.78 in the 2018 period, compared to $1,220 and $17.54 in the same period of 2017, respectively. In comparison, the average London P.M. fix price for gold during the first quarter of 2018 was $1,329 per ounce, compared to $1,219 per ounce for the same period in 2017; while the average London P.M. fix price for silver during the first quarter of 2018 was $16.77 per ounce, compared to $17.42 per ounce for the same period in 2017.

Total Cash Costs and All-In Sustaining Costs

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, unless otherwise stated)	
El Gallo 1 mine		
Total cash costs[1]	$ 13,172	$ 6,846
Total cash cost per gold equivalent ounce sold ($/ounce)[1][2]	$ 691	$ 564
All‑in sustaining costs[1]	$ 14,365	$ 8,112
All‑in sustaining cost per gold equivalent ounce sold ($/ounce)[1][2]	$ 753	$ 668
Silver : gold ratio[2]	75 : 1	75 : 1

(1) Total cash cost, total cash cost per ounce, all-in sustaining costs, and all-in sustaining costs per ounce are non-GAAP financial performance measures with no standardized definition under U.S. GAAP. See “Non-GAAP Financial Performance Measures” on page 36 for additional information, including definitions of this term.

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

Total cash costs per gold equivalent ounce for the El Gallo 1 mine for the quarter ended March 31, 2018 was $691 compared to $564 for the same period in 2017. The increase in the 2018 period is primarily due to maintenance completed on the plant, coupled with operational delays related to equipment availability at site and restarting a second auxiliary crushing circuit. The appreciation of the Mexican Peso against the US dollar also contributed to the increase in cash costs, when compared to 2017.

On an aggregate basis, total cash costs at the El Gallo 1 mine increased to $13.2 million in the three months ended March 31, 2018, from $6.8 million in the 2017 period, due to overall higher mine and production costs noted above, coupled with a higher number of ounces sold in the quarter, mainly from inventoried material, compared to the first quarter of 2017.

All-in sustaining costs for the quarter ended March 31, 2018 were $753 per gold equivalent ounce, compared to $668 per gold equivalent ounce in the same period in 2017, due to overall higher production costs noted above, coupled with higher exploration expenditures incurred in the quarter.

On an aggregate basis, all-in sustaining costs increased to $14.4 million for the three month period ended March 31, 2018 from $8.1 million in the 2017 period, due to higher sales, mainly of ounces from inventoried material.

For 2018, we have budgeted a total of $1.0 million for sustaining and capital expenditures activities, of which we have spent $0.6 million during the first quarter of 2018.

Advanced-stage Properties - El Gallo 2

El Gallo 2 Project

During the first quarter of 2018, we spent $0.4 million on studies for the advancement of feasibility and development of the El Gallo 2 project. These studies intend to identify opportunities to reduce initial capital investment required to start the project and seek to reduce operating costs while minimizing the impact on production. Potential changes include different mill configurations, mine plans, and tailings disposal methods.

A review of the $186.9 million capital expenditures estimated in the El Gallo 2 initial feasibility study is currently underway. An updated pre-feasibility study is expected to be completed in the second quarter of 2018.

Results of Operations — Canada Segment

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

Black Fox mine

The following table sets out production and sales totals for the Black Fox mine for the three months ended March 31, 2018. Since the mine was acquired in October 2017, no data for comparable periods is available:

	Three months ended March 31,			
	2018		2017	
	(in thousands, unless otherwise stated)			
Tonnes of mineralized material mined		67		—
Average grade gold (gpt)		7.40		—
Tonnes of mineralized material processed		73		—
Average grade gold (gpt)		5.87		—
Gold ounces:				
Produced		12.1		—
Sold		12.4		—
Silver ounces:				
Produced		0.6		—
Sold		—		—
Gold equivalent ounces[1]:				
Produced		12.1		—
Sold		12.4		—
Net sales	$	15,624	$	—
Average realized price ($/ounce)[2]:				
Gold	$	1,258	$	—
Silver	$	—	$	—
London average price ($/ounce):				
P.M. Fix Gold	$	1,329	$	1,219
Fix Silver	$	16.77	$	17.42
Silver : gold ratio[1]		75 : 1		75 : 1

(1) Silver production is presented as a gold equivalent.
(2) Average realized price is a non-GAAP financial performance measures with no standardized definition under U.S. GAAP. See "Non-GAAP Financial Performance Measures", on page 36 for additional information, including definitions of these terms.

Gold and silver production

- Production for the quarter ended March 31, 2018 was 12,078 gold equivalent ounces consisting of 12,069 ounces of gold and 625 ounces of silver. Average grades of ore mined and processed in the first quarter of 2018 were 7.40 g/t and 5.87 g/t, respectively.

Gold sales

- Revenue from the sale of gold by the Black Fox mine was $15.6 million as a result of the sale of 12,423 ounces of gold during the quarter. The average realized price of gold was $1,258 per ounce including sales under the stream agreement, or $1,330 per ounce excluding sales under the stream agreement, which compare to the London P.M. Fix Gold average of $1,329 noted during the first quarter of 2018.

Total Cash Costs and All-In Sustaining Costs

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, unless otherwise stated)	
Total cash costs[1]	$ 10,551	$ —
Total cash cost per gold equivalent ounce sold ($/ounce)[1][2]	$ 849	$ —
All□in sustaining costs[1]	$ 14,754	$ —
All□in sustaining cost per gold equivalent ounce sold ($/ounce)[1][2]	$ 1,188	$ —
Silver : gold ratio[2]	75 : 1	75 : 1

(1) Total cash costs, total cash cost per ounce, all-in sustaining costs, and all-in sustaining costs per ounce are non-GAAP financial performance measures with no standardized definition under U.S. GAAP. See "Non-GAAP Financial Performance Measures" on page 36 for additional information, including definitions of these terms.

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

Total cash costs per gold equivalent ounce for the quarter ended March 31, 2018 was $849. On an aggregate basis, total cash cost recorded by the Black Fox mine was $10.6 million and mostly comprised underground mining costs as well as milling expenditures incurred in the quarter.

During the three months ended March 31, 2018, the Black Fox mine reported all-in sustaining costs of $1,188 per gold equivalent ounce. Further, the aggregate all-in sustaining cost recorded in the period was $14.8 million, which in addition to cash costs included $3.7 million for underground mine development, $0.3 million for exploration and study costs and capitalized exploration, and $0.1 million in capital expenditures incurred during the three months ended March 31, 2018. All in sustaining costs were consistent with the expectation for the first quarter of 2018.

For 2018, we have budgeted a total of $16.0 million for sustaining and capital expenditure activities at the Black Fox mine, of which we spent $4.1 million during the first quarter of 2018.

Exploration Activities – Timmins

Black Fox mine and advanced-stage explorations projects

During the first quarter of 2018 there were up to five rigs coring underground, concentrating on definition and exploration drilling. The two main objectives, were confirming and expanding on known ounces near mine development that could be quickly brought into production, and expanding on resources along and down strike of known zones and trends.

Underground exploration drilling taking place during the beginning of the 2018 was focused on the Tamarack zone to better understand the extent and style of gold and base metal mineralization. Towards the end of first quarter, exploration drilling was re-focused on strike and plunge extensions at the Black Fox mine, focusing on the "Far West Extension" and down plunge of the "Deep Central Zone" targeting the 1,000 meter level.

Surface exploration drilling focused on expanding the gold resources at depth and along strike at the Black Fox mine, Froome and Grey Fox deposits as well as various exploration targets on the property. A new technical report and resource/reserve estimates for the Black Fox Complex were published on April 6, 2018. The complete report, with an effective date October 31, 2017, is available on the Company's website at www.mcewenmining.com.

Timmins Properties

On April 26, 2017, we completed the acquisition of Lexam. With this strategic acquisition, we added several assets including the Fuller, Davidson-Tisdale, Buffalo Ankerite, and Paymaster projects, bringing the potential for development expansion through exploration. Trade-off studies and evaluation work on the properties are currently in progress. During the three months ended March 31, 2018 we spent $0.8 million in exploration activities at the Timmins properties.

The total exploration budget for 2018 at the Black Fox mine and advanced-stage exploration projects and the Timmins properties is $15.0 million, from which we have spent $5.3 million during the three months ended March 31, 2018.

Results of Operations—MSC Segment

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

MSC (on a 100% basis)

Overview

The following table presents production totals, sales totals, total cash costs and all-in sustaining costs (on a co-product and gold equivalent basis) for the San José mine for the three month period ended March 31, 2018 and 2017, presented on a 100% basis. Also, included at the bottom of the table are certain production figures on a 49% attributable basis, representing our interest.

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, except otherwise stated)	
San José Mine—100% basis		
Tonnes of ore mined	112	108
Average grade (gpt):		
Gold	7.1	6.9
Silver	473	502
Tonnes of ore processed	122	115
Average grade (gpt):		
Gold	6.4	6.5
Silver	415	458
Average recovery (%):		
Gold	87.5	88.0
Silver	86.8	86.4
Gold ounces:		
Produced	22.1	21.2
Sold	22.3	20.0
Silver ounces:		
Produced	1,412	1,463
Sold	1,434	1,405
Gold equivalent ounces(1):		
Produced	40.9	40.7
Sold	41.5	38.8
Net sales	$ 50,662	$ 48,343
Gross average realized price ($/ounce)(2):		
Gold	$ 1,334	$ 1,253
Silver	$ 15.85	$ 18.18
London average price ($/ounce):		
P.M. Fix Gold	$ 1329	$ 1,219
Fix Silver	$ 16.77	$ 17.42
Silver : gold ratio(1)	75 : 1	75 : 1
McEwen Mining—49% basis		
Ounces produced:		
Gold	10.8	10.4
Silver	692	717
Gold equivalent(1)	20.0	19.9

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

(2) Average realized price is a non-GAAP financial performance measures with no standardized definition under U.S. GAAP. See “Non-GAAP Financial Performance Measures”, on page 36 for additional information, including definitions of these terms.

Gold and silver production

- Gold production at the San José mine for the three months ended March 31, 2018 increased by 4% in 2018 to 22,085 ounces while silver production decreased by 3% to 1,412,350 ounces. Using a silver to gold ratio of 75:1, the San José mine produced 40,916 gold equivalent ounces in the first quarter of 2018, compared to 40,664 gold equivalent ounces in the same period of 2017.

- The increase in the number of ounces of gold and silver produced during the first quarter of 2018 resulted from a 6% increase in the number of tonnes processed in 2018, partly offset by a 1% and 9% decrease in average grades of gold and silver processed in the quarter. Overall, the San José mine delivered a steady start to 2018 despite the traditionally shorter operating period due to the scheduled hourly workers' holiday and maintenance in February.

Gold and silver sales

- For the three months ended March 31, 2018, net sales increased by 5% to $50.7 million from $48.3 million for the same period in 2017, due to a 12% and 2% higher number of gold and silver ounces sold in the quarter of 2018, coupled with a 6% higher average realized price of gold; partly offset by a 13% decrease in the average realized price of silver, during the 2018 period.

- The number of ounces of gold and silver sold increased in 2018, to 22,336 ounces and 1,433,942 ounces, respectively, from 20,023 ounces of gold sold and 1,404,783 ounces of silver sold in 2017. A lower number of gold and silver ounces were sold in the prior period, due to unusual storms that occurred in March 2017, which damaged the Comodoro Rivadavia port facilities causing MSC to postpone doré shipments until early April 2017.

- The average realized price for gold sold in the first quarter of 2018, after marked-to-market provisional price adjustments, increased to $1,334 per ounce, compared to $1,253 per ounce sold in the first quarter of 2017. In comparison, the average London P.M. fix price for gold during the first quarter of 2018 was $1,329 per ounce, compared to $1,219 per ounce for the same period in 2017.

- The average realized price for silver sold in the first quarter of 2018, after marked-to-market provisional price adjustments, was $15.85 per ounce sold, compared to an average of $18.18 per ounce sold in the same period in 2017. In comparison, the average London P.M. fix price for silver during the first quarter of 2018 was $16.77 per ounce, compared to $17.42 per ounce for the same period in 2017.

The difference between the average gross realized sale price per ounce of gold and silver sold by MSC and the average London fix prices noted above is due to adjustments of certain provisionally priced shipments of concentrates. Certain sales are "provisionally priced" where the selling price is subject to final adjustment at the end of a period, normally ranging from 30 to 90 days after the start of the delivery process to the customer, based on the market price at the relevant quotation point stipulated in the contract. Sales revenue on provisionally priced sales of concentrates is recognized based on estimates of the final pricing receivable, which in turn are based on relevant forward market prices. At each reporting date, provisionally priced metal is marked to market based on the forward selling price for the quotational period of the sales contract.

Total Cash Costs and All-In Sustaining Costs

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

	Three months ended March 31,			
	2018		2017	
	(in thousands, unless otherwise indicated)			
San José mine - 100% basis				
Total cash costs(1)	$	38,720	$	35,470
All-in sustaining costs(1)		47,602		45,155
San José mine - 49% basis				
Total cash costs(1)	$	18,972	$	17,380
Total cash costs per ounce sold ($/ounce)(1):				
Gold	$	995	$	889
Silver	$	11.51	$	12.58
Gold equivalent(2)	$	934	$	915
All-in sustaining costs(1)	$	23,324	$	22,126
All-in sustaining costs per ounce sold ($/ounce)(1):				
Gold	$	1,238	$	1,132
Silver	$	14.32	$	16.01
Gold equivalent(2)	$	1,148	$	1,165
Silver : gold ratio(2)		75 : 1		75 : 1

(1) Total cash costs, total cash cost per ounce, all-in sustaining costs, and all-in sustaining costs per ounce are non-GAAP financial performance measures with no standardized definition under U.S. GAAP. See "Non-GAAP Financial Performance Measures" on page 36 for additional information, including definitions of these terms.
(2) Silver production is presented as a gold equivalent. Gold equivalent ounces calculations are based on prevailing spot prices at the beginning of the year.

On a 100% basis, total cash costs per gold equivalent ounce sold by MSC in the first quarter of 2018 increased by 2% to $934 from $915 in the same period of 2017, due to the larger number of gold and silver ounces sold in 2018, coupled with the timing difference of the planned maintenance stoppage between the two periods.

On an aggregate basis, total cash costs increased by 9% to $38.7 million in 2018 from $35.5 million in the first quarter of 2017, as a result of higher productions costs from the timing of the planned maintenance stoppage noted above and lower commercial discounts, partly offset by lower refining, smelting and transportation costs and administrative expenses incurred in the quarter.

For the quarter ended March 31, 2018, on a per ounce basis, all-in sustaining costs decreased to $1,148 per gold equivalent ounce in the 2018 period, compared to $1,165 per gold equivalent ounce in the same period in 2017, based on a silver to gold ratio of 75:1 for both periods. On an aggregate basis, all-in sustaining costs increased from $45.2 million to $47.6 million, due to higher production costs resulting from timing of the planned maintenance stoppage in both periods mentioned above, coupled with the higher number of gold equivalent ounces sold, which were partly offset by the decrease in sustaining costs, mainly in underground mine development expenses incurred in the quarter.

MSC Dividend Distribution (49%)

During the three months ended March 31, 2018, we received $4.9 million in dividends from MSC, compared to $2.5 million in dividends received during the same period in 2017.

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

Results of Operations – U.S.A. Segment

The U.S.A. segment is comprised of the Gold Bar project ("Gold Bar"), an advanced-stage property located in Nevada, U.S., and other early stage exploration properties. During the three months ended March 31, 2018, we spent $2.0 million on mine site exploration activities at Gold Bar including drilling, field mapping and other geochemical reconnaissance work.

Advanced-stage Properties – Gold Bar Project

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

During the first quarter of 2018, construction activities at Gold Bar focused on finishing civil works related to the heap leach pad, ponds and site infrastructure in preparation for major equipment and material deliveries in the second quarter. Cumulative to date, we have capitalized $14.8 million to construction in progress, and $8.8 million during the quarter. Construction is advancing on schedule for completion by the end of 2018. During the first three years of operation beginning in 2019, Gold Bar is projected to produce approximately 55,000, 74,000 and 68,000 ounces of gold respectively.

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

Results of Operations—Los Azules Segment

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

For the 2017-2018 exploration season at Los Azules, we have budgeted $5.3 million, of which we spent $3.2 million during the first quarter of 2018. The activities performed were mainly technical site investigations and environmental base line monitoring work, to advance permitting efforts.

Non-GAAP Financial Performance Measures

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

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

- The amounts shown on the individual line items were derived by applying our overall economic ownership interest percentage determined when applying the equity method of accounting and do not necessarily represent our legal claim to the assets and liabilities, or the revenues and expenses; and

- Other companies in our industry may calculate their earnings, costs and average realized prices differently than we do, limiting the usefulness as a comparative measure.

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

Earnings from Mining Operations

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

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

The following table presents a reconciliation of Earnings from Mining Operations to Gross Profit, a GAAP financial measure.

	Three months ended March 31,	
	2018	2017
	(in thousands)	
El Gallo 1 Mine earnings from mining operations		
Gold and silver sales	$ 25,417	$ 14,833
Production costs applicable to sales	(13,608)	(6,984)
Depreciation of mining related assets	(203)	(152)
Gross profit	11,606	7,697
Add: Amortization related to fair value increments on historical acquisitions included in Production Costs Applicable to Sales	832	533
El Gallo 1 Mine earnings from mining operations	**12,438**	**8,230**
Black Fox earnings from mining operations		
Gold and silver sales	$ 15,624	$ —
Production costs applicable to sales	(12,786)	—
Gross profit	2,838	—
Add: Amortization related to fair value increments on historical acquisitions included in Production Costs Applicable to Sales	296	—
Black Fox earnings from mining operations	**3,134**	**—**
San José earnings from mining operations (49% basis)		
Net sales	$ 24,824	$ 23,688
Production costs applicable to sales	(21,299)	(17,983)
San José earnings from mining operations	**3,525**	**5,705**

Total Cash Costs and All-In Sustaining Costs

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

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

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

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

For MSC, co-product total cash costs and all-in sustaining costs are calculated by dividing the respective proportionate share of the total cash costs and all-in sustaining costs for each metal sold for the period by the ounces of each respective metal sold. The respective proportionate share of each metal sold is calculated based on their pro-rated sales value. Approximately 57% of the value of the sales in the first quarter of 2018 was derived from gold and 43% was derived from silver, which compared to 50% and 50%, respectively, for the same period in 2017.

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, except per ounce)	
El Gallo 1 mine cash costs		
Production costs applicable to sales	$ 13,608	$ 6,984
Less: Depreciation	(832)	(533)
On-site general and administrative expenses	384	385
Property holding costs	12	10
Total cash costs, El Gallo 1 mine	$ 13,172	$ 6,846
Gold equivalent ounces sold:	19,074	12,147
El Gallo 1 mine cash costs per gold equivalent ounce sold	**$ 691**	**$ 564**

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, except per ounce)	
Black Fox mine cash costs		
Production costs applicable to sales	$ 12,786	$ —
Less: Depreciation	(2,258)	—
Property holding costs	23	—
Total cash costs, Black Fox 1 mine	$ 10,551	$ —
Gold equivalent ounces sold:	12,423	—
Black Fox mine cash costs per gold equivalent ounce sold	**$ 849**	**$ —**

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, except per ounce)	
San José mine cash costs (49% basis)		
Production costs applicable to sales	$ 21,299	$ 17,983
Less: Operating site reclamation accretion and amortization	(131)	(138)
Depreciation	(4,921)	(4,018)
On-site general and administrative expenses	1,008	1,112
Refining, smelting, and transportation	356	783
Commercial discounts	1,334	1,605
Community costs related to current operations	27	53
Total cash costs, San José mine	$ 18,972	$ 17,380
McEwen's share of San José mine gold equivalent ounces sold	20,313	18,989
Total cash costs, San José mine, per gold equivalent ounce sold	**$ 934**	**$ 915**

Reconciliation of All-In Sustaining Costs to Total Cash Costs

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, except per ounce)	
El Gallo 1 mine all-in sustaining costs		
Total cash costs	$ 13,172	$ 6,846
Operating site reclamation accretion and amortization	86	81
On-site exploration expenses	978	908
Capitalised expenditures (sustaining)	129	277
All-in sustaining costs, El Gallo 1 mine	$ 14,365	$ 8,112
Gold equivalent ounces sold	19,074	12,147
El Gallo 1 mine all-in sustaining cost per gold equivalent ounce sold	**753**	**668**

	Three months ended March 31,	
	2018	2017
	(in thousands, except per ounce)	
Black Fox mine all-in sustaining costs		
Total cash costs	$ 10,551	$ —
Operating site reclamation accretion and amortization	156	—
On□site exploration expenses	288	—
Capitalised underground mine development (sustaining)	3,650	—
Capital expenditures (sustaining)	109	
All□in sustaining costs, Black Fox mine	$ 14,754	$ —
Gold equivalent ounces sold	12,423	—
Black Fox mine all-in sustaining cost per gold equivalent ounce sold	**1,188**	**—**

	Three months ended March 31,	
	2018	2017
	(in thousands, except per ounce)	
San José mine all-in sustaining costs (49% basis)		
Total cash costs	$ 18,972	$ 17,380
Operating site reclamation accretion and amortization	131	138
On-site exploration expenses	598	607
Capitalised underground mine development (sustaining)	2,564	3,017
Less: depreciation	(173)	(299)
Capital expenditures (sustaining)	1,232	1,283
All□in sustaining costs	$ 23,324	$ 22,126
McEwen's share of San José mine gold equivalent ounces sold	20,313	18,989
San José mine all-in sustaining cost per gold equivalent ounce sold	**$ 1,148**	**$ 1,165**

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

	Three months ended March 31,	
	2018	2017
Gold equivalent ounces sold at El Gallo 1 mine	19,074	12,147
Gold equivalent ounces sold at Black Fox mine	12,423	—
McEwen's share of MSC gold equivalent ounces sold	20,313	18,989
Consolidated gold equivalent ounces sold (including McEwen's share of MSC)	51,810	31,136
Silver : gold ratio	75 : 1	75 : 1

Average realized prices

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

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

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, except ounce and per ounce figures)	
El Gallo 1 mine average realized prices		
Gold sales	$ 25,304	$ 14,640
Silver sales	113	193
Gold and silver sales	$ 25,417	$ 14,833
Gold ounces sold	18,984	12,000
Silver ounces sold	6,734	11,000
Gold equivalent ounces sold	19,074	12,147
Average realized price per gold ounce sold	$ 1,333	$ 1,220
Average realized price per silver ounce sold	$ 16.78	$ 17.54
Average realized price per gold equivalent ounce sold	$ 1,333	$ 1,221

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, except ounce and per ounce figures)	
Black Fox mine average realized prices		
Gold sales	$ 15,625	$ —
Silver sales	—	—
Gold and silver sales	$ 15,625	$ —
Gold ounces sold	12,423	—
Silver ounces sold	—	—
Gold equivalent ounces sold	12,423	—
Average realized price per gold ounce sold	$ 1,258	$ —
Average realized price per silver ounce sold	$ —	$ —
Average realized price per gold equivalent ounce sold	$ 1,258	$ —

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, except ounce and per ounce figures)	
San José mine average realized prices (49% basis)		
Gold sales	$ 14,604	$ 12,295
Silver sales	11,138	12,515
Gold and silver sales	$ 25,742	$ 24,810
Gold ounces sold	10,945	9,811
Silver ounces sold	702,632	688,344
Gold equivalent ounces sold	20,313	18,989
Average realized price per gold ounce sold	$ 1,334	$ 1,253
Average realized price per silver ounce sold	$ 15.85	$ 18.18
Average realized price per gold equivalent ounce sold	$ 1,267	$ 1,307

Cash, investments and precious metals

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

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands)	
Cash and cash equivalents	$ 29,904	$ 28,890
Restricted cash	8,837	-
Investments	2,573	15,329
Precious Metals valued at market value	14,047	10,916
Total cash, investments and precious metals	$ 55,361	$ 55,135

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands, except ounces and per ounce)	
Precious Metals (note 3 of the Consolidated Financial Statements)	$ 8,301	$ 5,059
Reconciliation of Precious Metals to Precious Metals valued at market value		
Number of ounces of doré in inventory, net of streaming agreement	10,611	8,768
London P.M. Fix, per ounce	$ 1,324	$ 1,245
Precious Metals valued at market value	$ 14,047	$ 10,916

Commitments and Contingencies

We have surety bonds outstanding to provide bonding for our environmental reclamation obligations in the United States and Canada. These surety bonds are available for draw down in the event we do not perform our reclamation obligations. When the specific reclamation requirements are met, the beneficiary of the surety bonds will cancel and/or return the instrument to the issuing entity. As of March 31, 2018, no liability has been recognized for our surety bonds of $36.5 million.

As of March 31, 2018, we did not have any off-balance sheet arrangements (as that phrase is defined by SEC rules applicable to this report) which have or are reasonably likely to have a material adverse effect on our financial condition, results of operations or liquidity.

Critical Accounting Policies

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

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

Forward-Looking Statements

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

- statements about our anticipated exploration results, costs and feasibility of production, receipt of permits or other regulatory or government approvals and plans for the development of our properties;

- statements concerning the benefits or outcomes that we expect will result from our business activities and certain transactions that we contemplate or have completed, such as receipt of proceeds, increased revenues, decreased expenses and avoided expenses and expenditures; and

- statements of our expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts.

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

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

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

Risk Factors Impacting Forward-Looking Statements

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

- our ability to raise funds required for the execution of our business strategy;

- our ability to secure permits or other regulatory and government approvals needed to operate, develop or explore our mineral properties and projects;

- decisions of foreign countries, banks and courts within those countries;

- unexpected changes in business, economic, and political conditions;

- operating results of MSC;

- fluctuations in interest rates, inflation rates, currency exchange rates, or commodity prices;

- timing, quality of ore and amount of mine production;

- our ability to retain and attract key personnel;

- technological changes in the mining industry;

- changes in operating, exploration or overhead costs;

- access and availability of materials, equipment, supplies, labor and supervision, power and water;

- results of current and future exploration activities;

- results of pending and future feasibility studies or the expansion or commencement of mining operations without feasibility studies having been completed;

- changes in our business strategy;

- interpretation of drill hole results and the geology, grade and continuity of mineralization;
- the uncertainty of reserve estimates and timing of development expenditures;
- litigation or regulatory investigations and procedures affecting us;
- local and community impacts and issues including criminal activity and violent crimes;
- accidents, public health issues, and labor disputes;
- our continued listing on a public exchange;
- uncertainty relating to title to mineral properties; and
- changes in relationships with the local communities in the areas in which we operate.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

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

Foreign Currency Risk

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

Since 2008, the Argentine peso has been steadily devaluing against the U.S. dollar by 10% to 35% on an annual basis. During the three months ended March 31, 2018, the Argentine peso devalued 8% compared to the devaluation of 17% in the 2017 year. During the three months ended March 31, 2018, the Mexican peso appreciated by 7% against the US dollar, compared to the appreciation of 10% during 2017.

Further, we are also subject to foreign currency risk on the fluctuation of the Mexican peso on our VAT receivable balance. As of March 31, 2018, our VAT receivable balance was Mexican peso 92,633,949, equivalent to approximately $5.1 million, for which a 1% change in the Mexican peso would have resulted in a gain/loss of $0.1 million in the Statement of Operations.

The value of cash and cash equivalents denominated in foreign currencies also fluctuates with changes in currency exchange rates. Appreciation of non-U.S. dollar currencies results in a foreign currency gain on such investments and a depreciation in non-U.S. dollar currencies results in a loss. We have not utilized material market risk-sensitive instruments to manage our exposure to foreign currency exchange rates but may do so in the future. We hold portions of our cash reserves in non-U.S. dollar currencies. Based on our Canadian cash balance of $8.2 million (C$10.3 million) at March 31, 2018, a 1% change in the Canadian dollar would result in a gain/loss of $0.1 million in the Statement of Operations. We also hold negligible portions of our cash reserves in Mexican and Argentina pesos.

Equity Price Risk

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

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

Commodity Price Risk

We produce and sell gold and silver, therefore changes in the price of gold and silver could significantly affect our results of operations and cash flows in the future. We have in the past and may in the future hold a portion of our treasury in gold and silver bullion, where the value is recorded at the lower of cost or market. Gold and silver prices fluctuate widely from time to time. At March 31, 2018, we had no gold or silver sales subject to final pricing. Based on our revenues from gold and silver sales of $41.0 million for the quarter ended March 31, 2018, a 10% change in the price of gold and silver would have had an impact of approximately $4.1 million on our revenues.

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

Credit Risk

We may be exposed to credit loss through our precious metals and doré sales agreements with Canadian financial institutions if these institutions are unable to make payment in accordance with the terms of the agreements. However, based on the history and financial condition of our counterparties, we do not anticipate any of the financial institutions to default on their obligation. As of March 31, 2018, we do not believe we have any significant credit exposure associated with precious metals and our doré sales agreements.

In Mexico, we are exposed to credit loss regarding our VAT taxes receivable if the Mexican tax authorities are unable or unwilling to make payments in accordance with our monthly filings. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The risk is mitigated to the extent that the VAT receivable balance can be applied against future income taxes payable. However, at this time we are uncertain when, if ever, our Mexican operations will generate sufficient taxable operating profits to offset this receivable against taxes payable. We continue to face risk on the collection of our VAT receivables, which amount to $5.1 million as at March 31, 2018.

In Nevada and Ontario, Canada we are required to provide security to cover our projected reclamation costs. As at March 31, 2018, we have surety bonds of $36.5 million in place to satisfy bonding requirements for this purpose. The bonds have an annual fee of 2% of their value. Although we do not believe we have any significant credit exposure associated with these bonds, we are exposed to the risk that the surety bonds may no longer be accepted by the governmental agencies as satisfactory reclamation coverage, in which case we would be required to replace the surety bonding with cash.

Item 4. CONTROLS AND PROCEDURES

(a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended ("Exchange Act"), is recorded, processed, summarized and reported, within time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of March 31, 2018, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

(b) Changes in Internal Controls. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2018 that materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1A. RISK FACTORS

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

Item 6. EXHIBITS

The following exhibits are filed with this report:

31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Robert R. McEwen.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Andrew Elinesky.
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Robert R. McEwen and Andrew Elinesky.
101	The following materials from McEwen Mining Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 are filed herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Consolidated Statements of Operations and Comprehensive (Loss) Income for the three months ended March 31, 2018 and 2017, (ii) the Consolidated Balance Sheets as of March 31, 2018 (Unaudited) and December 31, 2017, (iii) the Unaudited Consolidated Statement of Changes in Shareholder's Equity for the three months ended March 31, 2018 and 2017, (iv) the Unaudited Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017, and (v) the Unaudited Notes to the Consolidated Financial Statements.

SIGNATURES

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

MCEWEN MINING INC.

/s/ Robert R. McEwen

Date: May 2, 2018

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

/s/ Andrew Elinesky

Date: May 2, 2018

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