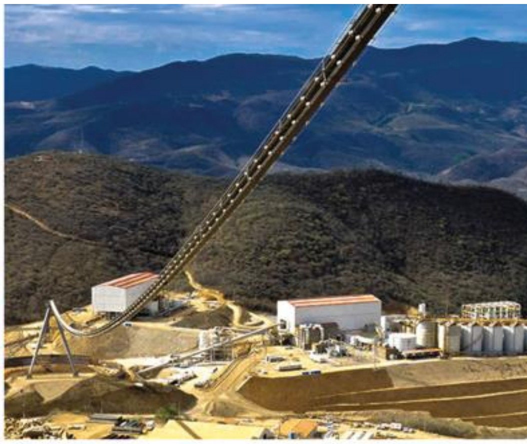
TOREX GOLD RESOURCES INC.





CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2021

(Unaudited)

(Expressed in millions of U.S. dollars)

Condensed Consolidated Interim Statements of Financial Position
(unaudited)

Millions of U.S. dollars		**September 30, 2021**		December 31, 2020
Assets				
Current assets:				
Cash and cash equivalents	**$**	**221.6**	$	174.1
Short-term investments		**-**		32.1
Value-added tax receivables		**42.9**		39.9
Inventory (Note 5)		**132.0**		112.2
Prepaid expenses and other current assets (Note 6)		**12.7**		13.6
		409.2		371.9
Value-added tax receivables		**5.7**		5.5
Other non-current assets		**6.9**		5.3
Deferred income tax assets		**49.5**		42.4
Property, plant and equipment, net (Note 7)		**844.1**		827.3
Total assets	**$**	**1,315.4**	$	1,252.4
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**87.6**	$	119.9
Income taxes payable		**68.1**		77.9
Lease obligations		**2.4**		2.2
Derivative contracts (Note 10)		**-**		5.2
		158.1		205.2
Other non-current liabilities		**2.4**		6.4
Lease obligations		**1.4**		2.4
Debt (Note 8)		**-**		38.8
Decommissioning liabilities		**30.0**		29.2
Deferred income tax liabilities		**23.3**		24.3
		215.2		306.3
Shareholders' equity:				
Share capital		**1,029.8**		1,027.8
Contributed surplus		**24.3**		24.4
Other reserves		**(56.6)**		(56.6)
Retained earnings (deficit)		**102.7**		(49.5)
		1,100.2		946.1
Total liabilities and shareholders' equity	**$**	**1,315.4**	$	1,252.4

Commitments (Note 14)

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

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

Millions of U.S. dollars, except per share amounts	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenue				
Metal sales	**$ 216.7**	$ 256.5	**$ 653.8**	$ 537.6
Cost of sales				
Production costs	**84.3**	78.4	**222.1**	205.7
Royalties	**6.4**	7.6	**19.6**	16.0
Depreciation and amortization	**51.9**	67.5	**152.5**	156.2
Care and maintenance	**-**	-	**-**	11.1
Earnings from mine operations	**$ 74.1**	$ 103.0	**$ 259.6**	$ 148.6
General and administrative (Note 11)	**3.4**	3.4	**13.9**	13.7
Exploration and evaluation	**1.7**	1.6	**4.0**	2.9
	$ 5.1	$ 5.0	**$ 17.9**	$ 16.6
Other expenses:				
Derivative loss (gain), net (Note 10)	**-**	2.7	**(3.1)**	43.2
Finance costs, net (Note 9)	**0.3**	3.4	**0.1**	10.7
Foreign exchange loss (gain)	**1.4**	0.1	**(1.4)**	1.6
	$ 1.7	$ 6.2	**$ (4.4)**	$ 55.5
Income before income tax expense (recovery)	**67.3**	91.8	**246.1**	76.5
Current income tax expense	**34.6**	56.7	**102.6**	54.7
Deferred income tax (recovery) expense	**(3.8)**	(25.2)	**(8.7)**	4.7
Net income and comprehensive income	**$ 36.5**	$ 60.3	**$ 152.2**	$ 17.1
Earnings per share (Note 12)				
Basic	**$ 0.43**	$ 0.71	**$ 1.78**	$ 0.20
Diluted	**$ 0.41**	$ 0.69	**$ 1.72**	$ 0.18

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

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

Millions of U.S. dollars, except number of common shares	Number of Common Shares	Share Capital	Contributed Surplus	Other Reserves	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance, January 1, 2020	85,388,413	$1,022.5	$ 33.3	$ (62.5)	$ (158.5)	$ 834.8
Exercise of stock options	21,330	0.3	(0.1)	-	-	0.2
Redemption of restricted share units	7,274	0.1	-	-	-	0.1
Redemption of EPSUs and ERSUs	114,050	1.9	-	-	-	1.9
Reclassification of EPSUs and ERSUs	-	-	(8.9)	-	-	(8.9)
Share-based compensation	-	-	0.1	-	-	0.1
Net income	-	-	-	-	17.1	17.1
Balance, September 30, 2020	85,531,067	$1,024.8	$ 24.4	$ (62.5)	$ (141.4)	$ 845.3

Millions of U.S. dollars, except number of common shares	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**	**0.3**	**(0.3)**	**-**	**-**	**-**
Redemption of restricted share units	**26,450**	**0.5**	**-**	**-**	**-**	**0.5**
Redemption of EPSUs and ERSUs	**176,273**	**1.9**	**-**	**-**	**-**	**1.9**
Share-based compensation	**-**	**-**	**0.2**	**-**	**-**	**0.2**
Change in deferred tax asset	**-**	**(0.7)**	**-**	**-**	**-**	**(0.7)**
Net income	**-**	**-**	**-**	**-**	**152.2**	**152.2**
Balance, September 30, 2021	**85,749,183**	**$1,029.8**	**$ 24.3**	**$ (56.6)**	**$ 102.7**	**$ 1,100.2**

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

Condensed Consolidated Interim Statements of Cash Flows
(unaudited)

Millions of U.S. dollars	Three Months Ended **September 30, 2021**	Three Months Ended September 30, 2020	Nine Months Ended **September 30, 2021**	Nine Months Ended September 30, 2020
Operating activities:				
Net income for the period	**$ 36.5**	$ 60.3	**$ 152.2**	$ 17.1
Adjustments for:				
Share-based compensation expense	**0.9**	1.1	**4.5**	4.2
Cash settlement of share-based compensation	**(0.5)**	-	**(2.2)**	(1.1)
Remeasurement of share-based payments	**(1.7)**	(1.5)	**(6.0)**	(1.9)
Depreciation and amortization	**52.3**	67.9	**152.3**	160.8
Unrealized (gain) loss on derivative contracts	**-**	(4.0)	**(5.4)**	14.8
Unrealized foreign exchange loss (gain)	**1.3**	(1.2)	**(1.6)**	4.9
Finance costs	**0.7**	3.4	**2.6**	11.2
Income tax expense	**31.1**	31.5	**93.7**	59.4
Tax credit	**(0.7)**	-	**(2.1)**	-
Income taxes paid	**(19.7)**	(19.4)	**(110.2)**	(81.4)
Cash generated from operating activities before changes in non-cash working capital balances	**$ 100.2**	$ 138.1	**$ 277.8**	$ 188.0
Changes in non-cash working capital balances:				
Value-added tax receivables, net	**1.0**	2.9	**(1.8)**	10.5
Inventory	**(7.6)**	6.9	**(19.6)**	16.6
Prepaid expenses and other current assets	**3.2**	2.5	**1.6**	1.2
Accounts payable and accrued liabilities	**(9.0)**	22.9	**(22.6)**	(11.3)
Net cash generated from operating activities	**$ 87.8**	$ 173.3	**$ 235.4**	$ 205.0
Investing activities:				
Additions to property, plant and equipment	**(58.0)**	(40.8)	**(173.5)**	(93.3)
Borrowing costs capitalized to property, plant and equipment	**-**	-	**(0.1)**	(0.1)
Value-added tax receivables, net	**(2.5)**	(0.1)	**(3.4)**	(0.9)
Short-term investments	**-**	(32.0)	**32.1**	(32.0)
Net cash used in investing activities	**$ (60.5)**	$ (72.9)	**$ (144.9)**	$ (126.3)
Financing activities:				
Repayment of debt	**-**	(71.8)	**(40.0)**	(115.3)
Proceeds from Revolving Facility	**-**	-	**-**	90.0
Lease payments	**(0.8)**	-	**(2.0)**	-
Interest paid	**(0.4)**	(2.1)	**(1.3)**	(6.6)
Transaction costs	**-**	-	**(0.5)**	-
Exercise of stock options	**-**	0.1	**-**	0.2
Net cash used in financing activities	**$ (1.2)**	$ (73.8)	**$ (43.8)**	$ (31.7)
Effect of foreign exchange rate changes on cash and cash equivalents	**(0.5)**	0.5	**0.8**	(4.8)
Net increase in cash and cash equivalents	**$ 25.6**	$ 27.1	**$ 47.5**	$ 42.2
Cash and cash equivalents, beginning of the period	**$ 196.0**	$ 176.9	**$ 174.1**	$ 161.8
Cash and cash equivalents, end of the period	**$ 221.6**	$ 204.0	**$ 221.6**	$ 204.0

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

NOTE 1. CORPORATION INFORMATION

Torex Gold Resources Inc. (the "Company" or "Torex") is an intermediate gold producer based in Canada, engaged in the mining, developing and exploring of its 100% owned Morelos Gold Property, located southwest of Mexico City. The Company's principal assets are the El Limón Guajes mining complex (the "ELG Mine Complex"), comprising the El Limón, Guajes and El Limón Sur open pits, the El Limón Guajes underground mine including zones referred to as Sub-Sill and El Limón Deep, and the processing plant and related infrastructure, and the Media Luna deposit, which is an advanced stage development project.

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 nine months ended September 30, 2021 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 annual consolidated financial statements for the year ended December 31, 2020.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 2, 2021.

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. There is ongoing uncertainty 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, on receipt of 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, 2020.

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

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 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 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, 2020.

NOTE 5. INVENTORY

	September 30, 2021	December 31, 2020
Ore stockpiled	**$ 76.5**	62.8
In-circuit	**11.6**	9.0
Finished goods	**4.2**	4.9
Materials and supplies	**39.7**	35.5
	$ 132.0	$ 112.2

The amount of depreciation included in inventory as at September 30, 2021 is $48.3 (December 31, 2020 - $48.0). For the nine months ended September 30, 2021, a total charge of $7.3 was recorded to adjust long-term, low-grade stockpile inventory to net realizable value: $3.3 and $4.0 through production costs and depreciation and amortization, respectively (nine months ended September 30, 2020 - total charge of $3.3, $1.1 and $2.2 through production costs and depreciation and amortization, respectively). At September 30, 2021, materials and supplies are shown net of a provision of $4.8 (December 31, 2020 - $4.7). 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. PREPAIDS AND OTHER CURRENT ASSETS

	September 30, 2021	December 31, 2020
Trade receivables	**$ 1.6**	2.1
Prepayments	**7.5**	8.8
Other current assets	**3.6**	2.7
	$ 12.7	$ 13.6

(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, 2020	$ 413.5	$ 968.0	$ 41.4	$ 6.9	$ 1,429.8
Additions	63.7	61.0	67.1	3.4	195.2
Closure and rehabilitation	-	4.5	-	-	4.5
As at December 31, 2020	477.2	1,033.5	108.5	10.3	1,629.5
Additions	**48.1**	**47.8**	**85.9**	**1.7**	**183.5**
As at September 30, 2021	**$ 525.3**	**$ 1,081.3**	**$ 194.4**	**$ 12.0**	**$ 1,813.0**
Accumulated depreciation					
As at January 1, 2020	$ 149.7	$ 402.7	$ -	$ 3.0	$ 555.4
Depreciation	114.4	131.8	-	0.6	246.8
As at December 31, 2020	264.1	534.5	-	3.6	802.2
Depreciation	**64.5**	**101.7**	**-**	**0.5**	**166.7**
As at September 30, 2021	**$ 328.6**	**$ 636.2**	**$ -**	**$ 4.1**	**$ 968.9**
Net book value					
As at December 31, 2020	$ 213.1	$ 499.0	$ 108.5	$ 6.7	$ 827.3
As at September 30, 2021	**$ 196.7**	**$ 445.1**	**$ 194.4**	**$ 7.9**	**$ 844.1**

As at September 30, 2021, property, plant and equipment includes, net of accumulated depreciation, $11.9 in capitalized borrowing costs (December 31, 2020 - $12.3), $32.9 in capitalized costs pertaining to the Muckahi Mining System (December 31, 2020 - $25.6), part of which is an intangible asset, and $14.6 related to the decommissioning liability for the ELG Mine Complex (December 31, 2020 - $17.2). Mineral property includes, net of accumulated depreciation, $116.9 of capitalized deferred stripping costs (December 31, 2020 - $118.1), which includes $38.9 of capitalized depreciation of property and equipment (December 31, 2020 - $39.6). Included within property and equipment are right-of-use assets of $4.0 as at September 30, 2021 for leases of light vehicles, mobile equipment, heavy mining equipment, office space and other office equipment (December 31, 2020 - $4.7).

NOTE 8. DEBT

	September 30, 2021	December 31, 2020
Total debt, net of deferred finance charges	**$ -**	$ 38.8
Less: current portion, net of deferred finance charges	**-**	-
Long-term debt, net of deferred finance charges	**$ -**	$ 38.8

2019 Debt Facility

On July 30, 2019, the Company, through its wholly owned subsidiary MML (as borrower), signed a Second Amended and Restated Credit Agreement with the Bank of Montreal, BNP Paribas, ING Bank N.V., Dublin Branch, Société Générale and the Bank of Nova Scotia (the "Banks") in connection with a secured $335.0 debt facility (the "2019 Debt Facility"). The 2019 Debt Facility comprised a $185.0 term loan (the "2019 Term Facility") and a $150.0 revolving loan facility (the "2019 Revolving Facility"), bearing interest at a rate of LIBOR +3%. In 2020, the Company fully repaid the 2019 Term Facility, and in the first quarter of 2021, the Company fully repaid the 2019 Revolving Facility.

2021 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 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, subject to conditions of the Revolving Facility. In addition, the Company is able to distribute the Muckahi Subsidiaries (as defined below) or the Muckahi System Rights (as defined below, including by way of a "spin out" transaction) if there is no default or event of default. A Muckahi Subsidiary is a direct or indirect subsidiary of the Company whose assets primarily comprise the rights to and interest in the design of the Muckahi Mining System or assets related thereto (the "Muckahi System Rights").

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 current margin is 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, the Muckahi Mining System, 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. The Revolving Facility also permits investment in a Muckahi Subsidiary for the purpose of capital expenditures by such Muckahi Subsidiary in the Muckahi System Rights with the maximum aggregate amount of $30.0.

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 Mine Complex and or the Media Luna Project.

As at September 30, 2021, 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 totalled $1.1 as at September 30, 2021 (December 31, 2020 - $1.2). During the nine months ended September 30, 2021, amortization of $0.6 relating to the deferred finance charges was expensed on a straight-line basis (nine months ended September 30, 2020 - $0.4).

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

NOTE 9. FINANCE COSTS (INCOME)

The following table shows net finance (income) costs for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Finance costs, excluding lease liabilities	**$ 0.6**	$ 3.5	**$ 1.7**	$ 11.2
Interest income	**(0.6)**	(0.4)	**(2.6)**	(1.4)
Accretion of decommissioning liabilities	**0.2**	0.3	**0.7**	0.7
Interest on lease liabilities	**0.1**	-	**0.3**	0.2
	$ 0.3	$ 3.4	**$ 0.1**	$ 10.7

NOTE 10. DERIVATIVE CONTRACTS

The following table shows the fair value of derivative contracts and their classification in the Consolidated Statements of Financial Position as at September 30, 2021 and December 31, 2020:

	Classification	**Fair Value as at September 30, 2021**	Fair Value as at December 31, 2020
Interest rate contracts	Current Liabilities	**$ -**	$ 1.1
Interest rate contracts	Non-current Liabilities	**-**	0.3
Currency contracts	Current Liabilities	**-**	0.6
Gold contracts	Current Liabilities	**-**	3.5
Total derivative liabilities		**$ -**	$ 5.5

Derivatives arising from the interest rate swaps, currency swaps, and zero-cost gold collars are intended to manage the Company's risk management objectives associated with changing market values, but do not meet the strict hedge effectiveness criteria designated in a hedge accounting relationship. Accordingly, these derivatives have been classified as "non-hedge derivatives." Changes in the fair value of derivative contracts are recognized as derivative costs in the Condensed Consolidated Statements of Operations and Comprehensive Income.

The following table shows the (gains) losses on derivative contracts for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Loss (gain) on interest rate contracts	**$ -**	$ 0.1	**$ (0.1)**	$ 1.7
(Gain) loss on currency contracts	**-**	(3.7)	**0.2**	28.9
Loss (gain) on gold contracts	**-**	6.3	**(3.2)**	12.6
	$ -	$ 2.7	**$ (3.1)**	$ 43.2

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

NOTE 11. 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 6.6% 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, RSUs outstanding under the RSU Plan, ERSUs and EPSUs outstanding under the ESU Plan as at September 30, 2021 and the amounts of share-based compensation expense recognized for the three and nine months ended September 30, 2021 and 2020:

	Number Outstanding	Three Months Ended		Nine Months Ended	
	September 30, 2021	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Common share options	**138,135**	**$ -**	$ -	**$ 0.2**	$ 0.1
RSUs	**103,481**	**-**	-	**1.0**	1.0
ERSUs	**314,296**	**0.3**	0.4	**1.1**	1.1
EPSUs	**471,456**	**0.6**	0.7	**2.2**	2.0
	1,027,368	**$ 0.9**	$ 1.1	**$ 4.5**	$ 4.2
Gain on remeasurement		**(1.7)**	(1.5)	**(6.0)**	(1.9)
Share-based compensation expense		**$ (0.8)**	$ (0.4)	**$ (1.5)**	$ 2.3

Options

The SOP Plan authorizes the Board of Directors to grant Options to directors, officers, consultants or employees. The term of any option grant may not exceed five years. The SOP Plan also limits the aggregate number of securities that may be granted to a non-executive director in any given year under all share-based compensation arrangements of the Company.

All options outstanding as at September 30, 2021, are fully vested and exercisable. During the nine months ended September 30, 2021, 15,393 common shares were issued (nine months ended September 30, 2020 – 21,330) from 65,992 stock options being exercised (nine months ended September 30, 2020 – 22,366). All stock options were exercised under the SOP Plan's cashless exercise option (nine months ended September 30, 2020 – 1,927).

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

A summary of changes in the number of Options issued by the Company for the nine months ended September 30, 2021 and for the year ended December 31, 2020 is presented as follows:

	Number of Options	Weighted Average Exercise Price (C$)
Balance, January 1, 2020	236,051	$ 17.25
Granted	17,238	18.49
Exercised	(22,366)	11.40
Expired	(1,500)	13.70
Balance, December 31, 2020	**229,423**	**$ 17.93**
Granted	**32,669**	**17.20**
Exercised	**(65,992)**	**13.12**
Expired	**(57,965)**	**24.23**
Balance, September 30, 2021	**138,135**	**$ 17.42**

The fair value of the Options granted was calculated using a Black-Scholes option pricing model. The expected volatility is estimated taking into consideration the historical and implied volatility of the Company's share price. The weighted average fair value of Options granted during the nine months ended September 30, 2021 was C$7.04 (nine months ended September 30, 2020 - C$7.75).

The following is a summary of the weighted average of assumptions used in the Black-Scholes option pricing model for Options granted during the nine months ended September 30, 2021 and 2020:

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Risk-free interest rate	**0.30%**	0.64%
Expected price volatility	**55%**	58%
Expected option life (in years)	**3.8**	3.5
Annual dividend rate	**0%**	0%
Estimated forfeiture rate	**0%**	0%

The weighted average share price at the date of exercise of options exercised during the nine months ended September 30, 2021 was C$16.63 (nine months ended September 30, 2020 - C$21.19).

RSU Plan

Eligible participants under the RSU Plan include directors, officers, contractors and employees. Under the RSU Plan, qualified participants may elect to defer the receipt of all or any part of their entitlement to the RSUs.

Awards under the plan immediately vest upon grant. A liability is initially recognized for the fair value of the awards under the RSU Plan at the date of grant, and at each reporting date, changes in fair value are recognized in the Consolidated Statements of Operations and Comprehensive Income. As at September 30, 2021, the RSUs had a fair value of $1.0 (December 31, 2020 - $2.0). During the nine months ended September 30, 2021, 77,920 RSUs were settled, resulting in 26,450 common shares issued and the remainder paid in cash (nine months ended September 30, 2020 - 33,707 settled, resulting in 7,274 common shares issued and the remainder paid in cash). 103,481 RSUs, issued under the RSU Plan, are redeemable as at September 30, 2021 (December 31, 2020 - 131,730).

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

A summary of changes in the number of RSUs issued by the Company and the weighted average grant date fair values for the nine months ended September 30, 2021 and the year ended December 31, 2020 is presented below:

	Number of RSUs		Weighted Average Value (C$)
Balance, January 1, 2020	100,407	$	16.13
Granted	65,030		20.15
Settled	(33,707)		19.53
Balance, December 31, 2020	**131,730**	**$**	**17.25**
Granted	**77,920**		**16.37**
Settled	**(106,169)**		**15.50**
Balance, September 30, 2021	**103,481**	**$**	**18.38**

ESU Plan

A portion of the fair value of the ERSUs and EPSUs is recognized each reporting period based on the pro-rated number of days the eligible employees are employed by the Company compared to the vesting period of each grant.

A liability is initially recognized for the fair value of the awards under the ESU Plan at the date of grant, and at each reporting date, changes in fair value are recognized in the Consolidated Statements of Operations and Comprehensive Income.

Employee restricted share units

ERSUs granted in the nine months ended September 30, 2021 vest in January 2022, 2023 and 2024, and have an estimated weighted average unit fair value at the grant date of C$17.03 per unit at grant date. The fair value of ERSUs granted was determined using the closing price of the common shares on the Toronto Stock Exchange on the business day immediately prior to the grant date. As at September 30, 2021, the ERSUs had a fair value of $2.2 (December 31, 2020 - $4.2). None of the ERSUs, issued under the ESU Plan, were redeemable as at September 30, 2021 and December 31, 2020. During the nine months ended September 30, 2021, 145,189 ERSUs vested and 47,063 were forfeited due to employee turnover. Of the 145,189 units vested, 59,815 were settled as common shares and the remaining 85,374 units were paid in cash. During the nine months ended September 30, 2020, 96,264 ERSU vested and 3,479 were forfeited due to employee turnover. Of the 96,264 units vested, 79,441 were settled as common shares and the remaining 16,823 units were paid in cash.

A summary of changes in the number of ERSUs issued by the Company and the weighted average grant date fair values for the nine months ended September 30, 2021 and the year ended December 31, 2020 is presented below:

	Number of ERSUs		Weighted Average Value (C$)
Balance, January 1, 2020	373,432	$	13.08
Granted	140,487		19.99
Settled	(96,264)		19.90
Forfeited	(18,779)		17.46
Balance, December 31, 2020	**398,876**	**$**	**14.51**
Granted	**107,672**		**17.03**
Settled	**(145,189)**		**11.69**
Forfeited	**(47,063)**		**18.17**
Balance, September 30, 2021	**314,296**	**$**	**16.12**

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

Employee performance share units

The EPSUs granted during the nine months ended September 30, 2021 vest in January 2022, 2023 and 2024, and have an estimated weighted average unit fair value at the grant date of C$21.30. The fair value of EPSUs granted was calculated using a Monte Carlo simulation model. The Monte Carlo simulation model requires the use of subjective assumptions including expected share price volatility, risk-free interest rate, and estimated forfeiture rate. Historical and market data are considered in setting the assumptions. The EPSUs are earned over time and expensed accordingly and therefore, the estimated forfeiture rate is zero. At each reporting date, changes in fair value are recognized in the Consolidated Statements of Operations and Comprehensive Income. As at September 30, 2021, the EPSUs had a fair value of $1.4 (December 31, 2020 - $4.9). None of the EPSUs were redeemable as at September 30, 2021 and December 31, 2020. During the nine months ended September 30, 2021, 150,923 EPSU vested and 66,870 were forfeited due to the application of a market adjustment factor. Of the 150,923 units vested, 116,458 were settled as common shares and the remaining 34,465 units were paid in cash. During the nine months ended September 30, 2020, 94,138 EPSU vested and 35,807 were forfeited due to the application of a market adjustment factor. Of the 94,138 units vested, 34,609 were settled as common shares and the remaining 59,529 units were paid in cash.

A summary of changes in the number of EPSUs issued by the Company and the weighted average grant date fair value for the nine months ended September 30, 2021 and for the year ended December 31, 2020 is presented below:

	Number of EPSUs		Weighted Average Value (C$)
Balance, January 1, 2020	545,705	$	20.03
Granted	210,734		25.45
Settled	(94,138)		29.98
Forfeited	(63,973)		29.57
Balance, December 31, 2020	**598,328**	**$**	**19.35**
Granted	**161,508**		**21.30**
Settled	**(150,923)**		**9.98**
Forfeited	**(137,457)**		**17.02**
Balance, September 30, 2021	**471,456**	**$**	**23.70**

The following is a summary of the weighted average assumptions used in the Monte Carlo simulation model for EPSUs granted during the nine months ended September 30, 2021 and 2020:

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Risk-free interest rate	**0.57%**	1.63%
Expected price volatility	**62%**	56%
Expected life of units (in years)	**2.85**	2.74
Annual dividends	**0%**	0%
Estimated forfeiture rate	**0%**	0%

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

NOTE 12. EARNINGS PER SHARE

Earnings per share has been calculated using the weighted average number of common shares outstanding for the three and nine months ended September 30, 2021 and 2020 as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Net income	**$ 36.5**	$ 60.3	**$ 152.2**	$ 17.1
Share-based payments remeasurement, net of tax	**(1.2)**	(1.0)	**(4.2)**	(1.3)
Net income, net of remeasurement of share-based payments	**$ 35.3**	$ 59.3	**$ 148.0**	$ 15.8
Basic weighted average shares outstanding	**85,748,013**	85,527,218	**85,703,270**	85,497,317
Weighted average shares dilution adjustments:				
Share options	**4,366**	54,528	**17,404**	43,233
RSUs	**104,593**	162,430	**103,565**	125,373
ERSUs	**156,489**	276,229	**185,480**	212,522
EPSUs	**7,514**	246,591	**24,576**	206,187
Diluted weighted average shares outstanding	**86,020,975**	86,266,996	**86,034,295**	86,084,631
Earnings per share				
Basic	**$ 0.43**	$ 0.71	**$ 1.78**	$ 0.20
Diluted	**$ 0.41**	$ 0.69	**$ 1.72**	$ 0.18

The following is a summary for the three and nine months ended September 30, 2021 and 2020 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		Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Share options	**82,522**	53,956	**78,346**	89,638
RSUs	**-**	-	**16,149**	-
ERSUs	**76,413**	-	**77,539**	96,882
EPSUs	**68,948**	-	**68,844**	24,775
	227,883	53,956	**240,878**	211,295

NOTE 13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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.

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

The carrying values and fair values of the Company's financial instruments as at September 30, 2021 and December 31, 2020 are as follows:

	As at September 30, 2021		As at December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	**$ 221.6**	**$ 221.6**	$ 174.1	$ 174.1
Short-term investments	**-**	**-**	32.1	32.1
Trade receivables	**1.6**	**1.6**	1.6	1.6
	$ 223.2	**$ 223.2**	$ 207.8	$ 207.8
Financial Liabilities				
Accounts payable and accrued liabilities	**$ 87.6**	**$ 87.6**	$ 119.9	$ 119.9
Derivative contracts	**-**	**-**	5.5	5.5
Debt	**-**	**-**	38.8	35.8
	$ 87.6	**$ 87.6**	$ 164.2	$ 161.2

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. All of the Company's cash and cash equivalents and trade receivables are held with reputable financial institutions as at September 30, 2021. The carrying amount of the Company's cash and cash equivalents and trade receivables represents the maximum exposure to credit risk as at September 30, 2021.

The Company is exposed to liquidity risk and credit risk with respect to its Value-Added Tax ("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 September 30, 2021, the Company's VAT receivables balance is $48.6 (December 31, 2020 - $45.4), and in respect of this balance, the Company expects to recover $42.9 over the next 12 months (December 31, 2020 - $39.9) and a further $5.7 thereafter (December 31, 2020 - $5.5). The VAT receivables balance is presented net of $3.9 for a provision for claims that are considered to be uncollectible (December 31, 2020 - $3.1). 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 risks 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 Mine Complex, its cash reserves and any available funds under the 2021 Revolving Facility.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had cash balances of $221.6 (December 31, 2020 - $174.1). The Company maintains its cash in fully liquid business accounts.

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

As at September 30, 2021, the $150.0 Revolving Facility remains undrawn (December 31, 2020 - $40.0 outstanding under the 2019 Debt Facility).

Cash flows that are expected to fund the operation of the ELG Mine 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 Consolidated Statements of Financial Position.

	As at September 30, 2021					
	Up to 1 year		**1-5 years**		**Total**	
Accounts payable and accrued liabilities	**$**	**87.6**	**$**	**-**	**$**	**87.6**
	$	**87.6**	**$**	**-**	**$**	**87.6**

	As at December 31, 2020					
	Up to 1 year		1-5 years		Total	
Accounts payable and accrued liabilities	$	119.9	$	-	$	119.9
Derivative contracts		5.2		0.3		5.5
Debt, excluding lease liabilities (Note 8)		-		40.0		40.0
	$	125.1	$	40.3	$	165.4

(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 September 30, 2021 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. The Company expects the majority of its exploration, project development, operating and decommissioning expenditures associated with the Morelos Gold Property to be paid in Mexican pesos and U.S. dollars.

As at September 30, 2021, 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 $0.5 in the Company's net income from the translation of its financial instruments for the nine months ended September 30, 2021. A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $0.2 in the Company's net income for the nine months ended September 30, 2021.

In the first quarter of 2020, the Company entered into forward contracts for approximately 50% of its estimated Mexico peso expenditures until December 2020 or $234.0 at a weighted average rate of 19.70. In the second quarter of 2020, the Company extended the maturity dates of certain currency contracts due to settle in the second quarter of 2020, with a total notional value of $24.0, to future periods ranging from 7 to 11 months. There were no contracts remaining at September 30, 2021.

(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. These contracts have expired and as of September 30, 2021, the Company has no further outstanding gold collar positions.

NOTE 14. COMMITMENTS

Purchase commitments

As at September 30, 2021, the total purchase commitments for the ELG Mine Complex and the Media Luna deposit amounted to $76.9, which are expected to settle over the next 12 months.

ELG 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 nine months ended September 30, 2021, the Company paid $17.4 for the 2.5% royalty relating to the fourth quarter of 2020 and first and second quarters of 2021. As at September 30, 2021, the Company has accrued $5.3 for the 2.5% royalty relating to the third quarter of 2021 (December 31, 2020 - $6.3).

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 royalty are payable to the Servicio de Administración Tributaria on an annual basis in the following year. The mining tax is considered an income tax for IFRS purposes. In March 2021, the Company paid $34.5 relating to amounts due for 2020 for the 7.5% and 0.5% royalties (paid in March 2020 - $17.5). As at September 30, 2021, the Company has $31.3 and $3.2 accrued for the 7.5% and 0.5% royalties to be paid in March 2022, respectively (December 31, 2020 - $30.7 and $3.8 accrued for the 7.5% and 0.5% royalties to be paid in March 2021, respectively).