



TOREX GOLD RESOURCES INC.



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

(Unaudited)

(Expressed in millions of U.S. dollars)

Condensed Consolidated Interim Statements of Financial Position
(unaudited)

<i>Millions of U.S. dollars</i>	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 310.7	\$ 255.7
Derivative contracts (Note 10)	6.5	-
Value-added tax receivables	42.6	57.4
Inventory (Note 5)	132.6	123.3
Prepaid expenses and other current assets (Note 6)	16.9	17.5
	509.3	453.9
Value-added tax receivables	5.4	5.6
Other non-current assets (Note 10)	5.0	7.9
Deferred income tax assets	62.5	55.4
Property, plant and equipment (Note 7)	851.2	836.1
Total assets	\$ 1,433.4	\$ 1,358.9
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 12)	\$ 95.5	\$ 121.4
Income taxes payable	62.6	70.9
Lease obligations	2.6	2.1
	160.7	194.4
Other non-current liabilities (Note 12)	1.9	2.3
Lease obligations	1.8	1.2
Decommissioning liabilities (Note 11)	34.5	37.3
Deferred income tax liabilities	22.9	23.3
Total liabilities	\$ 221.8	\$ 258.5
Shareholders' equity:		
Share capital	1,031.5	1,030.5
Contributed surplus	24.2	24.3
Other reserves	(56.6)	(56.6)
Retained earnings	212.5	102.2
	1,211.6	1,100.4
Total liabilities and shareholders' equity	\$ 1,433.4	\$ 1,358.9

Commitments (Note 15)

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Income
(unaudited)

<i>Millions of U.S. dollars, except per share amounts</i>	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue				
Metal sales	\$ 235.0	\$ 205.9	\$ 442.7	\$ 437.1
Cost of sales				
Production costs	84.5	68.4	164.1	137.8
Royalties	7.1	6.2	13.3	13.2
Depreciation and amortization	48.0	45.1	94.4	100.6
Earnings from mine operations	\$ 95.4	\$ 86.2	\$ 170.9	\$ 185.5
General and administrative (Note 12)	2.7	5.1	11.1	10.5
Exploration and evaluation	2.0	1.3	4.3	2.3
	\$ 4.7	\$ 6.4	\$ 15.4	\$ 12.8
Other (income) expenses:				
Derivative gain, net (Note 10)	(17.0)	(0.1)	(8.8)	(3.1)
Finance (income) costs, net (Note 9)	(0.3)	-	0.1	(0.2)
Foreign exchange gain	(0.1)	(1.7)	(0.2)	(2.8)
	\$ (17.4)	\$ (1.8)	\$ (8.9)	\$ (6.1)
Income before income taxes	108.1	81.6	164.4	178.8
Current income tax expense	37.0	31.2	61.6	68.0
Deferred income tax expense (recovery)	0.8	(10.3)	(7.5)	(4.9)
Net income and comprehensive income	\$ 70.3	\$ 60.7	\$ 110.3	\$ 115.7
Earnings per share (Note 13)				
Basic	\$ 0.82	\$ 0.71	\$ 1.29	\$ 1.35
Diluted	\$ 0.80	\$ 0.69	\$ 1.27	\$ 1.31

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(unaudited)

<i>Millions of U.S. dollars, except number of common shares</i>	Number of Common Shares	Share Capital	Contributed Surplus	Other Reserves	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance, January 1, 2021	85,531,067	\$1,027.8	\$ 24.4	\$ (56.6)	\$ (49.5)	\$ 946.1
Exercise of stock options	15,393	0.7	(0.7)	-	-	-
Redemption of restricted share units	9,340	0.4	-	-	-	0.4
Redemption of EPSUs and ERSUs	176,273	1.9	-	-	-	1.9
Share-based compensation	-	-	0.2	-	-	0.2
Change in deferred tax asset	-	(0.1)	-	-	-	(0.1)
Net income	-	-	-	-	115.7	115.7
Balance, June 30, 2021	85,732,073	\$1,030.7	\$ 23.9	\$ (56.6)	\$ 66.2	\$ 1,064.2

<i>Millions of U.S. dollars, except number of common shares</i>	Number of Common Shares	Share Capital	Contributed Surplus	Other Reserves	Retained Earnings	Total Shareholders' Equity
Balance, January 1, 2022	85,749,183	\$1,030.5	\$ 24.3	\$ (56.6)	\$ 102.2	\$ 1,100.4
Exercise of stock options	5,666	0.1	(0.1)	-	-	-
Redemption of restricted share units	21,919	0.2	-	-	-	0.2
Redemption of EPSUs and ERSUs	67,040	0.7	-	-	-	0.7
Net income	-	-	-	-	110.3	110.3
Balance, June 30, 2022	85,843,808	\$1,031.5	\$ 24.2	\$ (56.6)	\$ 212.5	\$ 1,211.6

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

Condensed Consolidated Interim Statements of Cash Flows
(unaudited)

<i>Millions of U.S. dollars</i>	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating activities:				
Net income for the period	\$ 70.3	\$ 60.7	\$ 110.3	\$ 115.7
Adjustments for:				
Share-based compensation expense	0.8	1.4	2.6	3.6
Cash settlement of share-based compensation	-	(0.1)	(2.3)	(1.7)
Remeasurement of share-based payments	(2.2)	(1.6)	(1.8)	(4.3)
Depreciation and amortization	48.1	45.1	94.5	100.0
Change in unrealized gains on derivative contracts	(17.0)	(1.2)	(8.8)	(5.4)
Unrealized foreign exchange loss (gain)	0.4	(2.0)	(0.6)	(2.9)
Finance costs	1.0	0.7	2.1	1.9
Income tax expense	37.8	20.4	54.1	62.6
Tax credit applicable to production costs	-	(0.8)	(0.3)	(1.4)
Income taxes paid	(18.6)	(24.2)	(69.6)	(90.5)
Net cash generated from operating activities before changes in non-cash operating working capital balances	\$ 120.6	\$ 98.4	\$ 180.2	\$ 177.6
Changes in non-cash operating working capital balances:				
Value-added tax receivables, net	6.0	11.4	13.8	(2.8)
Inventory	(6.3)	(8.1)	(5.9)	(12.0)
Prepaid expenses and other current assets	13.0	12.0	0.2	(1.6)
Accounts payable and accrued liabilities	(6.4)	(31.3)	(14.7)	(13.6)
Net cash generated from operating activities	\$ 126.9	\$ 82.4	\$ 173.6	\$ 147.6
Investing activities:				
Additions to property, plant and equipment	(52.5)	(60.3)	(117.8)	(115.5)
Borrowing costs capitalized to property, plant and equipment	-	-	-	(0.1)
Value-added tax receivables, net	1.4	2.0	1.9	(0.9)
Short-term investments	-	-	-	32.1
Net cash used in investing activities	\$ (51.1)	\$ (58.3)	\$ (115.9)	\$ (84.4)
Financing activities:				
Repayment of debt	-	-	-	(40.0)
Lease payments	(0.9)	(0.6)	(1.5)	(1.2)
Interest paid	(0.4)	(0.2)	(0.9)	(0.9)
Transaction costs	-	-	-	(0.5)
Net cash used in financing activities	\$ (1.3)	\$ (0.8)	\$ (2.4)	\$ (42.6)
Effect of foreign exchange rate changes on cash and cash equivalents	(0.8)	0.7	(0.3)	1.3
Net increase in cash and cash equivalents	\$ 73.7	\$ 24.0	\$ 55.0	\$ 21.9
Cash and cash equivalents, beginning of the period	\$ 237.0	\$ 172.0	\$ 255.7	\$ 174.1
Cash and cash equivalents, end of the period	\$ 310.7	\$ 196.0	\$ 310.7	\$ 196.0

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

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2022

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)



NOTE 1. CORPORATION INFORMATION

Torex Gold Resources Inc. (the “Company” or “Torex”) is an intermediate gold producer based in Canada, engaged in the exploration, development and operation of its 100% owned Morelos Property (the “Morelos Property”), southwest of Mexico City. The Company’s principal asset is the Morelos Complex, which includes the El Limón Guajes (“ELG”) Mining Complex, the Media Luna Project, the processing plant and related infrastructure.

The Company is a corporation governed by the *Business Corporations Act* (Ontario). The Company’s shares are listed on the Toronto Stock Exchange under the symbol TXG. Its registered address is 130 King Street West, Suite 740, Toronto, Ontario, Canada, M5X 2A2.

These unaudited condensed consolidated interim financial statements (herein referred to as “consolidated financial statements”) of the Company as at and for the three and six months ended June 30, 2022 include the accounts of the Company and its subsidiaries.

NOTE 2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board. These consolidated financial statements do not include all of the disclosures required by International Financial Reporting Standard (“IFRS”) for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021.

These consolidated financial statements were authorized for issuance by the Company’s Board of Directors on August 2, 2022.

COVID-19 estimation uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The impacts on global commerce have been, and are anticipated to continue to be, far-reaching. To date, there has been significant stock market volatility, significant volatility in commodity prices and foreign exchange markets, restrictions on the conduct of business and the global movement of people, and the availability of some goods has been constrained. While operations were not materially impacted by COVID-19 in 2022, uncertainty remains surrounding COVID-19 and the extent and duration of the impacts that it may have on the Company’s ability to operate, on prices for gold, on logistics and supply chains, timing of receipt of value-added tax (“VAT”) refunds, on the Company’s employees and on global financial markets.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in these consolidated financial statements are the same as those applied in the Company’s audited consolidated financial statements for the year ended December 31, 2021.

NOTE 4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Judgments, estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2022

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)



that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates. The significant judgments, estimates and nature of assumptions made by management in applying the Company's accounting policies are consistent with those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2021.

NOTE 5. INVENTORY

	June 30, 2022	December 31, 2021
Ore stockpiled	\$ 71.0	\$ 68.9
In-circuit	11.4	11.4
Finished goods	7.0	3.7
Materials and supplies	43.2	39.3
	\$ 132.6	\$ 123.3

The amount of depreciation included in inventory as at June 30, 2022 is \$47.3 (December 31, 2021 - \$43.9). For the six months ended June 30, 2022, a total charge of \$2.5 was recorded to adjust long-term, low-grade stockpile inventory to net realizable value: \$1.0 and \$1.5 through production costs and depreciation and amortization, respectively (six months ended June 30, 2021 - total charge of \$2.6, \$0.9 and \$1.7 through production costs and depreciation and amortization, respectively). As at June 30, 2022, materials and supplies are shown net of a provision of \$5.2 (December 31, 2021 - \$5.2). The Revolving Facility (Note 8) is secured by all of the assets of Minera Media Luna, S.A. de C.V. ("MML"), including inventory.

NOTE 6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	June 30, 2022	December 31, 2021
Trade receivables	\$ 2.4	\$ 3.4
Prepayments	12.0	11.3
Other current assets	2.5	2.8
	\$ 16.9	\$ 17.5

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2022

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)



NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Mexico			Canada		Total
	Mineral Property	Property & Equipment	Construction in Progress	Property & Equipment		
Cost						
As at January 1, 2021	\$ 477.2	\$ 1,033.5	\$ 108.5	\$ 10.3	\$ 1,629.5	
Additions	68.6	66.1	120.2	1.7	256.6	
Closure and rehabilitation	-	7.0	-	-	7.0	
As at December 31, 2021	545.8	1,106.6	228.7	12.0	1,893.1	
Additions	31.8	31.7	60.9	-	124.4	
Closure and rehabilitation	-	(3.6)	-	-	(3.6)	
As at June 30, 2022	\$ 577.6	\$ 1,134.7	\$ 289.6	\$ 12.0	\$ 2,013.9	
Accumulated depreciation and impairment loss						
As at January 1, 2021	\$ 264.1	\$ 534.5	\$ -	\$ 3.6	\$ 802.2	
Depreciation	79.8	133.5	-	0.8	214.1	
Impairment loss	-	34.3	-	6.4	40.7	
As at December 31, 2021	343.9	702.3	-	10.8	1,057.0	
Depreciation	51.2	54.4	-	0.1	105.7	
As at June 30, 2022	\$ 395.1	\$ 756.7	\$ -	\$ 10.9	\$ 1,162.7	
Net book value						
As at December 31, 2021	\$ 201.9	\$ 404.3	\$ 228.7	\$ 1.2	\$ 836.1	
As at June 30, 2022	\$ 182.5	\$ 378.0	\$ 289.6	\$ 1.1	\$ 851.2	

As at June 30, 2022, property, plant and equipment includes, net of accumulated depreciation, \$8.1 of capitalized borrowing costs (December 31, 2021 - \$8.7), and \$16.3 related to the decommissioning liability for the ELG Mining Complex (December 31, 2021 - \$20.8). Mineral property includes, net of accumulated depreciation, \$112.7 of capitalized deferred stripping costs (December 31, 2021 - \$126.4), which includes \$34.3 of capitalized depreciation of property and equipment (December 31, 2021 - \$40.7). Included within property and equipment, net of accumulated depreciation, are right-of-use assets of \$4.0 as at June 30, 2022 for leases of light vehicles, mobile equipment, heavy mining equipment, office space and other office equipment (December 31, 2021 - \$3.5).

As at December 31, 2021, the Company did not have plans to use its monorail based mining system in its operations for the foreseeable future, nor plans to invest in further development of the system at this time. Management reviewed the related assets, comprised of equipment, development costs, and infrastructure, for impairment, and recorded an impairment charge of \$40.7, to write the assets down to their estimated recoverable amount. The estimated recoverable amount, based on fair value less costs of disposal, has been assessed as nominal as most of the assets are specific to the technology and would not have an active market. The fair value is classified as level 3 on the fair value hierarchy.

NOTE 8. DEBT

Revolving Facility

On March 30, 2021, the Company's subsidiary MML signed a Third Amended and Restated Credit Agreement (the "TARCA"), with the Banks in connection with a two-year secured \$150.0 revolving debt facility (the "Revolving Facility"). The Revolving Facility remains undrawn as at June 30, 2022. Proceeds of the Revolving Facility may be

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2022

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)



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, subject to the 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 June 30, 2022 was 2.75%.

The Revolving Facility matures on March 30, 2023 with a step down in capacity by \$25.0 on September 30, 2022, and again on December 31, 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 a minimum liquidity of \$50.0.

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 Mining Complex and or the Media Luna Project.

As at June 30, 2022, the Company was in compliance with the financial and other covenants under the TARCA.

Transaction costs

As part of the refinanced Revolving Facility, \$0.5 was capitalized as deferred finance charges in the first quarter of 2021 and added to the remaining unamortized portion. Unamortized deferred finance charges totalling \$0.6 as at June 30, 2022 are recorded in prepaid expenses and other current assets in the Condensed Consolidated Interim Statements of Financial Position (December 31, 2021 - \$0.9). During the six months ended June 30, 2022, amortization of \$0.4 relating to the deferred finance charges was expensed on a straight-line basis (six months ended June 30, 2021 - \$0.4).

NOTE 9. FINANCE (INCOME) COSTS

The following table shows net finance (income) costs for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Finance costs, excluding lease obligations	\$ 0.5	\$ 0.5	\$ 1.1	\$ 1.1
Interest income	(1.3)	(0.9)	(2.0)	(2.0)
Accretion of decommissioning liabilities	0.4	0.3	0.8	0.5
Interest on lease obligations	0.1	0.1	0.2	0.2
	\$ (0.3)	\$ -	\$ 0.1	\$ (0.2)

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2022

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)



NOTE 10. DERIVATIVE CONTRACTS

The following table shows the fair value of derivative contracts and their classification in the Condensed Consolidated Interim Statements of Financial Position as at June 30, 2022 and December 31, 2021:

	Classification	Fair Value as at June 30, 2022	Fair Value as at December 31, 2021
Gold contracts	Current assets	6.5	-
Gold contracts	Non-current assets	2.3	-
Total derivative assets		\$ 8.8	\$ -

In February 2022, the Company entered into gold forward contracts to sell 138,000 ounces of gold between October 2022 and December 2023 at prices ranging from \$1,906 per ounce to \$1,942 per ounce (or at a weighted average price of \$1,921 per ounce).

Derivatives arising from gold forward contracts are intended to manage the Company's risk management objectives associated with changing market values. These derivatives have not been designated as hedges. Changes in the fair value of derivative contracts are recognized as derivative costs in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income.

The table below provides a summary of the gold contracts outstanding as at June 30, 2022:

	Gold Ounces	Average price per Ounce	Notional value by Term to Maturity	Fair Value as at June 30, 2022
Current	84,000	\$ 1,919	\$ 161.2	\$ 6.5
Non-current	54,000	1,924	103.9	2.3
	138,000		\$ 265.1	\$ 8.8

The following table shows the (gains) losses on derivative contracts for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Gain on interest rate contracts	\$ -	\$ -	\$ -	\$ (0.1)
(Gain) loss on currency contracts	-	(0.3)	-	0.2
(Gain) loss on gold contracts	(17.0)	0.2	(8.8)	(3.2)
	\$ (17.0)	\$ (0.1)	\$ (8.8)	\$ (3.1)

NOTE 11. DECOMMISSIONING LIABILITIES

The Company has estimated the decommissioning liability as at June 30, 2022 using a pre-tax discount rate of 4.17% (December 31, 2021 – 3.96%) based on inflation-adjusted Mexican bond yields, with expenditures expected to be incurred between 2025 and 2063. The estimated total future undiscounted cash flows to settle the decommissioning liability as at June 30, 2022 are \$50.2 (December 31, 2021 - \$47.9).

As the liability is a monetary liability denominated largely in Mexican pesos, it is translated at the spot exchange rate as at each reporting date. Foreign exchange differences arising from the revaluation of the decommissioning liability are capitalized as part of property, plant and equipment (Note 7).

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2022

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)



The following table shows the movements in decommissioning liability for the six months ending June 30, 2022 and year ended December 31, 2021:

	June 30, 2022	December 31, 2021
Balance, beginning of period	\$ 37.3	\$ 29.2
Revisions to expected discounted cash flows	(4.0)	7.6
Accretion expense	0.8	1.1
Foreign exchange movement	0.4	(0.6)
Balance, end of period	\$ 34.5	\$ 37.3

NOTE 12. SHARE-BASED PAYMENTS

The Company has three share-based compensation plans: the Stock Option Plan (the “SOP Plan”), the Restricted Share Unit Plan (the “RSU Plan”) and the Employee Share Unit Plan (the “ESU Plan”). Under the terms of each plan, the aggregate number of securities that may be issued or outstanding under all share-based compensation arrangements of the Company may not exceed 5.7% of the total number of common shares then outstanding.

The ESU Plan allows for the issuance of Employee Restricted Share Units (“ERSUs”) and Employee Performance Share Units (“EPSUs”) to employees of the Company.

The following is a summary of the number of common share options (the “Options”) outstanding under the SOP Plan, Restricted Share Units (“RSUs”) outstanding under the RSU Plan, ERSUs and EPSUs outstanding under the ESU Plan as at June 30, 2022 and the amounts of share-based compensation (recovery) expense recognized for the three and six months ended June 30, 2022 and 2021:

	Number Outstanding	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Common share options	51,545	\$ -	\$ -	\$ -	\$ 0.2
RSUs	118,653	-	0.2	1.0	1.0
ERSUs	302,477	0.3	0.4	0.6	0.8
EPSUs	453,726	0.5	0.8	1.0	1.6
	926,401	\$ 0.8	\$ 1.4	\$ 2.6	\$ 3.6
Gain on remeasurement		(2.2)	(1.6)	(1.8)	(4.3)
Share-based compensation (recovery) expense		\$ (1.4)	\$ (0.2)	\$ 0.8	\$ (0.7)

Options

A summary of changes in the number of Options issued by the Company for the six months ended June 30, 2022 is presented as follows:

	Number of Options	Weighted Average Exercise Price (C\$)
Outstanding balance, December 31, 2021	138,135	\$ 17.42
Exercised	(20,223)	12.46
Expired	(66,367)	20.09
Outstanding and exercisable balance, June 30, 2022	51,545	\$ 15.91

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2022

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)



As of January 1, 2022, the Company no longer issues new stock options.

RSU Plan

A summary of changes in the number of RSUs issued by the Company and the weighted average grant date fair values for the six months ended June 30, 2022 is presented below:

	Number of RSUs	Weighted Average Grant Date Fair Value (C\$)
Balance, December 31, 2021	103,481	\$ 18.38
Granted	93,456	12.84
Settled	(78,284)	15.67
Balance, June 30, 2022	118,653	\$ 15.80

As at June 30, 2022, the RSUs had a fair value of \$1.2 (December 31, 2021 - \$1.1), the current portion which was recorded in accounts payable and accrued liabilities and the non-current portion in other non-current liabilities in the Condensed Consolidated Interim Statements of Financial Position.

ESU Plan

Employee restricted share units

A summary of changes in the number of ERSUs issued by the Company and the weighted average grant date fair values for the six months ended June 30, 2022 is presented below:

	Number of ERSUs	Weighted Average Grant Date Fair Value (C\$)
Balance, December 31, 2021	317,981	\$ 16.08
Granted	145,094	12.89
Settled	(146,103)	14.65
Forfeited	(14,495)	14.59
Balance, June 30, 2022	302,477	\$ 15.31

As at June 30, 2022, the ERSUs earned to date based on the service condition had a fair value of \$1.1 (December 31, 2021 - \$2.5), the current portion was recorded in accounts payable and accrued liabilities and the non-current portion in other non-current liabilities in the Condensed Consolidated Interim Statements of Financial Position.

Employee performance share units

A summary of changes in the number of EPSUs issued by the Company and the weighted average grant date fair value for the six months ended June 30, 2022 is presented below:

	Number of EPSUs	Weighted Average Grant Date Fair Value (C\$)
Balance, December 31, 2021	476,985	\$ 23.53
Granted	217,644	16.87
Settled	(121,635)	20.34
Forfeited	(119,268)	19.43
Balance, June 30, 2022	453,726	\$ 22.26

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2022

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)



As at June 30, 2022, the EPSUs had a fair value of \$0.7 (December 31, 2021 - \$1.8), the current portion was recorded in accounts payable and accrued liabilities and the non-current portion in other non-current liabilities in the Condensed Consolidated Interim Statements of Financial Position.

NOTE 13. EARNINGS PER SHARE

Earnings per share has been calculated using the weighted average number of common shares outstanding for the three and six months ended June 30, 2022 and 2021 as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net income	\$ 70.3	\$ 60.7	\$ 110.3	\$ 115.7
Share-based payments remeasurement, net of tax	(1.5)	(1.1)	(1.3)	(3.0)
Net income, net of remeasurement of share-based payments	\$ 68.8	\$ 59.6	\$ 109.0	\$ 112.7
Basic weighted average shares outstanding	85,840,954	85,718,019	85,819,446	85,680,464
Weighted average shares dilution adjustments:				
Share options	2,607	22,466	5,556	25,340
RSUs	150,393	152,819	115,894	127,251
ERSUs	99,271	179,403	109,403	182,242
EPSUs	21,846	125,315	44,761	143,483
Diluted weighted average shares outstanding	86,115,071	86,198,022	86,095,060	86,158,780
Earnings per share				
Basic	\$ 0.82	\$ 0.71	\$ 1.29	\$ 1.35
Diluted	\$ 0.80	\$ 0.69	\$ 1.27	\$ 1.31

The following is a summary for the three and six months ended June 30, 2022 and 2021 of the share options, RSUs, ERSUs and EPSUs excluded in the diluted weighted average number of common shares outstanding as their exercise or settlement would be anti-dilutive in the earnings per share calculation:

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Share options	36,378	93,690	32,202	93,690
RSUs	-	-	-	2,907
ERSUs	2,759	-	2,759	93,844
EPSUs	218,020	90,643	216,661	90,643
	257,157	184,333	251,622	281,084

NOTE 14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, and derivative contracts. Other than the derivative contracts, these financial instruments are recorded at amortized cost in the Condensed Consolidated Interim Statements of Financial Position. The fair values of these financial instruments approximate their carrying values due to their short-term maturity.

Notes to the Consolidated Financial Statements

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The derivative contracts are recorded at fair value and revalued through income at the end of each reporting period and are classified as Level 2 within the fair value hierarchy. The fair value of derivative contracts is estimated using a combination of quoted prices and market-derived inputs.

The carrying values and fair values of the Company's financial instruments as at June 30, 2022 and December 31, 2021 are as follows:

	As at June 30, 2022		As at December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	\$ 310.7	\$ 310.7	\$ 255.7	\$ 255.7
Derivative contracts	8.8	8.8	-	-
Trade receivables	2.4	2.4	3.4	3.4
	\$ 321.9	\$ 321.9	\$ 259.1	\$ 259.1
Financial liabilities				
Accounts payable and accrued liabilities	\$ 95.5	\$ 95.5	\$ 121.4	\$ 121.4
	\$ 95.5	\$ 95.5	\$ 121.4	\$ 121.4

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

(a) Credit risk:

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash and cash equivalents, trade receivables and derivative assets are primarily held with reputable financial institutions as at June 30, 2022. The carrying amount of the Company's cash and cash equivalents, trade receivables and derivative assets represents the maximum exposure to credit risk as at June 30, 2022.

The Company is exposed to liquidity risk and credit risk with respect to its VAT receivables if the Mexican tax authorities are unable or unwilling to make payments in a timely manner in accordance with the Company's monthly filings. Timing of collection of VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. As at June 30, 2022, the Company's VAT receivables balance is \$48.0 (December 31, 2021 - \$63.0), and in respect of this balance, the Company expects to recover \$42.6 over the next 12 months (December 31, 2021 - \$57.4) and a further \$5.4 thereafter (December 31, 2021 - \$5.6). The VAT receivables balance is presented net of \$4.3 for a provision for claims that are considered to be uncollectible (December 31, 2021 - \$4.0). The Company's approach to managing liquidity risk with respect to its VAT receivables is to file its refund requests on a timely basis, monitor actual and projected collections of its VAT receivables, and cooperate with the Mexican tax authorities in providing information as required.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company is exposed to liquidity risk in meeting its operating expenditures in instances where cash positions are unable to be maintained or appropriate financing is unavailable. The primary sources of funds available to the Company are cash flows generated by the ELG Mining Complex, its cash reserves and any available funds under the Revolving Facility.

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The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2022, the Company had cash balances of \$310.7 (December 31, 2021 - \$255.7). The Company maintains its cash in fully liquid business accounts.

As at June 30, 2022, the \$150.0 Revolving Facility remains undrawn (December 31, 2021 - undrawn).

Cash flows that are expected to fund the operation of the ELG Mining Complex and settle current liabilities are dependent on, among other things, proceeds from gold sales.

The following tables detail the Company's expected remaining contractual cash flow requirements for its financial liabilities on repayment or maturity periods. The amounts presented are based on the contractual undiscounted cash flows and may not agree with the carrying amounts in the Condensed Consolidated Interim Statements of Financial Position.

	As at June 30, 2022					Total
	Less than 1 year	1-3 years	4-5 years	Greater than 5 years		
Accounts payable and accrued liabilities	\$ 95.5	\$ -	\$ -	\$ -	\$ 95.5	
Lease obligations	2.9	1.2	0.5	0.2	4.8	
	\$ 98.4	\$ 1.2	\$ 0.5	\$ 0.2	\$ 100.3	

	As at December 31, 2021					Total
	Less than 1 year	1-3 years	4-5 years	Greater than 5 years		
Accounts payable and accrued liabilities	\$ 121.4	\$ -	\$ -	\$ -	\$ 121.4	
Lease obligations	1.7	1.5	0.3	0.3	3.8	
	\$ 123.1	\$ 1.5	\$ 0.3	\$ 0.3	\$ 125.2	

(c) Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(i) Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument or its fair value will fluctuate because of changes in market interest rates. The Revolving Facility (Note 8) bears interest at a rate of LIBOR plus an applicable margin based on the net leverage ratio on any loan or letter of credit outstanding. In February 2019, the Company entered into interest rate swap contracts for a fixed LIBOR of 2.492% on interest payments related to \$150.0 of the term loan to hedge against unfavourable changes in interest rates. In the second quarter of 2021, the Company unwound its interest rate swap contracts for a realized loss of \$1.0.

The Company does not consider its interest rate risk exposure to be significant as at June 30, 2022 with respect to its cash and cash equivalents.

(ii) Foreign currency risk:

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada and Mexico and has exposure to financial risk arising from fluctuations in foreign exchange rates.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2022

(Amounts in millions of U.S. dollars, except share and per share amounts, unless otherwise noted)



The Company expects the majority of its exploration, project development, operating and decommissioning expenditures associated with the Morelos Property to be paid in Mexican pesos and U.S. dollars.

As at June 30, 2022, the Company had cash and cash equivalents, VAT receivables and accounts payable and accrued liabilities that are denominated in Mexican pesos and in Canadian dollars. A 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of \$0.3 in the Company's net income from the translation of these balances for the six months ended June 30, 2022 assuming other variables remain unchanged. A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar would have resulted in a negligible decrease or increase in the Company's net income for the six months ended June 30, 2022 assuming other variables remain unchanged.

(iii) Commodity price risk:

Gold prices have fluctuated widely in recent years and there is no assurance that a profitable market will exist for gold produced by the Company. The Company entered into a series of zero-cost collars to hedge against changes in gold prices for a total of 8,000 ounces of gold per month until September 2021. These contracts expired in September 2021 and as of June 30, 2022, the Company has no further outstanding gold collar positions.

The Company entered into gold forward contracts to sell 138,000 ounces of gold between October 2022 and December 2023 at prices ranging from \$1,906 per ounce to \$1,942 per ounce (or at a weighted average price of \$1,921 per ounce). As at June 30, 2022, a 10% change in the gold price would result in a \$17.4 decrease or increase (using a weighted average forward price as at June 30, 2022 of \$1,855 per ounce) in the Company's net income for the six months ended June 30, 2022 relating to the gold hedges.

NOTE 15. COMMITMENTS

Purchase commitments

As at June 30, 2022, the total purchase commitments for the ELG Mining Complex and the Media Luna Project, are as follows:

	As at June 30, 2022					Total
	Less than 1 year	1-3 years	4-5 years	Greater than 5 years		
Operating commitments	\$ 142.0	\$ -	\$ -	\$ -	\$ -	\$ 142.0
Capital commitments	92.2	14.6	-	-	-	106.8
	\$ 234.2	\$ 14.6	\$ -	\$ -	\$ -	\$ 248.8

ELG Mining Complex royalties

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 the six months ended June 30, 2022, the Company paid \$10.4 for the 2.5% royalty relating to the fourth quarter of 2021 and the first quarter of 2022 (June 30, 2021 - \$12.3 relating to the fourth quarter of 2020 and the first quarter of 2021). As at June 30, 2022, the Company has accrued \$5.9 for the 2.5% royalty relating to the second quarter of 2022 (December 31, 2021 - \$5.1).

The Company is subject to a mining tax of 7.5% on taxable 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

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royalty are payable to the SAT on an annual basis in the following year. The mining tax is considered an income tax for IFRS purposes. In March 2022, the Company paid \$34.6 relating to amounts due for 2021 for the 7.5% and 0.5% royalties (paid in March 2021 - \$34.5). As at June 30, 2022, the Company has \$15.2 and \$2.2 accrued for the 7.5% and 0.5% royalties to be paid in March 2023, respectively (December 31, 2021 - \$39.7 and \$4.2 accrued for the 7.5% and 0.5% royalties to be paid in March 2022, respectively).