TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2022

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") for Torex Gold Resources Inc. ("Torex" or the "Company") was prepared as at May 10, 2022 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2022. It should also be read in conjunction with the Company's audited consolidated financial statements and annual management's discussion and analysis for the year ended December 31, 2021. This MD&A contains forward-looking statements that are subject to risks and uncertainties as discussed under "Cautionary Notes". This MD&A also includes the disclosure of certain non-GAAP financial measures. Refer to "Non-GAAP Financial Performance Measures" which identifies the non-GAAP measures discussed in this MD&A for further information, including a reconciliation to the comparable IFRS measures. All dollar figures included herein are United States dollars ("U.S. dollar") unless otherwise stated.

HIGHLIGHTS

- **Safety excellence continues:** No lost time injuries in the quarter. Lost time injury frequency ("LTIF") of 0.12 per million hours worked on a rolling 12-month basis, in line with the Company's 2022 safety target of an LTIF less than 1.0.
- **Gold Production:** Delivered gold production of 112,446 ounces ("oz") for the quarter and a milling rate of 12,605 tonnes per day ("tpd"). Gold production was slightly higher than budget due to higher than anticipated processed grades.
- **Gold sold:** Sold 108,012 oz of gold at an average realized gold price[1] of $1,876 per ounce, generating revenue of $207.7 million.
- **Total cash costs[1] and all-in sustaining costs[1]:** Total cash costs of $748 per ounce sold and all-in sustaining costs of $1,034 per ounce sold. Cost of sales was $132.2 million, or $1,224 per ounce sold in the quarter.
- **Net earnings and adjusted net earnings[1]:** Reported net income of $40.0 million or a profit of $0.47 per share on a basic basis and $0.46 per share on a diluted basis. Adjusted net earnings of $37.2 million or $0.43 per share on a basic and diluted basis. Net earnings include an unrealized derivative loss of $8.2 million related to gold price contracts entered into during Q1 2022 to reduce downside price risk during the construction of the Media Luna Project. Under the contracts, the Company will sell 138,000 oz of gold (approximately 25% of production) between October 2022 and December 2023 at a weighted average price of $1,921 per oz.
- **EBITDA[1] and adjusted EBITDA[1]:** Generated EBITDA of $103.1 million and adjusted EBITDA of $110.7 million.
- **Robust cash flow generation and financial liquidity:** Net cash[1] of $233.4 million, including $237.0 million in cash and $3.6 million of lease obligations, with no debt and an undrawn $150 million credit facility, providing more than $380 million in available liquidity as at March 31, 2022. Cash flow from operations totalled $46.7 million and $60.8 million prior to changes in non-cash operating working capital, including income taxes paid of $51.0 million.
- **Approval of the Media Luna Project and Technical Report released:** Based on the results of the Media Luna feasibility study, included in an updated Technical Report for the Morelos Property on March 31, 2022, the Board of Directors approved the development of the Media Luna Project, more than tripling the Morelos Property life of mine to 11.75 years. The Company also announced 2022 capital expenditure guidance specific to the Media Luna Project, as well as an updated multi-year production outlook.

[1] These measures are non-GAAP financial measures. Refer to "Non-GAAP Financial Performance Measures" for further information and a detailed reconciliation to the comparable IFRS measures.

OPERATING AND FINANCIAL HIGHLIGHTS

Table 1.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Operating Results				
Lost time injury frequency (12-month rolling)	/million hours worked	0.12	0.14	0.15
Total recordable injury frequency (12-month rolling)	/million hours worked	1.69	2.32	2.96
Gold produced	oz	112,446	109,411	129,509
Gold sold	oz	108,012	109,391	129,019
Total cash costs [1]	$/oz	748	764	580
Total cash costs margin[1]	$/oz	1,128	1,034	1,198
All-in sustaining costs [1]	$/oz	1,034	1,079	854
All-in sustaining costs margin [1]	$/oz	841	719	924
Average realized gold price [1]	$/oz	1,876	1,798	1,778
Financial Results				
Revenue	$	207.7	202.0	231.2
Cost of sales	$	132.2	135.1	131.9
Earnings from mine operations	$	75.5	66.9	99.3
Impairment loss	$	-	41.2	-
Net income	$	40.0	(0.5)	55.0
Per share - Basic	$/share	0.47	(0.01)	0.64
Per share - Diluted	$/share	0.46	(0.01)	0.62
Adjusted net earnings [1]	$	37.2	32.4	57.2
Per share - Basic [1]	$/share	0.43	0.38	0.67
Per share - Diluted [1]	$/share	0.43	0.38	0.66
EBITDA [1]	$	103.1	62.4	152.7
Adjusted EBITDA [1]	$	110.7	104.6	144.9
Cost of sales	$/oz	1,224	1,235	1,022
Cash from operating activities	$	46.7	94.6	65.2
Cash from operating activities before changes in non-cash operating working capital	$	60.8	87.4	79.2
Free cash flow[1]	$	(19.1)	37.3	9.3
Cash and cash equivalents and short-term investments	$	237.0	255.7	172.0
Net cash [1]	$	233.4	252.4	167.3

1. Adjusted net earnings, total cash costs, total cash costs margin, all-in sustaining costs, all-in sustaining costs margin, average realized gold price, EBITDA, adjusted EBITDA, free cash flow and net cash are non-GAAP financial measures with no standard meaning under International Financial Reporting Standards ("IFRS"). Refer to "Non-GAAP Financial Performance Measures" for further information and a detailed reconciliation to the comparable IFRS measures.

FIRST QUARTER REPORT

The following abbreviations are used throughout this document: $ (United States dollar), C$ (Canadian dollar), AISC (all-in sustaining costs), Au (gold), AuEq (gold equivalent), Ag (silver), Cu (copper), oz (ounce), gpt (grams per tonne), koz (thousand ounces), kt (thousand tonnes), mt (million tonnes), m (metres), km (kilometres), w:o (waste to ore), tpd (tonnes per day), and ktpd (thousand tonnes per day).

TABLE OF CONTENTS

COMPANY OVERVIEW

Torex Gold Resources Inc. is an intermediate gold producer based in Canada, engaged in the exploration, development and operation of its 100% owned Morelos Property (the “Morelos Property”), an area of 29,000 hectares in the highly prospective Guerrero Gold Belt located 180 kilometres southwest of Mexico City.

The Company’s principal asset is the Morelos Complex, which includes the El Limón Guajes (“ELG”) Mining Complex, Media Luna Project, processing plant and related infrastructure. Commercial production from the Morelos Complex commenced on April 1, 2016.

The Company released an updated technical report (“2022 Technical Report”) for the Morelos Property on March 31, 2022, entitled “Morelos Property NI 43-101 Technical Report ELG Mine Complex Life of Mine Plan and Media Luna Feasibility Study”. The 2022 Technical Report has an effective date of March 16, 2022 and is available on the Company’s website at www.torexgold.com and filed on SEDAR at www.sedar.com. See also *Cautionary Notes – Media Luna*.

Torex’s key strategic objectives are to extend and optimize production from the ELG Mining Complex, de-risk and advance Media Luna to commercial production, build on ESG excellence, and to grow through ongoing exploration across the entire Morelos Property, which is 75% unexplored.

In addition to realizing the full potential of the Morelos Property, the Company is seeking opportunities to acquire assets that enable diversification and deliver value to shareholders.

2022 OBJECTIVES

The below table presents the Company's objectives for 2022.

Operations
Safety – no fatalities, no lost time injuries
Climate – establish Torex's net zero carbon commitment and associated long-term plan
Environmental protection – zero reportable spills of 1,000 litres or more that report to a natural water body
ESG – Ongoing workplan to achieve compliance toward global ESG standards, including the Responsible Gold Mining Principles, International Cyanide Management Code and Global Industry Standard on Tailings Management
Production – 430,000 to 470,000 oz of gold produced
Cost Control: Total cash costs of $695 to $735 per oz All-in sustaining costs of $980 to $1,030 per oz ELG mine and plant sustaining capital expenditure of $35 million to $45 million ELG capitalized waste stripping of $50 million to $60 million ELG non-sustaining capital expenditure of $15 million to $20 million Media Luna non-sustaining capital expenditure of $240 million to $290 million including $20 million of drilling and feasibility related costs
Set up for growth
Strip 37 million tonnes of waste in the open pits; 12,500 metres of development in the underground
Continue Media Luna infill and step-out drilling program - $19 million of capital expenditures to execute 64,000 metres of infill and step-out drilling at Media Luna as well as an initial infill drill program at the adjacent EPO deposit
Complete Media Luna Feasibility Study in Q1 2022
Execute over 2,000 metres of development in each of Guajes tunnel, South Portal Upper and South Portal Lower, obtain MIA Integral permit in H1/2022
Complete ELG Brownfield Exploration Program – 73,000 metres of drilling and $14 million in expenditures
Continue Morelos Exploration Program - $3 million to execute 6,000 metres of drilling

GUIDANCE

With Board approval granted for the development of the Media Luna Project, capital expenditure guidance for 2022 was updated to include $220M to $270M for the development of the Media Luna Project. Apart from this update, annual production and cost guidance for 2022 remains unchanged and there has been no change to the operational outlook for 2022. The following table summarizes the Company's performance relative to 2022 guidance for the first quarter of 2022.

Table 2.

In millions of U.S. dollars, unless otherwise noted		**2022 Guidance**	**Q1 2022 Progress**
Gold Production	oz	430,000 to 470,000	112,446
Total Cash Costs[1]	$/oz	695 to 735	748
All-in Sustaining Costs[1]	$/oz	980 to 1,030	1,034
Capitalized Stripping[1]	$	50 to 60	16.1
Other Sustaining Expenditures[1]	$	35 to 45	5.6
Sustaining Capital Expenditures[1]	$	85 to 105	21.7
ELG Non-Sustaining Capital Expenditures[1]	$	15 to 20	5.3
Media Luna Project	$	220 to 270	20.8
Media Luna Infill Drilling/Other	$	20	3.9
Non-Sustaining Capital Expenditures[1]	$	255 to 310	30.0

1. These measures are non-GAAP financial measures. Refer to "Non-GAAP Financial Performance Measures" for further information and a detailed reconciliation to historical IFRS measures.

The Company reiterates full year operational guidance. Total cash costs and all-in sustaining costs are above the guided range, which is consistent with plan as the first quarter was expected to have the lightest quarterly production based on the quantity and grade of gold processed. Total cash costs and all-in sustaining costs are expected to fall within the guided ranges throughout the remainder of the year. Delays in the South Portal Lower development due to increased water inflows attributed to a discrete fault structure, reprioritization of certain civil works on the south side and key equipment commitments to be made subsequent to the project sanction per the baselined feasibility schedule resulted in reduced spend relative to forecast for the Media Luna Project in Q1.

FINANCIAL RESULTS

Table 3.

In millions of U.S. dollars, unless otherwise noted	Three Months Ended Mar 31, 2022	Mar 31, 2021
Revenue	207.7	231.2
Gold	202.7	229.6
Silver	0.7	0.7
Copper	4.3	0.9
Cost of sales	132.2	131.9
Production costs	79.6	69.4
Depreciation and amortization	46.4	55.5
Royalties	6.2	7.0
Earnings from mine operations	75.5	99.3
Exploration and evaluation expenses	2.3	1.0
General and administrative expenses	8.4	5.4
Derivative loss (gain), net	8.2	(3.0)
Finance costs (income), net	0.4	(0.2)
Foreign exchange gain	(0.1)	(1.1)
Current income tax expense	24.6	36.8
Deferred income tax recovery	(8.3)	5.4
Net income (loss)	40.0	55.0
Per share - Basic ($/share)	0.47	0.64
Per share - Diluted ($/share)	0.46	0.62
Adjusted net earnings [1]	37.2	57.2
Per share - Basic ($/share) [1]	0.43	0.67
Per share - Diluted ($/share) [1]	0.43	0.66
Cost of sales ($/oz)	1,224	1,022
Total cash costs ($/oz) [1]	748	580
Total cash costs margin ($/oz) [1]	1,128	1,198
All-in sustaining costs ($/oz) [1]	1,034	854
All-in sustaining costs margin ($/oz) [1]	841	924
Average realized gold price ($/oz) [1]	1,876	1,778

1. These measures are non-GAAP financial measures. Refer to “Non-GAAP Financial Performance Measures” for further information and a detailed reconciliation.

FIRST QUARTER 2022 FINANCIAL RESULTS

Revenue totalled $207.7 million

Revenue decreased compared to the first quarter of 2021 primarily due to a 16% reduction in oz of gold sold, partially offset by a higher average realized gold price. The Company sold 108,012 oz of gold at an average realized price[1] of $1,876 per oz in the first quarter of 2022, compared to 129,019 oz at an average realized price of $1,778 per oz in the first quarter of 2021. The decrease in oz sold is consistent with the mine plan and largely due to the lower quantity and grade of ore tonnes mined at the ELG open pits and underground as compared with the first quarter of 2021, as well as a lower recovery rate based on the nature of the ore processed. The differential between production and sales during the quarter reflects the timing of the last gold pour at the end of March and subsequent sale in early April. Production and sales are expected to increase through the second half of the year.

Cost of sales was $132.2 million or $1,224 per oz sold

Cost of sales were relatively consistent with first quarter of 2021 on a total basis but higher on a per oz basis due to 16% less ounces sold. Production costs were higher as a result of the lower average grade of ore processed and lower recovery rates primarily related to the processing of lower recovery ores from the Guajes open pit. Depreciation and amortization were lower than the first quarter of 2021 due to lower ounces sold, but were consistent on a per ounce basis. Royalties represent 3% of proceeds from gold and silver sales, and, therefore, were lower due to the decrease in ounces sold.

Total Cash Costs[1] were $748 per oz sold

Total cash costs per oz of gold sold in the quarter is higher than the comparative period, primarily due to lower oz of gold sold and higher production costs.

All-in Sustaining Costs were $1,034 per oz sold

The increase in AISC relative to the first quarter of 2021 is due to higher total cash costs per oz of gold sold.

General and administrative expenses of $8.4 million

General and administrative expenses are higher than the first quarter of 2021, and are comprised primarily of corporate office employee costs, share-based compensation, and professional fee costs. The increase is primarily due to a $3.1 million increase in the remeasurement of share-based compensation over the comparative period, which was a $0.4 million adjustment in the first quarter of 2022 compared to a $2.7 million credit adjustment in the first quarter of 2021. Normalizing for these adjustments, general and administrative expenses would have been similar to the first quarter of 2021.

Finance costs, net of finance income, of $0.4 million

The increase in finance costs, net of finance income, is primarily related to higher accretion cost on the asset retirement obligation and lower interest income on VAT balances.

Derivative loss of $8.2 million

The Company fully extinguished its interest rate swap and foreign currency forward contracts during the second quarter of 2021 and its remaining gold contracts outstanding in 2021 in the third quarter of 2021. In February 2022, the Company entered into gold forward contracts to sell 138,000 oz of gold between October 2022 and December 2023 at prices ranging from $1,906 to $1,942 (or at a weighted average price of $1,921). These derivatives have been classified as “non-hedge derivatives” with movements in the fair value of the derivatives recognized in net income as they occur. The $8.2 million unrealized derivative loss in the first quarter of 2022 is a result of gold forward prices increasing from the time the instruments were entered into to March 31, 2022.

Foreign exchange gain of $0.1 million

The foreign exchange gains in the first quarters of 2022 and 2021 were insignificant. Based on closing rates, the Mexican Peso appreciated 2.9% since the beginning of the quarter.

Current income and mining tax expense of $24.6 million

The decrease in income and mining tax expense over the comparative period is primarily due to lower revenue from fewer oz sold, resulting in lower corporate income tax and the 7.5% Mexican mining royalty.

Deferred income tax recovery of $8.3 million

The deferred income tax recovery is primarily driven by higher depreciation for accounting than for tax purposes, which reduced the difference between the book value and tax value of the assets in the deferred tax calculation, as well as the tax effect of currency translation on the tax base. As at March 31, 2022, the closing value of property, plant and equipment for tax purposes was $16.6 billion pesos and the closing value of inventory for tax purposes was $2.3 billion pesos.

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[1] Refer to “Non-GAAP Financial Performance Measures” for further information and a detailed reconciliation.

Net income of $40.0 million

Net income for the quarter was $40.0 million compared to net income of $55.0 million in the first quarter of 2021. The decrease is primarily related to 16% less gold sold during the first quarter of 2022.

RESULTS OF OPERATIONS

The following table summarizes the mining activities for the Company's ELG Mine Complex:

Table 4.

		Three Months Ended		
		Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Mining				
Total ELG Open Pits				
Ore tonnes mined	kt	1,061	864	1,359
Waste tonnes mined	kt	8,958	8,972	9,882
Total tonnes mined	kt	10,019	9,836	11,241
Ore tonnes mined per day	ktpd	11.8	9.4	15.1
Strip ratio	w:o	8.4	10.4	7.3
Average gold grade of ore mined	gpt	2.99	2.75	3.05
ELG Underground				
Ore tonnes mined	kt	114	95	123
Ore tonnes mined per day	ktpd	1.3	1.0	1.4
Average gold grade of ore mined	gpt	5.67	6.99	7.56
ELG Open Pits and Underground				
Ore tonnes mined	kt	1,175	959	1,482
Ore tonnes mined per day	ktpd	13.1	10.4	16.5
Average gold grade of ore mined	gpt	3.25	3.17	3.42
Processing				
Total tonnes processed	kt	1,134	1,160	1,111
Average plant throughput	tpd	12,605	12,612	12,344
Average gold recovery	%	87	88	89
Average gold grade of ore processed	gpt	3.47	3.35	3.97
Gold produced	oz	112,446	109,411	129,509
Gold sold	oz	108,012	109,391	129,019
Financial Metrics				
Total cash costs [1]	$/oz	748	764	580
All-in sustaining costs [1]	$/oz	1,034	1,079	854
All-in sustaining costs margin [1]	$/oz	841	719	924
Average realized gold price [1]	$/oz	1,876	1,798	1,778

1. These measures are non-GAAP financial measures. Refer to "Non-GAAP Financial Performance Measures" for further information and a detailed reconciliation.

Mining

A total of 1,175 kt of ore were mined in the first quarter of 2022, including 1,061 kt from the ELG Open Pits and 114kt from the ELG Underground. Average waste to ore strip ratio (“strip ratio”) in the open pits was 8.4:1. Excluding 109 kt of long-term, low-grade ore, the average gold grade of ore mined was 3.48 gpt.

In the first quarter of 2021, 1,482 kt of ore were mined, including 1,359 kt from the ELG Open Pits and 123 kt from the ELG Underground, with an average strip ratio in the open pits of 7.3:1. Excluding 111 kt of long-term, low-grade ore, the average gold grade of ore mined was 3.63 gpt in the first quarter of 2021.

The average strip ratio in the open pits was higher in the first quarter of 2022 compared to the comparative period due to the El Limón pit expansion, which was approved in the second quarter of 2021. The expansion is expected to add approximately 150,000 oz of gold production and extend open pit mining to the end of 2024.

At March 31, 2022, there were 4.8 mt of ore in stockpiles at an average grade of 1.34 gpt. Excluding 2.1 mt of long-term, low-grade stockpiles at an average grade of 0.95 gpt, the remaining 2.7 mt of ore in stockpiles are at an average grade of 1.65 gpt.

Plant Performance

Plant throughput achieved an average rate of 12,605 tpd, which was similar to the preceding quarter. As reported in previous quarters, the Company continues to mine deeper in the open pits, and ore characteristics continue to exhibit higher levels of copper and iron sulfides; however, changes in ore mineralogy have impacted the solubility of the iron sulfides, which resulted in decreased cyanide consumption in comparison to previous quarters. In the first quarter of 2022, the Company incurred $7.3 million in cyanide costs at a consumption rate of 2.73 kilograms per tonne milled, compared to $10.6 million in the fourth quarter of 2021 at a consumption rate of 3.92 kilograms per tonne milled. Plant gold recovery for the quarter was 86.9%, lower than previous quarter recovery of 87.6%, predominantly impacted by the processing of low recovery ores mainly from the Guajes pit. Recoveries are forecast to improve through the remainder of the year as the proportion of higher recovery ore is expected to increase as mining transitions to different areas of the Guajes open pit.

Gold Production and Sales

In the first quarter of 2022, 112,446 oz of gold were produced and 108,012 oz of gold were sold. Production in the first quarter of 2022 was lower than the comparative period primarily due to the lower number of ore tonnes mined as well as lower budgeted process grades, both in line with the mine plan.

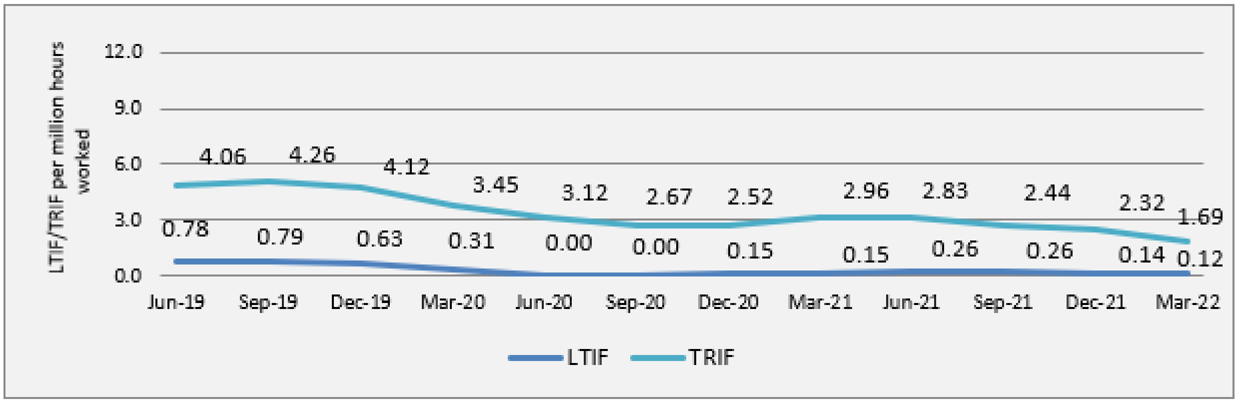
ENVIRONMENT, SOCIAL & GOVERNANCE

Safety

The Company maintained its robust safety performance during the quarter. As at March 31 2022, the Company’s LTIF was 0.12 and its total recordable injury frequency was 1.69. Both rates include employees and contractors and are calculated per million hours worked on a rolling 12-month basis. At the end of the quarter, the Company achieved more than eight million hours worked without a lost-time injury.

The Company established a Contractor Management System during the quarter in anticipation of the build of the Media Luna Project and the corresponding increase in the number of contractors on site. The system is intended to align contractor performance with the Company’s operational policies and systems. This is to be achieved through a clear set of processes to manage the health, safety, environment, and quality aspects throughout the bidding, work performance, and assessment stages of managing a contract.

Lost Time Injury Frequency and Total Recordable Injury Frequency Per Million Hours Worked on a Rolling 12-Month Basis: June 2019 – March 2022



COVID-19 Update

The Company continues to work diligently to prevent the spread of COVID-19 both within the workforce and host communities. During the quarter, the Company established a COVID-19 vaccination policy, which requires all employees, contractors and visitors to be vaccinated to enter the operations. At the end of March, 99.7% of employees and 89% of the contractor workforce were fully vaccinated against COVID-19, and 100% of the workforce was at least partially vaccinated. The Company was able to offset higher levels of COVID-19-related absenteeism during the quarter by backfilling with contractors, and absenteeism has materially improved with very low rates experienced at quarter-end compared with levels experienced earlier in the year.

Environment & Climate Change

There were no reportable spills or environmental incidents during the quarter and there are currently no material claims, demands, or legal proceedings against the Company related to environmental matters.

The Company continued to engage the federal and state divisions of CONAGUA, the Mexican water regulator, regarding the construction of the Guajes Tunnel under the Balsas River. At the end of March 2022, CONAGUA issued a letter stating that the permitting process for the construction of the Guajes Tunnel is considered complete.

During the quarter, the Company signed its sixth consecutive annual agreement with the Autonomous University of Guerrero (UAGro) to conduct participatory water quality monitoring in local water bodies. Monitoring is conducted for surface water quality and fish health. Experts from UAGro conduct the monitoring in collaboration with independent fishermen as well as local fishing cooperatives, which the Company continues to support.

The Company continued to engage third-party energy experts as part of the development of a Company-wide climate change strategy. A detailed operational energy audit was conducted by experts during the quarter and a comprehensive list of energy and emissions reduction opportunities were identified and assessed. The opportunities will help establish short, medium, and long-term energy and GHG emissions reduction targets and a credible roadmap for achieving them.

An updated conceptual mine closure plan was completed during the quarter for the ELG Mine Complex and Media Luna Project. Details of the plan can be found in Section 20.8 of the recently released 2022 Technical Report. There were no material changes to the Company's asset retirement obligation during the quarter.

Community

Relationships with local communities continue to be positive and productive.

The Company signed annual unique community development agreements (known locally as CODECOPs) with eleven local communities during the quarter. The CODECOPs define community investment projects to be delivered in partnership with local communities, as defined by local CODECOP committees.

In February 2022, a human rights impact assessment was conducted by external human rights experts. The assessment involved extensive engagement with employees, contractors, security providers, and local communities as well as a review of Company policies, systems, and procedures. The assessment will be finalized in the second quarter of 2022.

Detailed disclosures related to the Company's approach to community relations and performance will be provided in the Company's 2021 RGMR to be released in May 2022.

ESG Recognition

In the first quarter of 2022, the Company received the following recognition in the areas of health and safety, corporate social responsibility, and gender diversity practices:

- 2021 Safety Award from Mining Magazine, a major industry publication, for the Company's industry-leading safety performance;
- The ESR® 2022 Distinction from the Mexican Centre for Philanthropy (CEMEFI) and the Alliance for Corporate Social Responsibility in Mexico (AliaRSE) for the fourth year in a row, as a result of the Company's public and voluntary commitment to implement socially responsible management at our operations in Mexico; and
- Inclusion as an Honouree in The Globe and Mail's 2022 *Report on Business* 'Women Lead Here' list, in recognition of the high percentage of women on the Company's executive team as compared with other Canadian publicly traded companies.

DEVELOPMENT ACTIVITIES

Media Luna Project Update

In the first quarter, the Company successfully completed a significant strategic milestone with the completion of the Media Luna feasibility study and receipt of formal project approval by its Board of Directors. With this approval, the Company expects to invest $220 to $270 million towards development of the Project in 2022.

The Company announced an updated Mineral Resource estimate for the Media Luna Project, with an effective date of October 31, 2021, consisting of a gold equivalent Indicated Resource[1] of 4.39 million oz at an average grade of 5.38 gpt, reflecting a 24% increase in contained metal in the Indicated Resource category compared to the April 30, 2021 estimate. The updated Inferred Resource (exclusive of Indicated and EPO) is estimated at 0.78 million gold equivalent oz at an average grade of 4.05 gpt. Results from the 239 holes drilled in 2021 validated the lateral and horizontal continuity of the mineralized skarn zone and confirmed the presence of higher-grade mineralized zones within the broader resource envelope. With the release of the 2022 Technical Report, the initial Mineral Reserve estimate for Media Luna is 3,360 koz gold equivalent[2] based on 23.0 mt at 4.54 gpt gold equivalent.

[1] For more information see Media Luna Mineral Resource estimate on page 32.

[2] For more information see Media Luna Mineral Reserve estimate on page 31.

Table 5

In millions of U.S. dollars, unless otherwise noted		Project Capital per Technical Report	Actual Incurred	Remaining Expenditures	Total Project Capital	Reallocation vs Technical Report
Project Capital prior to March 31, 2022	$	124.0	97.5	-	97.5	(26.5)
Project Capital post March 31, 2022	$	848.0	-	874.5	874.5	26.5
Total	$	972.0	97.5	874.5	972.0	-

1. Total project capital for the Media Luna Project is $972 million as per the 2022 Technical Report. Project Capital does not include costs related to the feasibility study and infill drilling as well as certain costs incurred prior to the project phase. Total expenditures (including feasibility study costs, infill drilling and other) since inception of the project are $227.9 million.

In the first quarter of 2022 the Media Luna Feasibility Study was completed which presented an integrated mine plan and economics for the ELG Mine Complex as well as the Media Luna Project. This included key activities related to completion of all engineering deliverables to support a capital cost estimate, and operational and sustaining capital cost estimates. Additionally, a thorough risk assessment was completed and project execution planning advanced to enable a smooth transition from study to project execution. Key members of the project team have been engaged to further support this. The following points summarize the main outcomes of the study:

- Life of mine more than triples to 11.75 years versus ELG standalone case of 3.5 years
- Annual AuEq sold of 374 koz at a mine-site AISC of $954/oz AuEq
- 450 koz AuEq at a mine-site AISC of $929/oz AuEq through 2027 when mill is full
- Annual revenue of $605 million and mine-site EBITDA of $298 million
- Sizeable exposure to copper which represents 20% of life of mine revenue
- Media Luna Project capital expenditure of $848 million
- Base case metal prices of $1,600/oz Au ($1,700/oz in 2022), $21/oz Ag, and $3.50/lb Cu provide an after-tax NPV (5%) of $1,040 million and cumulative cash flow of $1,418 million
- Spot case metal prices of $1,950/oz Au, $25.50/oz Ag, and $4.70/lb Cu as of March 25, 2022 provide an after-tax NPV (5%) of $1,751 million and cumulative cash flow of $2,322 million

Activities on the south side of the Balsas River (the “river”) continued to advance. Earthworks progressed in areas including the South Portal lower access road and pad extension. Ongoing surface works include completion of the explosives magazine, which was permitted this quarter, construction of sediment and waste water treatment ponds, continuation of the MML camp expansion civil works and excavation of the bench for the paste plant near the upper portal. The 7-kilometre long Guajes Tunnel development from the north achieved over 1.5 kilometres of advance by quarter end. The South Portal Upper tunneling progressed with a total development of 727 metres and notably, is now advancing in two headings towards the ore body. The South Portal Lower tunnel progressed 442 metres as well, despite challenges with increased water inflows attributed to a discrete fault structure. Delays in the South Portal Lower development due to the aforementioned water inflows, reprioritization of certain civil works on the south side and key equipment commitments to be made subsequent to the project approval per the baselined feasibility schedule have resulted in a reduced spend relative to forecast for Q1.

With the project approval, capital expenditure for Media Luna is expected to increase in 2022 and peak in 2023, with a moderate spend in 2024 to finalize construction and commissioning.

Before the commencement of commercial production from Media Luna, the Company is required to secure appropriate environmental, land use, water and infrastructure construction permits, all of which are tracking to schedule. In July 2021, the Company applied for a ‘MIA-Integral’ to allow for integrated operations at the ELG Mine Complex and the Media Luna Project. There are no major technical or social impediments that have been identified by the regulator, discussions are ongoing, and approval is expected in the first half of 2022. In addition, the Company will require authorization from utility authorities to increase the power draw for the Media Luna Project, through a connection to the regional 230kV power line system for the higher electricity loads for the Media Luna Project. An application for an environmental permit modification is also planned for submission in the second half of 2022 for the future in-pit tailings storage facility.

Pre-commercial capital expenditures following project approval are estimated at $848 million as per the 2022 Technical Report. Capital costs relative to the 2018 Preliminary Economic Assessment for Media Luna have been impacted by industry-wide inflation given elevated prices for key construction materials, scope changes related to the design of the project (such as access via the Guajes Tunnel and South Portal complex, addition of a water treatment plant, larger underground fleet, and increased development ahead of commercial production related to long-hole stoping mining), as well as costs associated with COVID-19. Operating costs to be outlined in the feasibility study have leveraged current processing and site costs for the ELG Mine Complex, more detailed mine design and planning for Media Luna, and up to date costing for key consumables and labour. The Company intends to fund these expenditures from cash flows generated from the existing mining operations and/or other financing arrangements.

El Limón Open Pit Expansion

The 2021 Mineral Reserve estimate[1] has confirmed the economics of the expansion of the El Limón open pit via a pushback, resulting in approximately 150,000 oz of additional gold production and an extended mine life into 2024. The updated open pit production, together with continued output from the ELG Underground and use of stockpiles to top up the mill as required, are expected to support a smooth transition between the ELG open pits and Media Luna underground.

The expanded El Limón open pit design results in the 2022 strip ratio estimated at approximately 8:1, and a life of mine strip ratio of 7.8:1 based on the year-end 2021 Mineral Reserves.

Readers are encouraged to read the 2022 Technical Report in its entirety, including all qualifications, assumptions and exclusions that relate to the Mineral Resource estimates, Mineral Reserve estimates and feasibility study related to the integrated project. The 2022 Technical Report is intended to be read as a whole, and sections should not be read or relied upon out of context.

EXPLORATION ACTIVITIES

There is significant potential to expand Mineral Reserves in the ELG Underground, within the broader Media Luna area, and across the entire land package, which is 75% unexplored. The Company plans to invest approximately $39 million in exploration and drilling in 2022, with the purpose of increasing the overall resource and reserve base of the Morelos Property. Excluding $5 million in ore control and delineation drilling, the Company plans to invest $34 million on exploration.

Table 6

In millions of U.S. dollars, unless otherwise noted		Total Expenditure (Q1 2022)	Guided Expenditure	Total Expenditure (2021)
Media Luna drilling - capitalized [1]	$	3.9	19.0	22.0
ELG:				
ELG Underground infill and step-out drilling - capitalized [2]	$	0.7	6.0	4.4
ELG near mine program - expensed	$	1.5	6.0	4.0
Regional exploration and drilling - expensed	$	0.8	3.0	3.0
Total	$	6.9	34.0	33.4

1. Included in non-sustaining capital
2. Included in sustaining capital

[1] For more information see Media Luna Mineral Reserve estimate on page 31.

Media Luna Drilling

During the first quarter of 2022, a total of 16,623 metres were drilled at Media Luna. The infill drilling program began with two objectives; 8,340 metres of drilling were completed with the objective of upgrading Indicated Resources to Measured Resources and 8,284 metres of drilling were completed on EPO with the objective of upgrading Inferred Resources to Indicated Resources. The original program consisted of seven rigs, however, due to water restrictions the program is ongoing with five rigs. Despite these constraints the program has advanced according to the plan with 25% of the overall program completed (44 holes finished).

The measured drilling program along three areas of the Media Luna Indicated Resource is 42% complete and is planned to be finalized in June. The objective of this program is to provide more certainty about the grade distribution and the geology passing from 30 metre spacing grid to 15 metre hole distance. The program has some technical challenges to maintain the required 15 metre spacing but to date, the drilling is meeting the requirement.

The EPO program is divided into two phases, the first phase is to upgrade the current 8.0 mt of Inferred material to Indicated and the second phase is to add additional Inferred Resources. To complete the program this year, environmental permits are required to build new roads and drill pads. The permits were submitted to the SEMARNAT in March 2022 and are expected to be approved in mid-2022. Both programs advanced in parallel with a total advance of 28%. Results to date confirm the extension of the EPO zone to the south.

During the first quarter, the Company received the results from geophysical surveys of Media Luna including EPO. The surveys included a drone magnetic, geoelectrical, and gravity survey. Results are being analyzed by the exploration team.

ELG Underground Infill and Step-Out Drilling

The objective of the Infill and Step-out programs is primarily to increase the confidence in the Mineral Resources included in short to medium term underground and open pit mine plans and, identify new resources in the direct down-dip extension to current underground workings. The Infill and Step-out drilling carried out in the last years has been successful in recategorizing existing Inferred Resources to the Measured and Indicated category and defining new resources to maintain the production rates which extend the life of the mine at least until 2026. In 2021, 26,030 metres were drilled, and 27,000 metres have been programmed for 2022.

The 2022 underground program started at a low pace in January with one drill rig in operation and will ramp up in May with three drill rigs operating full time. During the first quarter of 2022, a total of 2,163 metres were drilled at ELD and Sub-Sill deposits. At Sub-Sill, the program was focused on its southern extension, while at ELD the focus has been to recategorize areas of Inferred Resources in the central and northern portions of the deposit. The program will continue focused in defining novel resources in extension at depth and laterally in both deposits.

In addition, surface Infill drilling was conducted in the El Limon Sur pit totaling 2,644 metres.

ELG Near Mine Program

The Near Mine program objective is exploring the geological potential and define new Mineral Resources in the area around the El Limon Guajes Mining Complex. Over the last year, the site geology and exploration teams have conducted an extensive evaluation of the potential for additional discovery around ELG. Six well-supported target areas in the near-mine environment have been identified. In 2021, a total of 21,313 metres were drilled in several areas around the current operations, allowing the ability to identify and prioritize the best targets to follow up in 2022. The 2022 program allocated a total of 28,500 metres for exploration of underground resources at El Limon Sur and El Limon East areas, and for potential open pit resources at Polvorin in the Guajes area.

During the first quarter, 8,733 metres were drilled at the El Limon Sur and Polvorin targets representing 31% of the program. At Polvorin, an area in close proximity to the Guajes pit, the objective is to evaluate extending the life of the open pit mining at ELG. Gold values were detected in old exploration drillholes in the hanging wall of La Amarilla Fault, associate to subvertical zones of quartz-carbonate-Po-Cpy veins and veinlets, hosted in hornfels and granodiorite dikes. A 60 by 60 metres drilling grid was conducted in the area totaling 5,740 meters in 34 core holes. At El Limon Sur, 20 holes totaling 3,033 metres were drilled evaluating the underground mineral potential south from the current underground operations.

A high-resolution magnetometry survey over the entire ELG area is 70% complete. Additional targets are expected to be identified in the area, especially at depth were the current geological interpretation based on restricted deep drilling data indicates potential skarn mineralization. The ELG brownfield program will continue in 2022 and beyond, with the intention to add additional mine life to operations at the ELG Mine Complex. Positive exploration results reinforce the Company's confidence in extending the life of the ELG Underground beyond current reserves, and to maintain a consistent underground production profile beyond 2026.

Regional Exploration and Drilling

The Morelos Property covers 29,000 hectares of highly prospective terrain in the prolific Guerrero Gold Belt in Mexico. More than ten target areas have been identified through a combination of surface mapping, sampling, and remote sensing work. Exploration along the property was reactivated in 2019, which started with a review of historical targets and additional target generation.

The Company has allocated $3.0 million in the 2022 budget to fund the expansion of a regional greenfield exploration program within the Morelos Property. The 2022 exploration program will focus on testing the most prospective targets including Esperanza, Querenque, and Tecate on the north side of the Balsas River. Work planned includes detailed surface mapping and sampling, geophysical surveys and drilling. A total of $0.8 million was spent in the first quarter of 2022 on geophysics, sampling, permits, and the ongoing construction of new core shack facilities at Nuevo Balsas. This forms part of a longer-term exploration strategy intended to identify and prove sources of ore feed to extend the life of ELG and Media Luna and increase annual production.

During the first quarter, the exploration of the Morelos Property was focused on mapping and surface sampling in the south portion of Esperanza and the main Querenque anomaly. In parallel to the surface program, a detailed geophysics survey is ongoing along with Esperanza and Querenque. Permits to access the north side of Esperanza (~60% of the whole target area) are pending to extend the exploration program. At the end of the first quarter, a total of 23 km^2 has been mapped and 400 km of geophysics lines have been surveyed between Esperanza and Querenque (60% advance). The objective of this program is to generate quality exploration targets to be tested in the second half of the year (depending on land and environmental access).

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

The following table summarizes key balance sheet items at March 31, 2022:

Table 7.

In millions of U.S. dollars		Mar 31, 2022		Dec 31, 2021
Cash and cash equivalents	$	237.0	$	255.7
Value-added tax receivables		56.2		63.0
Inventory		122.4		123.3
Deferred income tax assets		64.4		55.4
Property, plant and equipment		838.8		836.1
Other assets		39.7		25.4
Total assets	$	1,358.5	$	1,358.9
Accounts payable and accrued liabilities	$	98.3	$	121.4
Income taxes payable		45.4		70.9
Deferred income tax liabilities		24.0		23.3
Decommissioning liabilities		34.6		37.3
Other liabilities		15.0		5.6
Total liabilities	$	217.3	$	258.5
Total shareholders' equity	$	1,141.2	$	1,100.4

Cash and cash equivalents

The Company ended the first quarter of 2022 with cash on hand of $237.0 million. The Company primarily holds cash balances in U.S dollars but also holds accounts in Canadian dollars and Mexican pesos for operating and administrative purposes.

Value-added tax ("VAT") receivables

VAT decreased by $6.8 million compared to December 31, 2021. The Company has VAT receivables primarily denominated in Mexican pesos. The VAT receivables balance fluctuates as additional VAT is paid and refunds are received, as well as with the movement of the Mexican peso exchange rate relative to the U.S. dollar and any provisions. The decrease over the prior year is primarily a result of delays in receipt of $13 million of refunds in the fourth quarter of 2021, nearly all of which was received in January 2022.

Inventory

The decrease in inventory is largely due to lower stockpile and gold-in-circuit ending balances, partially offset by an increase in finished goods and materials and supplies.

Deferred income tax assets

The deferred tax asset relates to tax losses at the parent company level, and tax pools and temporary differences in Mexico. The increase in the deferred tax asset is primarily driven by higher depreciation for accounting purposes, which reduces the difference between the book value and tax value of the assets.

Property, plant and equipment

Property, plant and equipment decreased slightly due to depreciation of $50.6 million and a decrease in asset retirement cost of $3.1 million, partially offset by additions of $53.2 million in the quarter. See Table 9 for a breakdown of capital expenditures during the quarter.

Other assets

The other assets balance comprises accounts receivable, prepaid expenses, advances and deposits. The increase in other assets is primarily due to accounts receivable pertaining to spot gold sales and the timing of advances and deposits.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities have decreased significantly since December 31, 2021 primarily due to the timing and payments of trade payables.

Decommissioning liabilities

Decommissioning liabilities decreased by $2.7 million primarily due to the effect of discounting. Certain reclamation expenditures associated with the plant and associated infrastructure were previously planned for the end of the ELG open pits; however, with the approval of the Media Luna Project and ongoing requirement for the plant to operate, these expenditures have been delayed until the end of the current life of mine of the Media Luna Project.

Income taxes payable

The decrease in the balance is primarily due to taxes paid in the first quarter of 2022 in respect of 2021, which includes the 7.5% Mexican mining royalty of $30.3 million and corporate income taxes of $20.7 million, partially offset by current period income tax expense of $24.6 million.

Other Liabilities

Other liabilities include the mark to market adjustment on derivative instruments and lease obligations. In February 2022, the Company entered into gold forward contracts to sell 138,000 oz of gold between October 2022 and December 2023 at prices ranging from $1,906 to $1,942 (or at a weighted average price of $1,921 per oz). Based on gold forward prices as at March 31, 2022, the estimated liability related to the contracts of $8.2 million has been recognized - $2.6 million in current and $5.6 million in non-current liabilities.

DEBT FINANCING

Revolving Facility

On March 30, 2021, the Company's subsidiary MML signed a Third Amended and Restated Credit Agreement (the "TARCA"), resulting in the refinancing of the 2019 Debt Facility with the Banks in connection with a two-year secured $150.0 million revolving debt facility (the "Revolving Facility"). The Revolving Facility remains undrawn. Proceeds of the Revolving Facility may be used for general corporate and working capital purposes, including development expenditures and certain acquisitions, and can be used for letters of credit or funding of capital expenditures, in all cases subject to the conditions of the Revolving Facility.

The Revolving Facility allows the Company to make distributions to its shareholders in the aggregate amount of up to C$100.0 million, subject to conditions of the Revolving Facility.

The Revolving Facility bears interest at a rate of LIBOR (subject to a zero floor) plus an applicable margin based on the net leverage ratio on any loan or letter of credit outstanding ranging from 2.75% to 3.75%. The margin as at March 31, 2022 was 2.75%.

The Revolving Facility matures on March 30, 2023 with a step down in capacity by $25.0 million on September 30, 2022 and again on December 21, 2022.

The Revolving Facility permits spending to facilitate the development of the Media Luna Project and other existing and future projects of the Company. The development expenditures are subject to the conditions of the Revolving Facility, including compliance with financial covenants related to maintaining a net leverage ratio of less than or equal to 3.0, an interest coverage ratio of greater than or equal to 3.0 and minimum liquidity of $50.0 million.

The Revolving Facility is secured by all MML assets and secured guarantees of the Company and each of its other subsidiaries with a direct or indirect interest in the ELG Mine Complex and or the Media Luna Project.

As at March 31, 2022, the Company was in compliance with the financial and other covenants under the TARCA. The TARCA is available on SEDAR at www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at March 31, 2022 were $1,358.5 million (December 31, 2021 - $1,358.9 million), which includes $237.0 million in cash and cash equivalents (December 31, 2021 - $255.7 million).

Cash generated from operating activities before changes in non-cash operating working capital was $60.8 million for the quarter ended March 31, 2022, compared to $79.2 million for the quarter ended March 31, 2021. The decrease in cash generated from operating activities before changes in non-cash operating working capital of $18.4 million is largely due to lower oz of gold sold, partially offset by a higher average realized gold price and less income taxes paid.

Investing cash outflows for the quarter ended March 31, 2022 were $64.8 million compared to $26.1 million for the comparative quarter. Investing cash outflows were higher due to an increase in additions to property, plant and equipment, largely related to the Media Luna Project, partially offset by the release of short-term investments in the first half of 2021. As development activities ramp-up at the Media Luna Project, the proportion of VAT paid and received related to cash flow from investing activities are expected to increase relative to prior levels.

Net cash used in financing activities for the first quarter of 2022 primarily related to lease payments ($0.6 million) and interest paid ($0.5 million). The cash used in financing activities for the comparative period related to the full repayment of the 2019 Debt Facility of $40.0 million.

The Company does not currently have any debt outstanding and has $150 million available under the Revolving Facility. The Revolving Facility matures on March 30, 2023 with a step down in capacity by $25.0 million on September 30, 2022 and again on December 21, 2022. The Company expects to fund the development of the Media Luna Project using available liquidity, forecasted future cash flow, and a prudent level of debt. With a goal of maintaining a minimum liquidity position of $100 million, while continuing to invest in exploration, the Company is evaluating debt financing in the order of $250 million to $300 million through either high yield debt or an expanded credit facility. The Company plans to be in a position to execute on a debt financing in H2 2022 assuming favourable market conditions and pricing.

As at March 31, 2022, the Company's contractual obligations included office lease agreements; office equipment leases; long-term land lease agreements with Rio Balsas, Real del Limón, Atzcala, Puente Sur Balsas and Valerio Trujano Ejidos and the individual owners of land parcels within certain of those Ejido boundaries; and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine Complex and the Media Luna Project. All long-term land lease agreements can be terminated within one year at the Company's discretion at any time without penalty.

In addition, production revenue from certain concessions is subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and is payable on a quarterly basis. In January 2022, the Company paid $5.1 million for the 2.5% royalty relating to the fourth quarter of 2021. In April 2022, the Company paid $5.3 million for the 2.5% royalty relating to the first quarter of 2022.

The Company is subject to a mining tax of 7.5% on earnings before the deduction of taxes, interest, depreciation and amortization, and a royalty of 0.5% on sales of gold, silver and platinum. Both the mining tax and 0.5% royalty are payable on an annual basis. In March 2022, the Company paid $34.6 million in respect of the 7.5% and 0.5% royalties for 2021.

Quarterly production through 2022 is expected to be the lowest in the first quarter, increase in the second quarter, with relative similar levels of production anticipated for the rest of the year. The quarterly variability is attributed to sequencing of the ELG Open Pits, which is expected to result in processed grades increasing slightly through the year. However, given timing of tax and employee profit sharing payments, the Company's cash flow from operations is generally weighted towards the second half of the year as was the case in 2021 and 2020. Cash flow from operations in the first quarter of 2022 were impacted by payment of the Mexican based mining tax and 0.5% royalty of $34.6 million in respect of 2021. Production in the first quarter of 2022 was in line with production during the fourth quarter of 2021 and in accordance with the mine plan.

The trends that affect the Company's liquidity are further described in the "Economic Trends" section of this MD&A.

For discussion of liquidity risks, refer to sections "Financial Risk Management" and "Risks and Uncertainties" of this MD&A.

OUTSTANDING SHARE DATA

Table 8.

Outstanding Share Data as at May 10, 2022	Number
Common shares	85,842,014
Share purchase options [1]	89,473
Restricted share units [2, 3]	456,179
Performance share units [4]	453,726

1. Each share purchase option is exercisable into one common share of the Company.
2. Each restricted share unit is redeemable for one common share of the Company.
3. The balance includes both Restricted Share Units ("RSUs") and Employee Restricted Share Units ("ERSUs") issued under the Restricted Share Unit Plan ("RSU Plan") and the Employee Share Unit ("ESU Plan"), respectively.
4. The number of performance share units that vest is determined by multiplying the number of units granted to the participant by an adjustment factor, which ranges from 0 to 2.0. Therefore, the number of units that will vest and be settled may be higher or lower than the number of units originally granted to a participant. The adjustment factor is based on the Company's total shareholder return relative to a group of comparable companies over the applicable period. Under the terms of the plan, the Board of Directors is authorized to determine the adjustment factor.

NON-GAAP FINANCIAL PERFORMANCE MEASURES

The Company has presented certain non-GAAP measures in this document. The Company believes that these measures, while not a substitute for measures of performance prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

Total Cash Costs

Total cash costs is a common financial performance measure in the gold mining industry; however, it has no standard meaning under IFRS and it may not be comparable to similar financial measures disclosed by other issuers. The Company reports total cash costs on a per oz sold basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as costs of sales, certain investors use this information to evaluate the Company's performance and ability to generate operating income and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating costs. In addition, the Compensation Committee of the Board of Directors uses certain of these measures, together with other measures, to set incentive compensation goals and assess performance. Cash costs are calculated as production costs and royalties less by-product sales.

All-In Sustaining Costs (AISC)

AISC is a common financial performance measure in the gold mining industry; however, it has no standard meaning under IFRS and it may not be comparable to similar financial measures disclosed by other issuers. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as cost of sales and cash flows from operations, certain investors use this information to evaluate the Company's operating performance and its ability to generate free cash flow from current operations. Management uses this metric as an important tool to monitor operating and capital costs. In addition, the Compensation Committee of the Board of Directors uses certain of these measures, together with other measures, to set incentive compensation goals and assess performance.

Torex reports AISC in accordance with the guidance issued by the World Gold Council ("WGC"). The WGC definition of AISC seeks to extend the definition of total cash costs by adding corporate general and administrative costs, reclamation and remediation costs (including accretion and amortization), sustaining exploration and study costs (capitalized and expensed), capitalized stripping costs, sustaining capital expenditures and sustaining leases, and represents the total costs of producing gold from current operations. Non-sustaining costs are primarily those related to new operations and major projects at existing operations that are expected to materially benefit the current operation. The determination of classification of sustaining versus non-sustaining requires judgement by management. AISC excludes income tax payments, interest costs, costs related to business acquisitions, and costs related to growth projects. Consequently, these measures are not representative of all of the Company's cash expenditures. In addition, the calculation of AISC does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability. Other companies may quantify these measures differently because of different underlying principles and policies applied. Differences may also occur due to different definitions of sustaining versus non-sustaining capital. In November 2018, the WGC updated its guidance for AISC. The Company adopted the updated guidance beginning January 1, 2019.

Reconciliation of Total Cash Costs and All-in Sustaining Costs to Cost of Sales

Table 9.

		Three Months Ended		
In millions of U.S. dollars, unless otherwise noted		Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Gold sold	oz	108,012	109,391	129,019
Total cash costs per oz sold				
Production costs and royalties	$	85.8	88.8	76.4
Less: Silver sales	$	(0.7)	(0.8)	(0.7)
Less: Copper sales	$	(4.3)	(4.5)	(0.9)
Total cash costs	$	80.8	83.5	74.8
Total cash costs per ounce sold	$/oz	748	764	580
All-in sustaining costs per oz sold				
Total cash costs	$	80.8	83.5	74.8
General and administrative costs [1]	$	7.8	6.1	7.9
Reclamation and remediation costs	$	1.4	1.1	1.2
Sustaining exploration costs expensed	$	-	1.1	0.8
Sustaining capital expenditure [2]	$	21.7	26.1	25.5
Total all-in sustaining costs	$	111.7	118.0	110.2
Total all-in sustaining costs per oz sold	$/oz	1,034	1,079	854

1. This amount excludes a loss of $0.4 million, loss of $0.1 million and gain of $2.7 million for the three months March 31, 2022, December 31, 2021 and March 31, 2021, respectively in relation to the remeasurement of share-based compensation. This amount also excludes corporate depreciation and amortization expenses totalling $0.1 million, $0.2 million and $0.2 million for the three months ended March 31, 2022, December 31, 2021 and March 31, 2021, respectively recorded within general and administrative costs. Included in general and administrative costs is share-based compensation expense in the amount of $1.8 million or $16/oz for the three months ended March 31, 2022, $5.2 million or $11/oz for the three months ended December 31, 2021 and $2.2 million or $17/oz for the three months ended March 31, 2021.
2. Before changes in net working capital, capital expenditures for the three months ended March 31, 2022 totalled $77.0 million, including lease payments of $0.6 million. Sustaining capital expenditures of $21.7 million in the three months ended March 31, 2022 are related to $16.1 million for the cash component of capitalized stripping activities, and $5.6 million for sustaining equipment and infrastructure expenditures. Non-sustaining capital expenditures of $27.7 million in the three months ended March 31, 2022 relating to ELG Underground and the Media Luna Project, have been excluded from AISC.

Reconciliation of Sustaining and Non-Sustaining Costs to Capital Expenditures

Table 10.

In millions of U.S. dollars, unless otherwise noted		Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Sustaining	$	5.6	10.9	7.2
Capitalized Stripping	$	16.1	15.2	18.3
Non-sustaining	$	5.3	6.7	7.7
Total ELG	$	27.0	32.9	33.2
Media Luna Project	$	20.8	33.5	15.6
Media Luna Infill Drilling/Other	$	3.9	2.9	5.3
Other & Working Capital Changes	$	13.5	(12.4)	1.0
Capital expenditures[1]	$	65.3	56.9	55.2

1. The amount of cash expended on additions to property, plant and equipment in the period as reported in the consolidated statements of cash flows.

Average Realized Price and Total Cash Costs Margin

Average realized price and total cash costs margin per oz of gold sold are non-GAAP financial measures that do not have a standard meaning under IFRS and as such, they may not be comparable to similar financial measures disclosed by other issuers. Management and certain investors use these measures to better understand the gold price and margin realized throughout a period.

Average realized price is calculated as revenue per the Statement of Operations and Comprehensive Income, less silver sales and copper sales, adjusted for realized gains and losses on gold contracts where applicable, divided by oz of gold sold. Total cash costs margin reflects average realized price per oz of gold sold, less total cash costs per oz of gold sold.

Reconciliation of Average Realized Price and Total Cash Costs Margin to Revenue

Table 11.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Gold sold	oz	108,012	109,391	129,019
Revenue	$	207.7	202.0	231.2
Less: Silver sales	$	(0.7)	(0.8)	(0.7)
Less: Copper sales	$	(4.3)	(4.5)	(0.9)
Less: Realized loss on Gold Contracts	$	-	-	(0.2)
Total proceeds	$	202.7	196.7	229.4
Total average realized price	$/oz	1,876	1,798	1,778
Less: Total cash costs	$/oz	748	764	580
Total cash costs margin	$/oz	1,128	1,034	1,198
Total cash costs margin	%	60	58	67

All-in Sustaining Costs Margin

AISC margin and AISC margin per oz of gold sold are non-GAAP financial measures that do not have a standard meaning under IFRS and as such, they may not be comparable to similar financial measures disclosed by other issuers. Management and certain investors use these measures to better understand the AISC margin throughout a period. AISC margin is calculated as revenue per the Statement of Operations and Comprehensive Income, less silver sales, copper sales, realized gains and losses on gold derivative contracts, and AISC. All-in sustaining costs margin per oz reflects the average realized price per oz of gold sold less all-in sustaining costs per oz of gold sold.

Reconciliation of All-in Sustaining Costs Margin to Revenue

Table 12.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Gold sold	oz	108,012	109,391	129,019
Revenue	$	207.7	202.0	231.2
Less: Silver sales	$	(0.7)	(0.8)	(0.7)
Less: Copper sales	$	(4.3)	(4.5)	(0.9)
Less: Realized loss on Gold Contracts	$	-	-	(0.2)
Less: All-in sustaining costs	$	(111.7)	(118.0)	(110.2)
All-in sustaining costs margin	$	91.0	78.7	119.2
Total all-in sustaining costs margin	$/oz	841	719	924
Total all-in sustaining costs margin	%	44	39	52

Adjusted Net Earnings

Adjusted net earnings and adjusted net earnings per share (basic and diluted) are non-GAAP financial measures with no standard meaning under IFRS and as such, they may not be comparable to similar financial measures disclosed by other issuers. Management and certain investors use these metrics to measure the underlying operating performance of the Company. Presenting these measures from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods.

Adjusted net earnings is defined as net income (loss) adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as: the impact of unrealized foreign exchange gains and losses, unrealized gains and losses on derivative contracts, impairment provisions, remeasurement of share-based payments and the tax effect of currency translation on tax base, net of the tax effect of these adjustments. Adjusted net earnings per share amounts are calculated using the weighted average number of shares outstanding on a basic and diluted basis as determined under IFRS.

Reconciliation of Adjusted Net Earnings to Net Income

Table 13.

		Three Months Ended		
In millions of U.S. dollars, unless otherwise noted		Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Basic weighted average shares outstanding	shares	85,797,699	85,749,183	85,642,258
Diluted weighted average shares outstanding	shares	86,091,564	86,161,396	86,136,456
Net income (loss)	$	40.0	(0.5)	55.0
Adjustments:				
Unrealized foreign exchange (gain) loss	$	(1.0)	0.9	(0.9)
Change in unrealized gains and losses on derivative contracts	$	8.2	-	(4.2)
Impairment provisions	$	-	41.2	-
Remeasurement of share-based payments	$	0.4	0.1	(2.7)
Tax effect of above adjustments	$	(2.3)	(12.7)	2.3
Tax effect of currency translation on tax base	$	(8.1)	3.4	7.7
Adjusted net earnings	$	37.2	32.4	57.2
Per share - Basic	$/share	0.43	0.38	0.67
Per share - Diluted	$/share	0.43	0.38	0.66

Earnings before Interest, Taxes, Depreciation and Amortization “EBITDA” and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-GAAP measures with no standard meaning under IFRS and they may not be comparable to similar financial measures disclosed by other issuers. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use these measures to evaluate the operating performance of the Company. Presenting these measures from period to period helps identify and evaluate earnings trends more readily in comparison with results from prior periods. EBITDA is defined as net income (loss) adjusted to exclude depreciation and amortization, net finance (income) costs and income tax expense (recovery). Adjusted EBITDA is defined as EBITDA adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as the impact of unrealized foreign exchange gains and losses, unrealized gains and losses on derivative contracts, remeasurement of share-based payments, and certain impairment provisions (if applicable).

Reconciliation of EBITDA and Adjusted EBITDA to Net Income

Table 14.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Net income (loss)	$	40.0	(0.5)	55.0
Finance costs, net	$	0.4	0.7	(0.2)
Depreciation and amortization [1]	$	46.4	46.7	55.7
Current income tax expense	$	24.6	20.8	36.8
Deferred income tax (recovery) expense	$	(8.3)	(5.3)	5.4
EBITDA	$	103.1	62.4	152.7
Adjustments:				
Impairment loss	$	-	41.2	-
Change in unrealized gains and losses on derivative contracts	$	8.2	-	(4.2)
Unrealized foreign exchange (gain) loss	$	(1.0)	0.9	(0.9)
Remeasurement of share-based payments	$	0.4	0.1	(2.7)
Adjusted EBITDA	$	110.7	104.6	144.9

1. Includes depreciation and amortization included in cost of sales, general and administrative and exploration and evaluation expenses.

Free cash flow

Free cash flow is a non-GAAP measure with no standardized meaning under IFRS and it may not be comparable to similar financial measures disclosed by other issuers. The Company defines free cash flow as net cash generated from operating activities less cash outlays for capital expenditures and interest payments. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's operating performance and its ability to fund operating and capital expenditures without reliance on additional borrowing.

Table 15.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Net cash generated from operating activities	$	46.7	94.6	65.2
Less:				
Additions to property, plant and equipment[1]	$	(65.3)	(56.9)	(55.2)
Interest paid	$	(0.5)	(0.4)	(0.7)
Free cash flow	$	(19.1)	37.3	9.3

1. The amount of cash expended on additions to property, plant and equipment in the period as reported on the consolidated statements of cash flows.

Net cash

Net cash is a non-GAAP measure with no standardized meaning under IFRS and it may not be comparable to similar financial measures disclosed by other issuers. Net cash is defined as total cash and cash equivalents and short-term investments less debt adjusted to exclude unamortized deferred financing charges and leases at the end of the period. These measures are used by management, and may be used by certain investors, to measure the Company's debt leverage.

Table 16.

In millions of U.S. dollars, unless otherwise noted		Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Cash and cash equivalents	$	237.0	255.7	172.0
Short-term investments	$	-	-	-
Less: Principal amount of outstanding debt	$	-	-	-
Less: Lease obligations	$	(3.6)	(3.3)	(4.7)
Net cash	$	233.4	252.4	167.3

Unit Cost Measures

Unit cost measures are non-GAAP measures with no standardized meaning under IFRS and they may not be comparable to similar financial measures disclosed by other issuers. The Company defines unit cost measures as components of production costs calculated on a per unit basis (tonnes mined or tonnes processed). The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as costs of sales, certain investors use this information to evaluate the Company's operating performance and, in addition to sales, its ability to generate operating income and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating costs.

Table 17.

	Three Months Ended					
In millions of U.S. dollars, unless otherwise noted	Mar 31, 2022		Dec 31, 2021		Mar 31, 2021	
Gold sold (oz)	108,012		109,391		129,019	
Tonnes mined - open pit (kt)	10,019		9,836		11,241	
Tonnes mined - underground (kt)	114		95		123	
Tonnes processed (kt)	1,134		1,160		1,111	
Total cash costs:						
Total cash costs ($)	80.8		83.5		74.8	
Total cash costs per ounce sold ($)	748		764		580	
Breakdown of production costs	**$**	**$/t**	**$**	**$/t**	**$**	**$/t**
Mining - open pit	25.7	2.57	26.3	2.67	26.2	2.33
Mining - underground	9.8	86.14	9.1	95.51	9.4	76.65
Plant	37.2	32.77	40.4	34.80	35.2	31.69
Site support	11.0	9.66	12.7	10.98	10.5	9.45
Mexican profit sharing (PTU)	8.1	7.16	4.6	3.93	9.9	8.88
Deferred stripping	(16.1)		(15.2)		(18.3)	
Inventory movement	2.7		3.8		(4.1)	
Other	1.2		1.1		0.6	
Production costs	79.6		82.8		69.4	

ADDITIONAL IFRS FINANCIAL MEASURES

The Company has included the additional IFRS measures “Earnings from mine operations” and “Cash generated from operating activities before change in non-cash operating working capital balances” in its financial statements.

“Earnings from mine operations” provides useful information to management and investors as an indication of the Company’s principal business activities before consideration of how those activities are financed, investments made in respect of sustaining capital expenditures, and costs of corporate general and administrative expenses, exploration and evaluation expenses, foreign exchange gains and losses, derivative gains and losses, finance costs and income, and taxation.

“Cash generated from operating activities before change in non-cash operating working capital balances” provides useful information to management and investors as an indication of the cash flows from operations before consideration of the impact of changes in operating working capital balances in the period.

ECONOMIC TRENDS

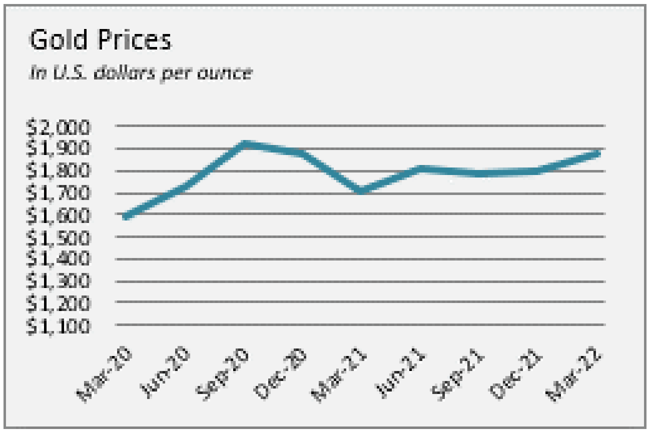
The market price for gold and foreign currency exchange rates are the most significant external factors that affect the Company’s financial performance.

Table 18.

		Three Months Ended Mar 31	
		2022	**2021**
Average market spot prices[1]			
Gold	$/oz	1,878	1,797
Closing market exchange rates[2]			
Mexican peso : U.S. dollar	Peso : $	19.9	20.4
Canadian dollar : U.S. dollar	C$: $	1.25	1.26
Average market exchange rates[2]			
Mexican peso : U.S. dollar	Peso : $	20.5	20.3
Canadian dollar : U.S. dollar	C$: $	1.27	1.27

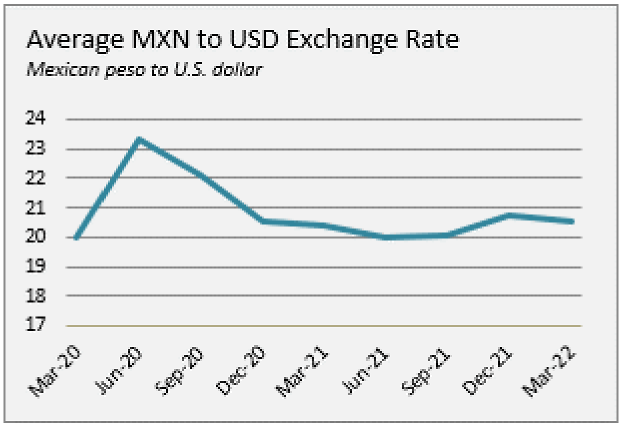
1. Source: Bloomberg
2. Sources: Bank of Mexico, Bank of Canada

Metal prices



The Company’s profitability and operating cash flows are significantly impacted by the price of gold. From January to March 2022, based on closing prices, gold prices increased 6%. From January 2021 to March 2021 and based on closing prices, gold prices decreased 10%. In February 2022 the Company entered into gold hedging contracts to sell 138,000 oz of gold between October 2022 and December 2023 at prices ranging from $1,906 to $1,942 (or at a weighted average price of $1,921).

Foreign exchange rates



The functional currency of the Company and its subsidiaries is the U.S. dollar, and it is therefore exposed to financial risk related to foreign exchange rates. Changes in exchange rates are expected to have an impact on the Company's results. In particular, approximately 60% of the Company's payments for first three months of 2022 were incurred in Mexican pesos. In addition, the Company is exposed to foreign exchange risk on its non-U.S. dollar denominated monetary assets and liabilities. The average exchange rates of the Mexican peso relative to the U.S. dollar were 20.5 and 20.3 pesos to $1 during the quarters ended March 31, 2022 and 2021, representing a depreciation of 1% in the Mexican peso.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

Table 19.

		2022	2021				2020		
In millions of U.S. dollars		**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**
Financial Results									
Revenue	$	207.7	202.0	216.7	205.9	231.2	251.6	256.5	109.1
Net income (loss)	$	40.0	(0.5)	36.5	60.7	55.0	91.9	60.3	3.8
Per share - Basic	$/share	0.47	(0.01)	0.43	0.71	0.64	1.07	0.71	0.04
Per share - Diluted	$/share	0.46	(0.01)	0.41	0.69	0.62	1.05	0.69	0.04

For each of the eight most recently completed quarters, the financial data was prepared in accordance with IFRS. The presentation and functional currency are in U.S. dollars. The quarterly results are unaudited. Sum of all the quarters may not add up to annual or year to date totals due to rounding.

Net income (loss) has fluctuated based on, among other factors, the quantity and grade of ore mined and processed, gold prices, foreign exchange rates, current and deferred income tax recoveries and expenses, cost of reagents consumed, interest income on VAT receivables, the temporary suspension of operations due to COVID-19 in the second quarter of 2020, and impairment provisions particularly in the fourth quarter of 2021. Gold prices affect the Company's realized sales prices of its gold production, and gains and losses on the gold forward contracts entered into in the first quarter of 2022 and the past gold collar contracts that were in place prior to September 30, 2021. Fluctuations in the value of the Mexican peso and Canadian dollar relative to the U.S. dollar affect the Company's operating and corporate expenses, foreign currency derivative gains and losses, income taxes, and the value of non-U.S. dollar denominated monetary assets and liabilities such as cash, amounts receivable, accounts payable and debt. Changes in the value of the Mexican peso also impact the tax basis of non-monetary assets and liabilities considered in the Company's deferred tax assets and liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to Notes 3 and 4 in the Company's audited consolidated financial statements for the year ended December 31, 2021.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 3 in the Company's audited consolidated financial statements for the year ended December 31, 2021.

FINANCIAL RISK MANAGEMENT

The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include liquidity risk, foreign currency risk, commodity price risk and interest rate risk, and are detailed in Note 13 of the Company's unaudited condensed consolidated interim financial statements for the quarter ended March 31, 2022.

During the quarter, the Company executed monthly forward price contracts on future gold production to reduce downside price risk during the build-out of the Media Luna Project. Under the contracts, the Company will sell 138,000 oz of gold (approximately 25% of production) between October 2022 to December 2023 at a weighted average price of $1,921.

Table 20.

Settlement Date (Quarter)	Weighted Average Price ($/oz)	Quantity (Oz)
Q4 2022	1,910	30,000
Q1 2023	1,924	27,000
Q2 2023	1,924	27,000
Q3 2023	1,924	27,000
Q4 2023	1,924	27,000
Total	1,921	138,000

RISKS AND UNCERTAINTIES

There are various claims and litigation, with which the Company is involved. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty. For a comprehensive discussion of litigation risk and other risks faced by the Company, which may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by forward-looking information or forward-looking statements, please refer to the Company's latest Annual Information Form ("AIF"), filed on www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control framework was designed based on the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

There was no change in the Company's internal control over financial reporting that occurred during the first quarter of 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures, that as of March 31, 2022, the Company's disclosure controls and procedures have been designed to provide reasonable assurance that material information is made known to them by others within the Company.

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

QUALIFIED PERSONS

Scientific and technical information contained in this MD&A has been reviewed and approved by Johannes Bekkers, P.Eng, Director, Mine Technical Services of Torex Gold Resources Inc. and a Qualified Person under NI 43-101.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's most recent annual information form, is available under the Company's profile on SEDAR at www.sedar.com, and is available upon request from the Company.

Mineral Reserves for the Morelos Complex

Table 21.

	Tonnes (kt)	Au (g/t)	Ag (g/t)	Cu (%)	Au (koz)	Ag (koz)	Cu (Mlb)	AuEq (g/t)	AuEq (koz)
El Limón Guajes Open Pit (ELG OP)									
Proven	4,900	3.95	4.6	0.14	623	719	15	4.00	630
Probable	5,471	2.35	4.5	0.12	414	784	15	2.39	421
Proven & Probable	**10,371**	**3.11**	**4.5**	**0.13**	**1,037**	**1,503**	**30**	**3.15**	**1,051**
El Limón Guajes Underground (ELG UG)									
Proven	110	7.23	10.5	0.59	25	37	1	7.38	26
Probable	2,566	5.68	5.7	0.22	469	474	13	5.74	474
Proven & Probable	**2,675**	**5.74**	**5.9**	**0.24**	**494**	**511**	**14**	**5.81**	**500**
Media Luna Underground (ML UG)									
Proven	-	-	-	-	-	-	-	-	-
Probable	23,017	2.81	25.6	0.88	2,077	18,944	444	4.54	3,360
Proven & Probable	**23,017**	**2.81**	**25.6**	**0.88**	**2,077**	**18,944**	**444**	**4.54**	**3,360**
Surface Stockpiles									
Proven	4,808	1.35	3.1	0.07	209	484	7	1.38	213
Probable	-	-	-	-	-	-	-	-	-
Proven & Probable	**4,808**	**1.35**	**3.1**	**0.07**	**209**	**484**	**7**	**1.38**	**213**
Total Morelos Complex									
Proven	9,817	2.72	3.9	0.11	858	1,240	23	2.75	869
Probable	31,054	2.96	20.2	0.69	2,959	20,202	472	4.26	4,254
Proven & Probable	**40,871**	**2.90**	**16.3**	**0.55**	**3,817**	**21,442**	**495**	**3.90**	**5,123**

Notes to accompany summary Mineral Reserve table:

1. Mineral Reserves were developed in accordance with CIM (2014) guidelines.
2. Rounding may result in apparent summation differences between tonnes, grade, and contained metal content Surface Stockpile mineral reserves are estimated using production and survey data and apply the same AuEq formula as ELG Open Pits and ELG Underground.
3. AuEq of Total Reserves is established from combined contributions of the various deposits.
4. The qualified person for the mineral reserve estimate is Johannes (Gertjan) Bekkers, P. Eng., Director of Mine Technical Services.
5. The qualified person is not aware of mining, metallurgical, infrastructure, permitting, or other factors that materially affect the Mineral Reserve estimates.

Notes to accompany the ELG Open Pit Mineral Reserves:

6. Mineral Reserves are founded on Measured and Indicated Mineral Resources, with an effective date of December 31, 2021, for ELG Open Pits (including El Limón, El Limón Sur and Guajes deposits).
7. ELG Open Pit Mineral Reserves are reported above a diluted cut-off grade of 1.1 g/t Au.
8. ELG Low Grade Mineral Reserves are reported above a diluted cut-off grade of 1.0 g/t Au.

9. It is planned that ELG Low Grade Mineral Reserves within the designed pits will be stockpiled during pit operation and processed during pit closure.
10. Mineral Reserves within the designed pits include assumed estimates for dilution and ore losses.
11. Cut-off grades and designed pits are considered appropriate for a metal price of $1,400/oz Au and metal recovery of 89% Au.
12. Mineral Reserves are reported using a gold price of US$1,400/oz, silver price of US$17/oz, and copper price of US$3.25/lb.
13. Average metallurgical recoveries of 89% for gold and 30% for silver and 10% for copper.
14. ELG AuEq = Au (g/t) + Ag (g/t) * (0.0041) + Cu (%) * (0.1789), accounting for metal prices and metallurgical recoveries.

Notes to accompany the ELG Underground Mineral Reserves:

15. Mineral Reserves are founded on Measured and Indicated Mineral Resources, with an effective date of December 31, 2021, for ELG Underground (including Sub-Sill and ELD deposits).
16. Mineral Reserves were developed in accordance with CIM guidelines.
17. El Limón Underground mineral reserves are reported above an in-situ ore cut-off grade of 3.58 g/t Au and an in-situ incremental cut-off grade of 1.04 g/t Au.
18. Cut-off grades and mining shapes are considered appropriate for a metal price of $1,400/oz Au and metal recovery of 89% Au.
19. Mineral Reserves within designed mine shapes assume mechanized cut and fill mining method and include estimates for dilution and mining losses.
20. Mineral Reserves are reported using a gold price of US$1,400/oz, silver price of US$17/oz, and copper price of US$3.25/lb.
21. Average metallurgical recoveries of 89% for gold and 30% for silver and 10% for copper.
22. ELG AuEq = Au (g/t) + Ag (g/t) * (0.0041) + Cu (%) * (0.1789), accounting for metal prices and metallurgical recoveries.

Notes to accompany the ML Underground Mineral Reserves:

23. Mineral Reserves are based on Media Luna Indicated Mineral Resources with an effective date of October 31st, 2021.
24. Media Luna Underground Mineral Reserves are reported above a diluted ore cut-off grade of 2.2 g/t AuEq
25. Media Luna Underground cut-off grades and mining shapes are considered appropriate for a metal price of $1,400/oz Au, $17/oz Ag and $3.25/lb Cu and metal recoveries of 85% Au, 79% Ag, and 91% Cu.
26. Mineral Reserves within designed mine shapes assume long-hole open stoping, supplemented with mechanized cut-and-fill mining and includes estimates for dilution and mining losses.
27. Media Luna AuEq = Au (g/t) + Ag (g/t) * (0.011188) + Cu (%) * (1.694580), accounting for metal prices and metallurgical recoveries.

Mineral Resources for the Morelos Complex

Table 22.

	Tonnes (kt)	Au (g/t)	Ag (g/t)	Cu (%)	Au (koz)	Ag (koz)	Cu (Mlb)	AuEq (koz)	AuEq (g/t)
El Limón Guajes Open Pit (ELG OP)									
Measured	5,727	3.89	5.0	0.13	716	919	17	3.93	724
Indicated	11,027	2.37	4.7	0.12	842	1,660	28	2.41	856
Measured & Indicated	**16,754**	**2.89**	**4.8**	**0.12**	**1,557**	**2,579**	**45**	**2.93**	**1,580**
Inferred	812	1.80	3.5	0.08	47	90	1	1.83	48
El Limón Guajes Underground (ELG UG)									
Measured	584	7.24	10.0	0.52	136	187	7	7.37	138
Indicated	3,968	6.11	7.1	0.27	779	900	23	6.18	789
Measured & Indicated	**4,551**	**6.25**	**7.4**	**0.30**	**915**	**1,088**	**30**	**6.34**	**927**
Inferred	1,380	4.88	6.2	0.25	217	275	8	4.95	220
Media Luna Underground (ML UG)									
Measured	-	-	-	-	-	-	-	-	-
Indicated	25,380	3.24	31.5	1.08	2,642	25,706	602	5.38	4,394
Measured & Indicated	**25,380**	**3.24**	**31.5**	**1.08**	**2,642**	**25,706**	**602**	**5.38**	**4,394**
Inferred	5,991	2.47	20.8	0.81	476	3,998	106	4.05	780
EPO									
Measured	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-
Measured & Indicated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Inferred	8,019	1.52	34.6	1.27	391	8,908	225	3.97	1,024
Total Morelos Complex									
Measured	6,311	4.20	5.5	0.17	852	1,106	24	4.25	862
Indicated	40,375	3.28	21.8	0.73	4,263	28,266	653	4.65	6,039
Measured & Indicated	**46,685**	**3.41**	**19.6**	**0.66**	**5,114**	**29,373**	**677**	**4.60**	**6,901**
Inferred	16,202	2.17	25.5	0.95	1,131	13,271	340	3.98	2,071

Notes to accompany summary Mineral Resource table:

1. CIM (2014) definitions were followed for Mineral Resources.
2. Mineral Resources are depleted above a mining surface or to the as-mined solids as of December 31, 2021.
3. Mineral Resources are reported using a gold price of US$1,550/oz, silver price of US$20/oz, and copper price of US$3.50/lb.
4. AuEq of total Mineral Resources is established from combined contributions of the various deposits.
5. Mineral Resources are inclusive of Mineral Reserves.
6. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
7. Numbers may not add due to rounding.

8. The estimate was prepared by Mr. John Makin, MAIG, a consultant with SLR Consulting (Canada) Ltd. Mr. Makin is independent of the company and is a "Qualified Person" under NI 43-101.

Notes to accompany the ELG Mineral Resources:

9. The effective date of the estimate is December 31, 2021.
10. Average metallurgical recoveries are 89% for gold, 30% for silver and 10% for copper.
11. ELG AuEq = Au (g/t) + (Ag (g/t) * 0.0043) + (Cu (%) * 0.1740). AuEq calculations consider both metal prices and metallurgical recoveries.

Notes to accompany the ELG Open Pit Mineral Resources:

12. Mineral resources are reported above a cut-off grade of 0.9 g/t Au.
13. Mineral Resources are reported inside an optimized pit shell, underground mineral reserves at ELD within the El Limón shell have been excluded from the open pit Mineral Resources.

Notes to accompany ELG Underground Mineral Resources:

14. Mineral Resources are reported above a cut-off grade of 2.6 g/t Au.
15. The assumed mining method is underground cut and fill.
16. Mineral Resources from ELD that are contained within the El Limón pit optimization and that are not underground Mineral Reserves have been excluded from the underground Mineral Resources.

Notes to accompany ML Mineral Resources:

17. The effective date of the estimate is October 31, 2021.
18. Mineral Resources are reported above a 2.0 g/t AuEq cut-off grade.
19. Metallurgical recoveries at Media Luna (excluding EPO) average 85% for gold, 79% for silver, and 91% for copper. Metallurgical recoveries at EPO average 85% for gold, 75% for silver, and 89% for copper.
20. Media Luna (excluding EPO) AuEq = Au (g/t) + (Ag (g/t) * 0.011889) + (Cu (%) * 1.648326). EPO AuEq = Au (g/t) + Ag (g/t) * (0.011385) + Cu % * (1.621237). AuEq calculations consider both metal prices and metallurgical recoveries.
21. The assumed mining method is from underground methods, using a combination of long-hole stoping and, cut and fill.

CAUTIONARY NOTES

Forward-Looking Statements

This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future mining, development and exploration plans concerning the Morelos Property; the adequacy of the Company's financial resources; the Company's key strategic objectives to extend and optimize production from the ELG Mining Complex, de-risk and advance Media Luna to commercial production, build on ESG excellence, and to grow through ongoing exploration across the entire Morelos Property; plans to realize the full potential of the Morelos Property and opportunities to acquire assets that enable diversification and deliver value to shareholders; the ability to exploit estimated mineral reserves; the 2022 objectives as described in the MD&A; the reiteration of full year guidance; the Company expects to invest $220 to $270 million towards development of the Project in 2022; the results set out in the 2022 Technical Report, including without limitation, the Media Luna feasibility study, including the pre-commercial capital expenditure estimate of at $848 million and estimated operating costs; the significant potential to expand Mineral Reserves in the ELG Underground, within the broader Media Luna area, and across the entire land package, which is 75% unexplored; plans to invest approximately $39 million in exploration and drilling in 2022, with the purpose of increasing the overall resource and reserve base of the Morelos Property; excluding $5 million in ore control and delineation drilling, the Company plans to invest $34 million on exploration; .forecasted recoveries to improve through the remainder of the year as the proportion of higher recovery ore is expected to increase as mining transitions to different areas of the Guajes open pit; objective of the measured drilling program is to provide more certainty about the grade distribution and the geology; with the Media Luna Project approval, capital expenditure for Media Luna is expected to increase in 2022 and peak in 2023, with a moderate spend in 2024 to finalize construction and commissioning; the Company's continued engagement with a third-party expert to advance the development of a Company-wide climate change strategy; the Company's plan to fund capital expenditures for the Media Luna Project from cash flows generated from the existing mining operations and/or other financing arrangements; securing the appropriate environmental, land use, water and infrastructure construction permits before commercial production from Media Luna, all of which are tracking to schedule; expected approval of the Mia Integral in the first half of 2022; planned submission of an environmental permit modification in the second half of 2022 for the future in-pit tailings storage facility; plans for Media Luna infill drill programs to upgrade Indicated Resources to Measured Resources and Inferred tonnes to the Indicated confidence category; the objective of the Infill and Step-out programs to increase the confidence in the Mineral Resources included in short to medium term underground and open pit mine plans and, identify new resources in the direct down-dip extension to current underground workings. the Infill and Step-out drilling carried out in the last years has been successful in recategorizing existing Inferred Resources to the Measured and Indicated category and defining new resources to maintain the production rates which extend the life of the mine at least until 2026;

the Near Mine program objective is exploring the geological potential and define new Mineral Resources in the area around the El Limon Guajes Mining Complex. Positive exploration results reinforce the Company's confidence in extending the life of the ELG Underground beyond current reserves, and to maintain a consistent underground production profile beyond 2026; the Morelos Property covers 29,000 hectares of highly prospective terrain in the prolific Guerrero Gold Belt in Mexico. expectation that the updated open pit production with estimated 150,000 oz of additional gold production, together with continued output from the ELG Underground and use of stockpiles to top up the mill as required, will support a smooth transition between the ELG open pits and Media Luna underground; the ELG brownfield program will continue in 2022 and beyond, with the intention to add additional mine life to operations at the ELG Mine Complex; positive exploration results reinforce confidence in the Company's ability to extend the life of the ELG Underground beyond current reserves, and to maintain a consistent underground production profile in 2023 and into 2024 during the expected transition period between the ELG Mine Complex and Media Luna; the 2022 budget allocation of $3.0 million to fund the expansion of a regional greenfield exploration program within the Morelos Property; and the focus of the 2022 exploration program on testing the most prospective targets including Esperanza, Querenque, and Tecate on the north side of the Balsas River and this exploration program forms part of a longer-term exploration strategy intended to identify and prove sources of ore feed to extend the life of ELG and Media Luna and increase annual production; with a goal of maintaining a minimum liquidity position of $100 million, while continuing to invest in exploration, the Company is evaluating debt financing in the order of $250 million to $300 million; the Company plans to be in a position to execute on a debt financing in H2 2022 assuming favourable market conditions and pricing. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," "believes", "potential", "objective", "target", "guided" or "tends" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "will occur," or "be achieved." Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the ongoing COVID-19 pandemic and other global events including the invasion of Ukraine by Russia; ability to obtain the timely supply of services, equipment and materials for the operation of the ELG Mine Complex and the design, development and construction of the ML Project; ability to realize the results of the Media Luna feasibility study; predictability of the grade; ability to achieve design metal recovery levels; fluctuation in gold and copper and other metal prices; commodity price risk; currency exchange rate fluctuations; satisfying financial covenants under the Revolving Facility; illegal blockades; dependence on good relationships with employees and contractors and labour unions; dependence on key executives and employees; limited operating history; ability to generate positive cash flow; the safety and security of the Company properties; the ability to secure necessary permits and licenses, title to the land on which the Company operates, including surface and access rights; government policies and practices in respect of the administration of recovery of VAT funds and recovery of VAT funds; risks related to exploration, development, exploitation and the mining industry generally; environmental risks and hazards; decommissioning and reclamation costs; parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect; actual results of current exploration, development and exploitation activities not being consistent with expectations; risks associated with skarn deposits; the ability of the Company to secure additional financing if required; hiring and retaining required personnel; infrastructure; competition; interest rate risk; enforcement of legal rights; as well as those risk factors included herein and elsewhere in the Company's public disclosure.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A and in the Company's annual information form ("AIF") and the 2022 Technical Report, assumptions have been made regarding, among other things: the Company's ability to carry on its mining, development and exploration activities planned for the Morelos Property; the accuracy of the Company's mineral resource and mineral reserve estimates, annual production, the financial analysis contained in the 2022 Technical Report including the Media Luna feasibility study; the Company's ability to achieve the results set out in the Media Luna feasibility study; the effectiveness of the COVID-19 mitigation measures in respect of limiting the spread of COVID-19 in the Company's workforce; there being no material disruption to the Company's supply chains and workforce that would interfere with the Company's mining and exploration operations at the ELG Mine Complex and the Media Luna Project; the ability to achieve design metal recovery levels; ability to successfully manage the soluble iron and copper in the mill feed; the price of gold and copper; sufficient cash flow to satisfy its financial covenants under the Revolving Facility; the ability of the Company to satisfy other covenants under the Revolving Facility; the ability of the Company to access the ELG Mine Complex and the Media Luna Project without disruption; the ability of the Company to obtain qualified personnel, equipment, goods, consumables and services in a timely and cost-efficient manner; the ability to obtain any required approvals and permits on schedule; the ability of the Company to operate in a safe, efficient and effective manner; the ability of the Company to generate sufficient cash flow and obtain additional financing on acceptable terms to fund the Media Luna Project; and the ability to conclude the land access agreements for the additional target areas on the Morelos Property, if needed. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

May 10, 2022