



**TOREX GOLD RESOURCES INC.**



# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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 August 2, 2022 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2022. It should also be read in conjunction with the Company's audited consolidated financial statements and annual MD&A 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 financial 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. The Company exited the quarter with a lost-time injury frequency ("LTIF") rate of zero per million hours worked on a rolling 12-month basis and surpassed 10 million hours worked without a lost-time injury in June.
- **Gold Production:** Delivered gold production of 123,185 ounces ("oz") for the quarter (YTD – 235,631 oz) and a milling rate of 12,352 tonnes per day ("tpd") (YTD – 12,478). Gold production is on track to meet full year production guidance of 430,000 to 470,000 oz.
- **Gold sold:** Sold 123,363 oz of gold (YTD – 231,375 oz) at an average realized gold price<sup>1</sup> of \$1,865 per oz (YTD – \$1,871), contributing to revenue of \$235.0 million (YTD – \$442.7 million).
- **Total cash costs<sup>1</sup> and all-in sustaining costs<sup>1</sup>:** Total cash costs of \$703 per oz sold (YTD – \$724) and all-in sustaining costs of \$911 per oz sold (YTD – \$969) put the Company on track to achieve full year cost guidance despite inflationary pressures being seen across the industry. Cost of sales was \$139.6 million (YTD – \$271.8 million), or \$1,132 per oz sold in the quarter (YTD – \$1,175).
- **Net income and adjusted net earnings<sup>1</sup>:** Reported net income of \$70.3 million or earnings of \$0.82 per share on a basic basis and \$0.80 per share on a diluted basis (YTD – \$110.3 million, or \$1.29 per share on a basic basis and \$1.27 per share on a diluted basis). Adjusted net earnings of \$57.0 million or \$0.66 per share on a basic basis and \$0.66 per share on a diluted basis (YTD – \$94.2 million, or \$1.10 per share on a basic basis and \$1.09 per share on a diluted basis). Net income includes an unrealized derivative gain of \$17.0 million (YTD – \$8.8 million) related to gold forward contracts entered into during Q1 2022 to reduce downside price risk during the construction of the Media Luna Project (approximately 25% of production between October 2022 to December 2023).
- **EBITDA<sup>1</sup> and adjusted EBITDA<sup>1</sup>:** Generated EBITDA of \$155.9 million (YTD – \$259.0 million) and adjusted EBITDA of \$137.1 million (YTD – \$247.8 million).
- **Robust cash flow generation:** Cash flow from operations totalled \$126.9 million (YTD – \$173.6 million) and \$120.6 million prior to changes in non-cash operating working capital (YTD – \$180.2 million), including income taxes paid of \$18.6 million (YTD – \$69.6 million) and \$21.5 million in relation to a site-based employee profit sharing program for 2021 in Mexico and reported positive free cash flow<sup>1</sup> of \$74.0 million (YTD – \$54.9 million).
- **Strong financial liquidity:** Net cash<sup>1</sup> of \$306.3 million, including \$310.7 million in cash and \$4.4 million of lease obligations, with no debt and an undrawn \$150.0 million credit facility, providing more than \$460 million in available liquidity as at June 30, 2022. The Company is in the advanced stages of extending and increasing the available credit facilities with a syndicate of international banks. It is expected that these facilities will be executed in Q3 2022 and provide the Company with a total of \$250 million in available credit with a maturity date in 2025.

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<sup>1</sup> 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.

- **Media Luna Project:** Project period construction at Media Luna commenced as of April 1, 2022, with direct project expenditures of \$29.6 million during the quarter out of a total budget of \$874.5 million. Spend primarily focused on continued development of the Guajes Tunnel and South Portals, with development of the Guajes tunnel reaching more than 2,100 metres and the South Portal Lower more than 700 metres. Construction is well underway with long-lead procurement and earthworks on schedule. At the end of the quarter, physical progress on the Project was approximately 5%. Non-sustaining capital expenditure guidance for the Media Luna Project has been lowered to \$170 million to \$210 million reflecting the redistribution in timing of expenditures.
- **Appointment of New Director:** The Company announces the appointment of Mr. Rodrigo Sandoval to the Board of Directors. Mr. Sandoval is a seasoned executive based in Mexico with over 20 years of experience in corporate finance predominantly in the resource and infrastructure sectors, presently as Chief Financial Officer of Grupo Gigante and previously with Grupo Mexico.

## OPERATING AND FINANCIAL HIGHLIGHTS

Table 1.

		Three Months Ended			Six Months Ended	
		Jun 30, 2022	Mar 31, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
<i>In millions of U.S. dollars, unless otherwise noted</i>						
<b>Operating Results</b>						
Lost-time injury frequency <sup>1</sup>	/million hours	<b>0.00</b>	0.12	0.26	<b>0.00</b>	0.26
Total recordable injury frequency <sup>1</sup>	/million hours	<b>1.32</b>	1.69	2.83	<b>1.32</b>	2.83
Gold produced	oz	<b>123,185</b>	112,446	118,054	<b>235,631</b>	247,563
Gold sold	oz	<b>123,363</b>	108,012	111,424	<b>231,375</b>	240,443
Total cash costs <sup>2</sup>	\$/oz	<b>703</b>	748	637	<b>724</b>	606
Total cash costs margin <sup>2</sup>	\$/oz	<b>1,162</b>	1,128	1,179	<b>1,147</b>	1,189
All-in sustaining costs <sup>2</sup>	\$/oz	<b>911</b>	1,034	897	<b>969</b>	874
All-in sustaining costs margin <sup>2</sup>	\$/oz	<b>954</b>	841	919	<b>902</b>	922
Average realized gold price <sup>2</sup>	\$/oz	<b>1,865</b>	1,876	1,816	<b>1,871</b>	1,795
<b>Financial Results</b>						
Revenue	\$	<b>235.0</b>	207.7	205.9	<b>442.7</b>	437.1
Cost of sales	\$	<b>139.6</b>	132.2	119.7	<b>271.8</b>	251.6
Earnings from mine operations	\$	<b>95.4</b>	75.5	86.2	<b>170.9</b>	185.5
Net income	\$	<b>70.3</b>	40.0	60.7	<b>110.3</b>	115.7
Per share - Basic	\$/share	<b>0.82</b>	0.47	0.71	<b>1.29</b>	1.35
Per share - Diluted	\$/share	<b>0.80</b>	0.46	0.69	<b>1.27</b>	1.31
Adjusted net earnings <sup>2</sup>	\$	<b>57.0</b>	37.2	47.4	<b>94.2</b>	104.7
Per share - Basic <sup>2</sup>	\$/share	<b>0.66</b>	0.43	0.55	<b>1.10</b>	1.22
Per share - Diluted <sup>2</sup>	\$/share	<b>0.66</b>	0.43	0.55	<b>1.09</b>	1.22
EBITDA <sup>2</sup>	\$	<b>155.9</b>	103.1	126.9	<b>259.0</b>	279.6
Adjusted EBITDA <sup>2</sup>	\$	<b>137.1</b>	110.7	122.1	<b>247.8</b>	267.0
Cost of sales	\$/oz	<b>1,132</b>	1,224	1,074	<b>1,175</b>	1,046
Cash from operating activities	\$	<b>126.9</b>	46.7	82.4	<b>173.6</b>	147.6
Cash from operating activities before changes in non-cash operating working capital	\$	<b>120.6</b>	60.8	98.4	<b>180.2</b>	177.6
Free cash flow <sup>2</sup>	\$	<b>74.0</b>	(19.1)	21.9	<b>54.9</b>	31.2
Cash and cash equivalents	\$	<b>310.7</b>	237.0	196.0	<b>310.7</b>	196.0
Net cash <sup>2</sup>	\$	<b>306.3</b>	233.4	191.5	<b>306.3</b>	191.5

1. On a 12-month rolling basis, per million hours worked

2. Total cash costs, total cash costs margin, all-in sustaining costs, all-in sustaining costs margin, average realized gold price, adjusted net earnings, EBITDA, adjusted EBITDA, free cash flow and net cash are non-GAAP financial measures with no standardized 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.

## SECOND 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), and tpd (tonnes per day).

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## 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, the Media Luna Project, the 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](http://www.torexgold.com) and filed on SEDAR at [www.sedar.com](http://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

The Company reiterates full year production and cost guidance of 430,000 to 470,000 oz of gold at total cash costs of \$695 to \$735 per oz sold and all-in sustaining costs of \$980 to \$1,030 per oz sold. Sustaining capital expenditure guidance also remains unchanged. Non-sustaining capital expenditure guidance for the Media Luna Project has been lowered to \$170 million to \$210 million reflecting the redistribution in expenditure of indirect costs associated with freight, import taxes and project contingency from 2022 to 2023 and 2024 relative to the timing assumed in the Technical Report baseline.

The following table summarizes the Company's progress to date towards 2022 guidance:

**Table 2.**

<i>In millions of U.S. dollars, unless otherwise noted</i>		<b>Initial 2022 Guidance</b>	<b>Revised 2022 Guidance</b>	<b>Q2 2022 YTD Progress</b>
Gold Production	oz	430,000 to 470,000	No change	235,631
Total Cash Costs <sup>1</sup>	\$/oz	695 to 735	No change	724
All-in Sustaining Costs <sup>1</sup>	\$/oz	980 to 1,030	No change	969
Capitalized Stripping <sup>1</sup>	\$	50 to 60	No change	24.0
Other Sustaining Expenditures <sup>1</sup>	\$	35 to 45	No change	17.2
Sustaining Capital Expenditures <sup>1</sup>	\$	85 to 105	No change	41.2
ELG Non-Sustaining Capital Expenditures <sup>1</sup>	\$	15 to 20	No change	10.7
Media Luna Project	\$	220 to 270	170 to 210	48.1
Media Luna Infill Drilling/Other	\$	20	No change	11.8
Non-Sustaining Capital Expenditures <sup>1</sup>	\$	255 to 310	205 to 250	70.6

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.

## FINANCIAL RESULTS

Table 3.

		Three Months Ended		Six Months Ended	
		Jun 30, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Revenue	\$	235.0	205.9	442.7	437.1
Gold	\$	230.1	202.3	432.8	431.9
Silver	\$	0.7	0.4	1.4	1.1
Copper	\$	4.2	3.2	8.5	4.1
Cost of sales	\$	139.6	119.7	271.8	251.6
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 expenses	\$	2.7	5.1	11.1	10.5
Exploration and evaluation expenses	\$	2.0	1.3	4.3	2.3
Derivative gain, net	\$	(17.0)	(0.1)	(8.8)	(3.1)
Finance (income) costs, net	\$	(0.3)	-	0.1	(0.2)
Foreign exchange gain	\$	(0.1)	(1.7)	(0.2)	(2.8)
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	\$	70.3	60.7	110.3	115.7
Per share - Basic	\$/share	0.82	0.71	1.29	1.35
Per share - Diluted	\$/share	0.80	0.69	1.27	1.31
Adjusted net earnings <sup>1</sup>	\$	57.0	47.4	94.2	104.7
Per share - Basic <sup>1</sup>	\$/share	0.66	0.55	1.10	1.22
Per share - Diluted <sup>1</sup>	\$/share	0.66	0.55	1.09	1.22
Cost of sales	\$/oz	1,132	1,074	1,175	1,046
Total cash costs <sup>1</sup>	\$/oz	703	637	724	606
Total cash costs margin <sup>1</sup>	\$/oz	1,162	1,179	1,147	1,189
All-in sustaining costs <sup>1</sup>	\$/oz	911	897	969	874
All-in sustaining costs margin <sup>1</sup>	\$/oz	954	919	902	922
Average realized gold price <sup>1</sup>	\$/oz	1,865	1,816	1,871	1,795

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

## SECOND QUARTER 2022 FINANCIAL RESULTS

### Revenue totalled \$235.0 million

Revenue increased compared to the second quarter of 2021 primarily due to a 11% increase in oz of gold sold, coupled with a higher average realized gold price. The Company sold 123,363 oz of gold at an average realized gold price<sup>1</sup> of \$1,865 per oz in the second quarter of 2022, compared to 111,424 oz at an average realized gold price of \$1,816 per oz in the second quarter of 2021. The increase in oz sold is consistent with the mine plan and is largely due to the higher grade of ore tonnes mined at the ELG open pits as compared with the second quarter of 2021 and record mining rates from the ELG underground.

### Cost of sales was \$139.6 million or \$1,132 per oz sold

Cost of sales increased compared to the second quarter of 2021 on a total basis and were higher on a per oz basis despite the 11% increase in oz of gold sold. Production costs were higher than the comparative period in 2021 due to lower volumes of capitalized waste stripping and lower costs in 2021 in respect of the site-based employee profit sharing plan due to legislative changes. Royalties represent 2.5% of proceeds from all metal sales and an additional 0.5% of proceeds from gold and silver sales, and, therefore, were higher due to the increase in oz sold and a higher



average realized gold price in the second quarter of 2022. Depreciation and amortization were higher than the second quarter of 2021 due to higher oz sold but lower on a per oz basis. The increase in depreciation and amortization was partially offset by an increase to the units-of-production depreciation base on assets that will be used at Media Luna following the Technical Report issued on March 31, 2022. For 2022, depreciation and amortization is expected to range between \$175 million to \$200 million.

#### **Total Cash Costs<sup>1</sup> were \$703 per oz sold**

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

#### **All-in Sustaining Costs were \$911 per oz sold**

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

#### **General and administrative expenses of \$2.7 million**

General and administrative expenses are lower than the second quarter of 2021, and are comprised primarily of corporate office employee costs, share-based compensation, and professional fee costs. The decrease is due to a gain on remeasurement of share-based payments of \$2.2 million during the second quarter of 2022 compared to a gain of \$1.6 million during the second quarter of 2021 based on movements in the Company's share price, lower share-based compensation expense and lower consulting and director fees.

#### **Finance income, net of finance costs, of \$0.3 million**

The increase in finance income, net of finance costs, is primarily related to higher interest income.

#### **Derivative gain of \$17.0 million**

The Company fully extinguished its interest rate swap and foreign currency forward contracts during the second quarter of 2021 and its remaining gold collar 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 per oz (or at a weighted average price of \$1,921 per oz). These derivatives have not been designated as hedges, and, therefore, movements in the fair value of the derivatives recognized in net income as they occur. The \$17.0 million unrealized derivative gain in the second quarter of 2022 is a result of gold forward prices decreasing during the three months ended June 30, 2022.

#### **Foreign exchange gain of \$0.1 million**

The foreign exchange gains in the second quarter of 2022 and 2021 were insignificant.

#### **Current income and mining tax expense of \$37.0 million**

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

#### **Deferred income tax expense of \$0.8 million**

The deferred income tax expense is primarily driven by the movement in the inventory and provisions for accounting purposes during the period, which was partially offset by the recovery due a 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 June 30, 2022, the closing value of property, plant and equipment for tax purposes was \$17.3 billion pesos and the closing value of inventory for tax purposes was \$2.3 billion pesos.

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<sup>1</sup> Refer to "Non-GAAP Financial Performance Measures" for further information and a detailed reconciliation.

### **Net income of \$70.3 million**

Net income for the quarter was \$70.3 million compared to net income of \$60.7 million in the second quarter of 2021. The increase is primarily due to higher earnings from mine operations and an unrealized derivative gain of \$17.0 million on gold contracts entered into in 2022, partially offset by higher deferred income tax expense compared to a recovery in the comparable period.

## **YEAR TO DATE 2022 FINANCIAL RESULTS**

### **Revenue totalled \$442.7 million**

Revenue increased during the first half of 2022 compared to the first half of 2021 primarily due to a higher average realized gold price, partially offset by a 4% reduction in oz of gold sold. The Company sold 231,375 oz of gold at an average realized gold price<sup>1</sup> of \$1,871 per oz during first half of 2022, compared to 240,443 oz at an average realized gold price of \$1,795 per oz during the first half of 2021. The slight decrease in oz sold is consistent with the mine plan and is largely due to the lower ore tonnes mined at the ELG open pits as compared with the first half of 2021, as well as a lower recovery rate based on the nature of the ore processed.

### **Cost of sales was \$271.8 million or \$1,175 per oz sold**

Cost of sales increased compared to the first half of 2021 on both a total and per oz basis. 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 in 2022. Production costs were also lower in 2021 due to the changes to the site-based profit sharing program discussed above, coupled with lower volumes of capitalized waste stripping. Royalties represent 2.5% of proceeds from all metal sales and an additional 0.5% of proceeds from gold and silver sales, and, therefore, were higher due to a higher average realized gold price, partially offset by the 4% decrease in oz sold in the first half of 2022. Depreciation and amortization were lower than the first half of 2021 due to lower oz sold, coupled with an increase to the units-of-production depreciation base on assets that will be used at Media Luna following the Technical Report issued on March 31, 2022.

### **Total Cash Costs<sup>1</sup> were \$724 per oz sold**

Total cash costs per oz of gold sold during the during first half of 2022 is higher than the comparative period, primarily due to lower oz of gold sold and higher production costs.

### **All-in Sustaining Costs were \$969 per oz sold**

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

### **General and administrative expenses of \$11.1 million**

General and administrative expenses are slightly higher than the first half 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 \$2.5 million lower gain on remeasurement of share-based payments over the comparative period, which was a gain of \$1.8 million during the first half of 2022 compared to a gain of \$4.3 million during first half of 2021. The increase is partially offset by lower share-based compensation expense as a result of the lower weighted average grant date fair value compared to the prior year and lower consulting and director fees. Normalizing for these adjustments, general and administrative expenses would have been comparable to the first half of 2021.

### **Finance costs, net of finance income, of \$0.1 million**

The increase in finance costs, net of finance income, is primarily related to higher accretion cost on the decommissioning liabilities.

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<sup>1</sup> Refer to "Non-GAAP Financial Performance Measures" for further information and a detailed reconciliation.

### **Derivative gain of \$8.8 million**

The \$8.8 million unrealized derivative gain during the first half of 2022 is a result of gold forward prices decreasing from the time the instruments were entered into to June 30, 2022.

### **Foreign exchange gain of \$0.2 million**

The foreign exchange gain during the first half of 2022 was insignificant. Based on closing rates, the Mexican Peso appreciated 1.6% since the beginning of 2022.

### **Current income and mining tax expense of \$61.6 million**

The decrease in income and mining tax expense over the comparative period is primarily due to higher production costs, resulting in lower corporate income tax and the 7.5% Mexican mining royalty.

### **Deferred income tax recovery of \$7.5 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 June 30, 2022, the closing value of property, plant and equipment for tax purposes was \$17.3 billion pesos and the closing value of inventory for tax purposes was \$2.3 billion pesos.

### **Net income of \$110.3 million**

Net income during the first half of 2022 was \$110.3 million compared to net income of \$115.7 million during the first half of 2021. The decrease is primarily related to 4% less gold sold during the first half of 2022 and higher production costs, partially offset by a higher average realized gold price.

## RESULTS OF OPERATIONS

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

**Table 4.**

	Three Months Ended			Six Months Ended		
	Jun 30, 2022	Mar 31, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021	
<b>Mining</b>						
<b>Total ELG Open Pits</b>						
Ore tonnes mined	kt	<b>987</b>	1,061	1,131	<b>2,048</b>	2,490
Waste tonnes mined	kt	<b>7,960</b>	8,958	8,593	<b>16,918</b>	18,475
Total tonnes mined	kt	<b>8,947</b>	10,019	9,724	<b>18,966</b>	20,965
Ore tonnes mined per day	tpd	<b>10,846</b>	11,789	12,429	<b>11,315</b>	13,757
Strip ratio	w:o	<b>8.1</b>	8.4	7.6	<b>8.3</b>	7.4
Average gold grade of ore mined	gpt	<b>3.58</b>	2.99	3.01	<b>3.27</b>	3.03
<b>ELG Underground</b>						
Ore tonnes mined	kt	<b>144</b>	114	130	<b>258</b>	253
Ore tonnes mined per day	tpd	<b>1,582</b>	1,263	1,429	<b>1,424</b>	1,398
Average gold grade of ore mined	gpt	<b>6.22</b>	5.67	7.02	<b>5.98</b>	7.28
<b>ELG Open Pits and Underground</b>						
Ore tonnes mined	kt	<b>1,131</b>	1,175	1,261	<b>2,306</b>	2,743
Ore tonnes mined per day	tpd	<b>12,429</b>	13,052	13,857	<b>12,739</b>	15,155
Average gold grade of ore mined	gpt	<b>3.92</b>	3.25	3.42	<b>3.57</b>	3.42
<b>Processing</b>						
Total tonnes processed	kt	<b>1,124</b>	1,134	1,091	<b>2,258</b>	2,202
Average plant throughput	tpd	<b>12,352</b>	12,605	11,989	<b>12,478</b>	12,166
Average gold recovery	%	<b>88.1</b>	86.9	87.5	<b>87.5</b>	88.3
Average gold grade of ore processed	gpt	<b>3.97</b>	3.47	3.84	<b>3.72</b>	3.91
Gold produced	oz	<b>123,185</b>	112,446	118,054	<b>235,631</b>	247,563
Gold sold	oz	<b>123,363</b>	108,012	111,424	<b>231,375</b>	240,443
<b>Financial Metrics</b>						
Total cash costs <sup>1</sup>	\$/oz	<b>703</b>	748	637	<b>724</b>	606
Total cash costs margin <sup>1</sup>	\$/oz	<b>1,162</b>	1,128	1,179	<b>1,147</b>	1,189
All-in sustaining costs <sup>1</sup>	\$/oz	<b>911</b>	1,034	897	<b>969</b>	874
All-in sustaining costs margin <sup>1</sup>	\$/oz	<b>954</b>	841	919	<b>902</b>	922
Average realized gold price <sup>1</sup>	\$/oz	<b>1,865</b>	1,876	1,816	<b>1,871</b>	1,795

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 1,131 kt of ore were mined in the second quarter of 2022, including 987 kt from the ELG Open Pits and 144 kt from the ELG Underground. Average waste to ore strip ratio ("strip ratio") in the open pits was 8.1:1. Excluding 81 kt of long-term, low-grade ore, the average gold grade of ore mined was 4.14 gpt.

In the second quarter of 2021, 1,261 kt of ore were mined, including 1,131 kt from the ELG Open Pits and 130 kt from the ELG Underground, with an average strip ratio in the open pits of 7.6:1. Excluding 144 kt of long-term, low-grade ore, the average gold grade of ore mined was 3.74 gpt in the second quarter of 2021.

The average strip ratio in the open pits was higher in the second quarter of 2022 compared to the comparative period in the prior year 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.

Total waste tonnes mined in the second quarter of 2022 were 11% lower than the first quarter of 2022 and 7% lower than the second quarter of 2021 primarily due to labour and equipment availability.

As at June 30, 2022, there were 4.9 mt of ore in stockpiles at an average grade of 1.32 gpt. Excluding 2.2 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 1.63 gpt.

## Plant Performance

Plant throughput achieved an average rate of 12,352 tpd, lower than the preceding quarter, and mostly affected by an unplanned replacement of the SAG mill motor during the month of May. As reported in the previous quarter, ore feed characteristics continue to exhibit higher levels of copper and iron sulfides; however, changes in ore mineralogy impacted the solubility of the iron sulfides, which resulted in decreased cyanide consumption in comparison to previous quarters. In the second quarter of 2022, the Company incurred \$6.6 million in cyanide costs at a consumption rate of 2.31 kilograms per tonne milled, compared to \$7.3 million in the first quarter of 2022 at a consumption rate of 2.73 kilograms per tonne milled. Plant gold recovery for the quarter was 88.1%, higher than previous quarter recovery of 86.9%, still impacted by the processing of low recovery ores mainly from the Guajes pit, and as stated previously recoveries are forecast to improve to the previously attained level of 89% as the proportion of lower recovery ore is expected to decrease as mining transitions to different areas of the Guajes open pit.

## Gold Production and Sales

In the second quarter of 2022, 123,185 oz of gold were produced and 123,363 oz of gold were sold. Production in the second quarter of 2022 was higher than the comparative period in the prior year primarily due to the higher average gold grade, partially offset by the lower number of ore tonnes mined, both in line with the mine plan.

## ENVIRONMENT, SOCIAL & GOVERNANCE

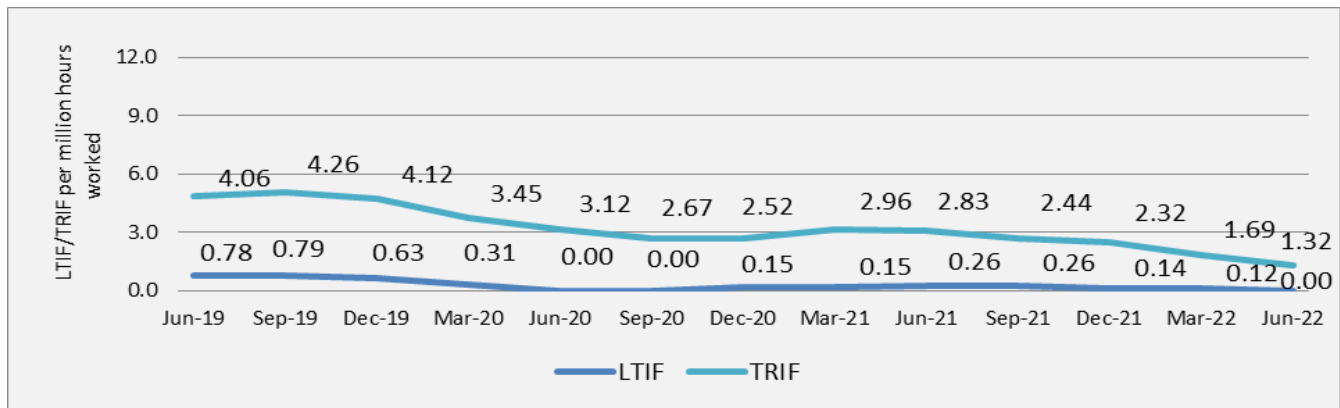
### Safety

The Company maintained its robust safety performance during the quarter. As at June 30, 2022, the Company's lost-time injury frequency (LTIF) was zero and its total recordable injury frequency (TRIF) was 1.32. Both rates include employees and contractors and are calculated per million hours worked on a rolling 12-month basis.

In June, the Company surpassed more than 10 million hours worked without a lost-time injury, with the last lost-time injury occurring in April 2021. This is the second time the Company has reached such a milestone since 2020.

In July, the Company recorded a lost-time injury related to a finger injury incurred by a contractor working on the Media Luna Project. The individual received medical care and has resumed work.

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



**COVID-19 Update**

The Company continues to work diligently to prevent the spread of COVID-19 both within the workforce and host communities. The Company continues to implement a COVID-19 vaccination policy, which requires all employees, contractors, and visitors to be vaccinated to enter the operations. At the end of June, 99.7% of employees and 99.6% of the contractor workforce were vaccinated against COVID-19. In partnership with Mexican regulatory authorities, boosters are now being offered to personnel at site.

**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 remains on track to achieve its 2022 objective of zero reportable spills of 1,000 litres or more that report to a natural water body.

The Company continued to advance permitting activities for the Morelos Mine Complex during the quarter. In May 2022, the Company received environmental approval for a road improvement project from Mazapa to San Miguel to improve logistics at the Media Luna Project.

The Company continued to engage third-party energy experts for the development of a Company-wide climate change strategy. The Company will be releasing a standalone climate report in H2 2022 outlining the Company’s approach to managing climate-related risks and opportunities as well as carbon reduction targets. The report will be prepared in alignment with the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

There were no material changes to the Company’s decommissioning liabilities during the quarter.

**Community**

Relationships with local communities continue to be positive and productive.

The Company continued to implement 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. Projects being implemented include infrastructure, water, sewage, and health initiatives.

The Company continued to support local fishermen through the signing of four agreements with the Mexican National Fishing Institute to re-stock fish hatchlings in the Balsas River. Participatory community water quality monitoring also continues to be implemented in partnership with the Autonomous University of Guerrero.

## Governance – Appointment of New Director

The Company announces the appointment of Mr. Rodrigo Sandoval to the Company's Board of Directors. Mr. Sandoval brings over 20 years of experience in corporate finance both in executive and board of director roles predominantly in the resource and infrastructure sectors. Mr. Sandoval is currently Chief Financial Officer of Grupo Gigante and previously held progressive finance roles at Grupo Mexico, most recently as Corporate Chief Financial Officer, Mining, Transportation and Infrastructure. In addition, as a Mexican national, currently residing in Mexico, Mr. Sandoval's appointment enhances the diversity of the Board. With Mr. Sandoval's appointment, the Board rejuvenation process initiated in 2020 has been completed.

## ESG Performance, Disclosure and Reporting Standards

The Company released its 2021 Responsible Gold Mining Report (RGMR) during the quarter. The report provides comprehensive disclosures of key environmental, social, and governance (ESG) matters that are most material to the Company and its stakeholders. The report highlights the Company's new organizational purpose statement: 'To transform finite mineral resources into lasting prosperity by positively impacting all the lives we touch.' It also confirms the Company's commitment to fully implement the new Global Industry Standard on Tailings Management. The 2021 RGMR and associated data tables can be found on the ESG Reporting Portal on the Company's website.

The Company continued to advance the implementation of the following global ESG standards during the quarter:

- World Gold Council Responsible Gold Mining Principles
- International Cyanide Management Code
- Global Industry Standard on Tailings Management
- Voluntary Principles on Security and Human Rights

During the quarter, the Company continued to develop a comprehensive, integrated 3-year ESG workplan for ongoing implementation of the standards. The Company remains on track to finalize the workplan in 2022 in line with the Company's 2022 STIP objective.

## DEVELOPMENT ACTIVITIES

### Media Luna Project Update

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. 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<sup>1</sup>
- 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. With the rescheduling of activity initially planned for Q1 2022, Project costs from April 1, 2022 will be \$874.5 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

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<sup>1</sup> For more information see Media Luna Mineral Reserve estimate on page 35.

- Initial Mineral Reserve estimate for Media Luna is 3,360 koz gold equivalent<sup>1</sup> based on 23.0 mt at 4.54 gpt gold equivalent

In the second quarter, following the successful completion of the Media Luna Feasibility Study and receipt of formal project approval by its Board of Directors, the Company commenced the execution phase of the Media Luna Project.

**Table 5.**

<i>In millions of U.S. dollars, unless otherwise noted</i>	<b>Media Luna Project Capital</b>	
Per Technical Report	\$	848.4
Adjustment for Q1 2022 underspend	\$	26.1
Total budgeted spend post March 31, 2022	\$	874.5
Expenditures incurred in Q2 2022 <sup>1</sup>	\$	29.6
Remaining spend <sup>2</sup>	\$	844.9
Percentage complete - relative to budgeted spend	%	3
Percentage complete - construction progress	%	5

1. Cumulative capital expenditures incurred on the Media Luna Project from commencement of construction as of April 1, 2022.

2. Excludes future capitalized borrowing costs that may be incurred.

Key activities on the south side of the Balsas River (the “river”) include the advancement of earthworks associated with benching the paste plant area (25% progress), pad extension and widening of the access roads. At the South Portal Lower temporary water storage ponds for mine water recycle are in place and the South Portal Upper canopy construction is completed. Additional surface works on the south side include continuation of the construction of the South Portal Lower canopy, permanent sediment and wastewater treatment ponds, continuation of camp expansion civil works in preparation for receipt of additional camp modules later this year as well as continued benching for the paste plant. Focus this quarter was also on ensuring appropriate drainage controls are in place (the spillway and 3 culverts were completed) and slope areas were stabilized prior to the onset of the wet season.

The 7-kilometre long Guajes Tunnel development from the north achieved a total of over 2,100 metres of advance by quarter end. The South Portal Lower tunneling progressed with a total development of 708 metres and breakthrough with Guajes is tracking ahead of plan. The South Portal Upper tunneling progressed with a total development of 1,137 metres and is now advancing in two headings one towards the ore body and the other towards the west vent adit location. Progress on South Portal Upper was slower than planned as these tunnels encountered increased water inflows attributed to the same discrete fault structure and limestone karsts experienced by the lower tunnel earlier in the year. Diamond drilling executed in the upper tunnels along the path of development indicates improved conditions moving forward. A second diamond drill hole is underway in the lower tunnel to anticipate conditions along the proposed path of development. The goal of the drilling is to provide the necessary information to our development teams so they are prepared to deal with areas of challenging ground conditions and limit unnecessary impacts to the development cycle time.

Engineering activities ramped up with respect to both surface and underground design including finalization of process flowsheets, long-lead equipment datasheets to support procurement processes as well as site layout engineering to support mobilization of a civil contractor to facilitate process plant site preparations later this year. Key project purchase orders which include flotation cells, regrind mills, thickeners, the Guajes conveyor and battery electric mine production equipment have been issued to market or are in evaluation.

With the project approval, capital expenditure for Media Luna is expected to increase in the second half of 2022 following a period of engineering, procurement, and mobilization of contractors on both the south and north sides. This will peak in 2023, with continued spend in 2024 to finalize construction and commissioning. As part of the project ramp up, further work was completed to validate and reprioritize the 2022 program through integration and review of all engineering service provider schedules. As a result, assumed expenditure of indirect costs associated

<sup>1</sup> For more information see Media Luna Mineral Reserve estimate on page 35.



with freight, import taxes and project contingency were redistributed relative to the Technical Report baseline, resulting in the revision of non-sustaining capital expenditure guidance for 2022 to \$170 million to \$210 million.

Pre-commercial capital expenditures following project approval are estimated at \$874.5 million as per the 2022 Technical Report and Q1 carryover (Table 5). As the project team tests the market for key equipment supply, any notable impacts of industry wide inflation or risks associated with broader supply chain issues will be highlighted and mitigated as commitments are made.

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 continue to track 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, and discussions are ongoing. 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. The initial study has been received by the regulator confirming adequate capacity on the 230kV line to support the future loads.

## 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 in exploration.

**Table 6.**

<i>In millions of U.S. dollars</i>		<b>Total Expenditure (Q2 2022 YTD)</b>	Guided Expenditure	Total Expenditure (2021)
Media Luna drilling - capitalized <sup>1</sup>	\$	<b>9.7</b>	19.0	22.0
ELG:				
ELG infill and step-out drilling - capitalized <sup>2</sup>	\$	<b>1.3</b>	6.0	4.4
ELG near mine program - expensed	\$	<b>3.0</b>	6.0	4.0
Regional exploration and drilling - expensed	\$	<b>1.2</b>	3.0	3.0
<b>Total</b>	<b>\$</b>	<b>15.2</b>	34.0	33.4

1. Included in non-sustaining capital

2. Included in sustaining capital

### Media Luna Drilling

During the second quarter of 2022, a total of 16,268 metres were drilled in the Media Luna cluster, which included both the Media Luna and EPO infill and expansion programs.

The EPO program is divided into two phases. The first phase is to upgrade a portion of the 8 mt of Inferred Resources to Indicated, referred to as the infill drill program, and the second phase is to add additional Inferred Resources, referred to as the expansion drill program. In the second quarter, both programs continued with 3,506 metres drilled as part of the EPO infill drilling program.

The EPO expansion drilling program progressed with an additional 3,141 metres completed at EPO South with the objective to add new Inferred Resources<sup>1</sup>. In addition, as part of the 2021 scout drill program, one anomaly identified by the high-resolution magnetic survey was the focus of a small follow-up drill program in the EPO South Extension. This program validated the utility of the survey with four of the six holes drilled intersecting mineralization.

<sup>1</sup> For more information on expansion drilling, see the Company's news release titled "Torex Gold Reports Results of Expansion Drilling within Media Luna Cluster" issued on July 7, 2022, and filed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.torexgold.com](http://www.torexgold.com).

To complete the programs this year, environmental permits are required to build new roads and drill pads. The permit applications were submitted to the SEMARNAT in March 2022 and the Company is working closely with the regulator for their advancement. Both programs advanced in parallel with a total advance of 36%. Results to date confirm the extension of the EPO zone to the south. EPO represents an important area for potentially adding new resources in the Media Luna cluster. Geophysics and the ongoing drilling confirm the continuity of the skarn and the mineralization and that the EPO area remains open to the north, south and west.

The Media Luna measured drilling infill program progressed along three areas of the Media Luna Indicated Resource was completed in July. The intent of this program is to provide more certainty with respect to the grade distribution and the geology passing from 30 metre spacing grid to 15 metre hole distance. In the second quarter, this program continued with 8,159 metres drilled as part of the measured infill drilling program

An additional 1,462 metres of drilling was also completed near the main Media Luna ore body with an aim of adding new Inferred Resources.

The original Media Luna cluster program consisted of seven rigs; however, due to water availability, the program is ongoing with five rigs. Despite these constraints, the program has advanced according to the plan with 51% of the overall program completed (96 holes finished).

### **ELG Infill and Step-Out Drilling**

The objective of the ELG 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 to identify new resources in the direct down-dip and along strike extensions to current underground workings. The Infill and Step-out drilling conducted in prior years have been successful in recategorizing existing Inferred Resources to the Measured and Indicated category and defining additional mineralized material to maintain the production rates which have the potential to extend the life of the mine. In 2021, 26,030 metres were drilled, and 27,000 metres have been programmed for 2022, of which 5,459 metres have been completed in the first half of 2022.

The 2022 underground program started in January with one drill rig in operation and ramped up in July with three drill rigs operating full time. During the second quarter of 2022, a total of 3,296 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 northern portion of the deposit and evaluating its southern extension. The program will continue to focus on defining new resources in extension at depth and laterally in both deposits.

No surface drilling was conducted in Q2 2022. Infill drilling restarted in July 2022 in the El Limón pit. The objective is to confirm extensions of the mineralization below the surface of the current pit and deepen a section of the pit in the future.

### **ELG Near Mine Program**

The Near Mine program objective is exploring the geological potential and identifying new mineralized material in the area around the ELG Mining Complex. Over the last year, the site geology and exploration teams have conducted an extensive evaluation of the potential for additional discoveries 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 Limón Sur and El Limón East areas, and for potential open pit resources at Polvorin in the Guajes area.

During the second quarter, 9,371 metres in 45 holes were drilled at El Limón Sur exploring its underground potential south from the current underground operations. To date, drilling totals 17,890 metres, representing 63% of the program. Results are positive and the evaluation of the results from both targets is in progress to decide the next steps. In Q2, the high-resolution magnetometry survey over the entire El Limón Guajes Complex was completed utilizing the same technology used at the Media Luna cluster in 2021. The results are positive and have allowed prioritizing the existing targets and adding new exploration targets within the ELG area, especially at depth where

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 up sources of mill feed to extend the life of ELG and Media Luna and increase annual production post-2027.

During the second quarter, exploration of the Morelos Property focused on surface mapping and sampling in the southern part of Esperanza and the main Querenque anomaly. Parallel to the surface program, a detailed induced polarization geophysical survey was carried out at Querenque and an MT survey at Esperanza. Permits to access the north side of Esperanza (~60% of the entire target area) are pending to extend the exploration program. At the end of the second quarter, a total of 150,851.98 m<sup>2</sup> have been mapped and 410.5 km of geophysical lines have been surveyed between Esperanza and Querenque (100% progress). 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 as at June 30, 2022:

Table 7.

<i>In millions of U.S. dollars</i>	Jun 30, 2022	Dec 31, 2021
Cash and cash equivalents	\$ 310.7	\$ 255.7
Value-added tax receivables	48.0	63.0
Inventory	132.6	123.3
Deferred income tax assets	62.5	55.4
Property, plant and equipment	851.2	836.1
Other assets	28.4	25.4
<b>Total assets</b>	<b>\$ 1,433.4</b>	<b>\$ 1,358.9</b>
Accounts payable and accrued liabilities	\$ 95.5	\$ 121.4
Income taxes payable	62.6	70.9
Deferred income tax liabilities	22.9	23.3
Decommissioning liabilities	34.5	37.3
Other liabilities	6.3	5.6
<b>Total liabilities</b>	<b>\$ 221.8</b>	<b>\$ 258.5</b>
<b>Total shareholders' equity</b>	<b>\$ 1,211.6</b>	<b>\$ 1,100.4</b>

#### Cash and cash equivalents

The Company ended the second quarter of 2022 with cash and cash equivalents on hand of \$310.7 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 \$15.0 million compared to December 31, 2021, primarily as 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. 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.

#### Inventory

The increase in inventory is largely due to higher stockpile ending balances, coupled with 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 increased due to additions of \$124.4 million in the first half of 2022, partially offset by depreciation of \$105.7 million and a decrease in closure and rehabilitation costs on decommissioning liabilities of \$3.6 million. See Table 11 for a breakdown of capital expenditures during the first half of 2022.

## Other assets

The other assets balance includes accounts receivable, prepaid expenses, advances and deposits and the mark to market adjustment on derivative instruments. The increase in other assets is primarily due to gold contract derivative assets. 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 per oz (or at a weighted average price of \$1,921 per oz). Based on gold forward prices as at June 30, 2022, the estimated asset related to the contracts of \$8.8 million has been recognized - \$6.5 million in current assets and \$2.3 million in non-current assets.

## 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 \$2.8 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 the 7.5% Mexican mining royalty of \$30.3 million paid in the first quarter of 2022 in respect of 2021, and corporate income tax payments of \$39.3 million, partially offset by income tax expense of \$61.6 million.

## Other Liabilities

Other liabilities include lease obligations of which \$2.6 million is in current liabilities and \$1.8 million in non-current liabilities.

## DEBT FINANCING

### 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 million revolving debt facility (the "Revolving Facility"). The Revolving Facility remains undrawn as at June 30, 2022. 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 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 million 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 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 June 30, 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](http://www.sedar.com).

The Company is in the advanced stages of extending and increasing the available credit facilities (the “Refinanced Credit Facilities”) with a syndicate of international banks. It is expected that the Refinanced Credit Facilities will be executed in Q3 2022 and provide the Company with a total of \$250 million in available credit with a maturity date in 2025.

## LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at June 30, 2022 were \$1,433.4 million (December 31, 2021 - \$1,358.9 million), which includes \$310.7 million in cash and cash equivalents (December 31, 2021 - \$255.7 million).

Net cash generated from operating activities before changes in non-cash operating working capital balances was \$180.2 million during the first half of 2022, compared to \$177.6 million during the first half of 2021. The increase in net cash generated from operating activities before changes in non-cash operating working capital balances of \$2.6 million is largely due to a higher average realized gold price and less income taxes paid, partially offset by lower oz of gold sold.

Net cash used in investing activities during the first half of 2022 were \$115.9 million compared to \$84.4 million during the first half of 2021. Net cash used in investing activities 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 is expected to increase relative to prior levels.

Net cash used in financing activities for the six months ended June 30, 2022 primarily related to lease payments (\$1.5 million) and interest paid (\$0.9 million). The net cash used in financing activities for the comparative period related to the full repayment of the 2019 Debt Facility of \$40.0 million, leases paid of \$1.2 million, interest paid of \$0.9 million and transaction costs related to the TARCA of \$0.5 million.

The Company does not currently have any debt outstanding and has \$150.0 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 31, 2022. The Company expects to fund the development of the Media Luna Project and its exploration plans using available liquidity, forecasted future cash flow, and a prudent level of debt in the range of \$250 million to \$300 million, including the Refinanced Credit Facilities. The Company continues to assess alternatives including the high yield market, assuming favourable market conditions and pricing.

As at June 30, 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. In July 2022, the Company paid \$5.8 million for the 2.5% royalty relating to the second 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.

Production for the second half of 2022 is expected to be comparable to production achieved in the first half of 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 during the first half of 2022 was impacted by payment of the Mexican based mining tax and 0.5% royalty of \$34.6 million in respect of 2021. Production in the second quarter of 2022 was higher than production during the first quarter of 2022 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.

## Contractual Commitments

Table 8.

<i>In millions of U.S. dollars</i>	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	Greater than 5 years
Operating commitments <sup>1</sup>	\$ 142.0	142.0	-	-	-
Capital commitments <sup>1</sup>	\$ 106.8	92.2	14.6	-	-
Accounts payable and accrued liabilities	\$ 95.5	95.5	-	-	-
Lease obligations	\$ 4.8	2.9	1.2	0.5	0.2
<b>Total</b>	<b>\$ 349.1</b>	<b>332.6</b>	<b>15.8</b>	<b>0.5</b>	<b>0.2</b>

1. Certain contractual commitments may contain cancellation clauses; however, the Company discloses its commitments based on management's intent to fulfill the contracts.

## OUTSTANDING SHARE DATA

Table 9.

Outstanding Share Data as of August 2, 2022	Number
Common shares	85,843,808
Share purchase options <sup>1</sup>	51,545
Restricted share units <sup>2, 3</sup>	426,514
Performance share units <sup>4</sup>	461,798

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 financial 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 standardized meaning under IFRS and as such, 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 standardized meaning under IFRS and as such, 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 and amortization 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 10.

		Three Months Ended			Six Months Ended	
		Jun 30, 2022	Mar 31, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
<i>In millions of U.S. dollars, unless otherwise noted</i>						
Gold sold	oz	123,363	108,012	111,424	231,375	240,443
<b>Total cash costs per oz sold</b>						
Production costs and royalties	\$	91.6	85.8	74.6	177.4	151.0
Less: Silver sales	\$	(0.7)	(0.7)	(0.4)	(1.4)	(1.1)
Less: Copper sales	\$	(4.2)	(4.3)	(3.2)	(8.5)	(4.1)
Total cash costs	\$	86.7	80.8	71.0	167.5	145.8
Total cash costs per oz sold	\$/oz	703	748	637	724	606
<b>All-in sustaining costs per oz sold</b>						
Total cash costs	\$	86.7	80.8	71.0	167.5	145.8
General and administrative costs <sup>1</sup>	\$	5.0	7.8	6.6	12.8	14.5
Reclamation and remediation costs	\$	1.2	1.4	1.1	2.6	2.3
Sustaining exploration costs expensed	\$	-	-	1.2	-	2.0
Sustaining capital expenditure <sup>2</sup>	\$	19.5	21.7	20.0	41.2	45.5
Total all-in sustaining costs	\$	112.4	111.7	99.9	224.1	210.1
Total all-in sustaining costs per oz sold	\$/oz	911	1,034	897	969	874

- This amount excludes a gain of \$2.2 million, loss \$0.4 million and gain of \$1.6 million for the three months ended June 30, 2022, March 31, 2022, and June 30, 2021, respectively, and a gain of \$1.8 million and gain of \$4.3 million for the six months ended June 30, 2022 and June 30, 2021, respectively, in relation to the remeasurement of share-based payments. This amount also excludes corporate depreciation and amortization expenses totalling nil, \$0.1 million and \$0.1 million for the three months ended June 30, 2022, March 31, 2022, and June 30, 2021, respectively, \$0.1 million and \$0.2 million for the six months ended June 30, 2022 and June 30, 2021, respectively, recorded within general and administrative costs. Included in general and administrative costs is share-based compensation expense in the amount of \$0.8 million or \$6/oz for the three months ended June 30, 2022, \$1.8 million or \$16/oz for the three months ended March 31, 2022, \$1.4 million or \$13/oz for the three months ended June 30, 2021, \$2.6 million or \$11/oz for the six months ended June 30, 2022 and \$3.6 million or \$15/oz for the six months ended June 30, 2021.
- Before changes in net working capital, capital expenditures for the three and six months ended June 30, 2022 totalled \$63.2 million and \$114.0 million, respectively, including lease payments of \$0.9 million and \$1.5 million, respectively. Sustaining capital expenditures of \$19.5 million and \$41.2 million in the three and six months ended June 30, 2022, respectively, are related to \$7.9 million and \$24.0 million, respectively, for the cash component of capitalized stripping activities, and \$11.6 million and \$17.2 million, respectively, for sustaining equipment and infrastructure expenditures. Non-sustaining capital expenditures of \$40.5 million and \$70.6 million for the three and six months ended June 30, 2022, respectively, 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 11.

		Three Months Ended			Six Months Ended	
		Jun 30, 2022	Mar 31, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
<i>In millions of U.S. dollars</i>						
Sustaining	\$	11.6	5.6	7.7	17.2	14.9
Capitalized Stripping	\$	7.9	16.1	12.3	24.0	30.6
Non-sustaining	\$	5.0	5.7	7.8	10.7	15.3
Total ELG	\$	24.5	27.4	27.8	51.9	60.8
Media Luna Project	\$	29.6	18.5	23.3	48.1	36.0
Media Luna Infill Drilling/Other	\$	5.9	5.9	7.0	11.8	12.3
Other & Working Capital Changes	\$	(7.5)	13.5	2.2	6.0	6.4
Capital expenditures <sup>1</sup>	\$	52.5	65.3	60.3	117.8	115.5

- 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 Gold Price and Total Cash Costs Margin

Average realized gold price and total cash costs margin per oz of gold sold are non-GAAP financial measures that do not have a standardized 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 gold price is calculated as revenue per the Statements 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 gold price per oz of gold sold, less total cash costs per oz of gold sold.

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

Table 12.

		Three Months Ended			Six Months Ended	
		Jun 30, 2022	Mar 31, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
<i>In millions of U.S. dollars, unless otherwise noted</i>						
Gold sold	oz	<b>123,363</b>	108,012	111,424	<b>231,375</b>	240,443
Revenue	\$	<b>235.0</b>	207.7	205.9	<b>442.7</b>	437.1
Less: Silver sales	\$	<b>(0.7)</b>	(0.7)	(0.4)	<b>(1.4)</b>	(1.1)
Less: Copper sales	\$	<b>(4.2)</b>	(4.3)	(3.2)	<b>(8.5)</b>	(4.1)
Less: Realized loss on Gold Contracts	\$	-	-	-	-	(0.2)
Total proceeds	\$	<b>230.1</b>	202.7	202.3	<b>432.8</b>	431.7
Total average realized gold price	\$/oz	<b>1,865</b>	1,876	1,816	<b>1,871</b>	1,795
Less: Total cash costs	\$/oz	<b>703</b>	748	637	<b>724</b>	606
Total cash costs margin	\$/oz	<b>1,162</b>	1,128	1,179	<b>1,147</b>	1,189
Total cash costs margin	%	<b>62</b>	60	65	<b>61</b>	66

## 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 standardized 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 Statements 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 gold 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 13.

		Three Months Ended			Six Months Ended	
		Jun 30, 2022	Mar 31, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
<i>In millions of U.S. dollars, unless otherwise noted</i>						
Gold sold	oz	<b>123,363</b>	108,012	111,424	<b>231,375</b>	240,443
Revenue	\$	<b>235.0</b>	207.7	205.9	<b>442.7</b>	437.1
Less: Silver sales	\$	<b>(0.7)</b>	(0.7)	(0.4)	<b>(1.4)</b>	(1.1)
Less: Copper sales	\$	<b>(4.2)</b>	(4.3)	(3.2)	<b>(8.5)</b>	(4.1)
Less: Realized loss on Gold Contracts	\$	-	-	-	-	(0.2)
Less: All-in sustaining costs	\$	<b>(112.4)</b>	(111.7)	(99.9)	<b>(224.1)</b>	(210.1)
All-in sustaining costs margin	\$	<b>117.7</b>	91.0	102.4	<b>208.7</b>	221.6
Total all-in sustaining costs margin	\$/oz	<b>954</b>	841	919	<b>902</b>	922
Total all-in sustaining costs margin	%	<b>50</b>	44	50	<b>47</b>	51

### Adjusted Net Earnings

Adjusted net earnings and adjusted net earnings per share (basic and diluted) are non-GAAP financial measures that do not have a standardized 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, change in 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 14.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended			Six Months Ended	
		Jun 30, 2022	Mar 31, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
Basic weighted average shares outstanding	shares	<b>85,840,954</b>	85,797,699	85,718,019	<b>85,819,446</b>	85,680,464
Diluted weighted average shares outstanding	shares	<b>86,115,071</b>	86,091,564	86,198,022	<b>86,095,060</b>	86,158,780
Net income	\$	<b>70.3</b>	40.0	60.7	<b>110.3</b>	115.7
Adjustments:						
Unrealized foreign exchange loss (gain)	\$	<b>0.4</b>	(1.0)	(2.0)	<b>(0.6)</b>	(2.9)
Change in unrealized gains and losses on derivative contracts	\$	<b>(17.0)</b>	8.2	(1.2)	<b>(8.8)</b>	(5.4)
Remeasurement of share-based payments	\$	<b>(2.2)</b>	0.4	(1.6)	<b>(1.8)</b>	(4.3)
Tax effect of above adjustments	\$	<b>5.7</b>	(2.3)	1.4	<b>3.4</b>	3.8
Tax effect of currency translation on tax base	\$	<b>(0.2)</b>	(8.1)	(9.9)	<b>(8.3)</b>	(2.2)
Adjusted net earnings	\$	<b>57.0</b>	37.2	47.4	<b>94.2</b>	104.7
Per share - Basic	\$/share	<b>0.66</b>	0.43	0.55	<b>1.10</b>	1.22
Per share - Diluted	\$/share	<b>0.66</b>	0.43	0.55	<b>1.09</b>	1.22

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

EBITDA and Adjusted EBITDA are non-GAAP financial measures that do not have a standardized meaning under IFRS and as such, 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, change in 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 15.

<i>In millions of U.S. dollars</i>	Three Months Ended			Six Months Ended	
	Jun 30, 2022	Mar 31, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
Net income	\$ 70.3	40.0	60.7	110.3	115.7
Finance (income) costs, net	\$ (0.3)	0.4	-	0.1	(0.2)
Depreciation and amortization <sup>1</sup>	\$ 48.1	46.4	45.3	94.5	101.0
Current income tax expense	\$ 37.0	24.6	31.2	61.6	68.0
Deferred income tax expense (recovery)	\$ 0.8	(8.3)	(10.3)	(7.5)	(4.9)
EBITDA	\$ 155.9	103.1	126.9	259.0	279.6
Adjustments:					
Change in unrealized gains and losses on derivative contracts	\$ (17.0)	8.2	(1.2)	(8.8)	(5.4)
Unrealized foreign exchange loss (gain)	\$ 0.4	(1.0)	(2.0)	(0.6)	(2.9)
Remeasurement of share-based payments	\$ (2.2)	0.4	(1.6)	(1.8)	(4.3)
Adjusted EBITDA	\$ 137.1	110.7	122.1	247.8	267.0

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

### Free cash flow

Free cash flow is a non-GAAP financial measure with no standardized meaning under IFRS and as such, 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 16.

<i>In millions of U.S. dollars</i>	Three Months Ended			Six Months Ended	
	Jun 30, 2022	Mar 31, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
Net cash generated from operating activities	\$ 126.9	46.7	82.4	173.6	147.6
Less:					
Additions to property, plant and equipment <sup>1</sup>	\$ (52.5)	(65.3)	(60.3)	(117.8)	(115.5)
Interest paid	\$ (0.4)	(0.5)	(0.2)	(0.9)	(0.9)
Free cash flow	\$ 74.0	(19.1)	21.9	54.9	31.2

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 financial measure with no standardized meaning under IFRS and as such, 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 17.

<i>In millions of U.S. dollars</i>		Jun 30, 2022	Mar 31, 2022	Jun 30, 2021
Cash and cash equivalents	\$	310.7	237.0	196.0
Less: Lease obligations	\$	(4.4)	(3.6)	(4.5)
Net cash	\$	306.3	233.4	191.5

### Unit Cost Measures

Unit cost measures are non-GAAP financial 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 18.

<i>In millions of U.S. dollars, unless otherwise noted</i>	Three Months Ended						Six Months Ended			
	Jun 30, 2022		Mar 31, 2022		Jun 30, 2021		Jun 30, 2022		Jun 30, 2021	
Gold sold (oz)	123,363		108,012		111,424		231,375		240,443	
Tonnes mined - open pit (kt)	8,947		10,019		9,724		18,966		20,965	
Tonnes mined - underground (kt)	144		114		130		258		253	
Tonnes processed (kt)	1,124		1,134		1,091		2,258		2,202	
<b>Total cash costs:</b>										
Total cash costs (\$)	86.7		80.8		71.0		167.5		145.8	
Total cash costs per oz sold (\$)	703		748		637		724		606	
<b>Breakdown of production costs</b>										
	\$	\$/t	\$	\$/t	\$	\$/t	\$	\$/t	\$	\$/t
Mining - open pit	27.4	3.06	25.7	2.57	24.7	2.54	53.1	2.80	50.8	2.42
Mining - underground	12.0	83.64	9.8	86.14	10.4	79.92	21.8	84.74	19.8	78.33
Plant	38.2	33.95	37.2	32.77	41.9	38.37	75.3	33.35	77.1	35.00
Site support	12.4	11.02	11.0	9.66	11.9	10.95	23.3	10.34	22.4	10.19
Mexican profit sharing (PTU)	5.7	5.08	8.1	7.16	(2.1)	(1.96)	13.8	6.13	7.7	3.51
Capitalized stripping	(7.9)		(16.1)		(12.3)		(24.0)		(30.6)	
Inventory movement	(4.6)		2.7		(6.3)		(1.9)		(10.4)	
Other	1.3		1.2		0.2		2.5		0.8	
Production costs	84.5		79.6		68.4		164.1		137.8	

## ADDITIONAL IFRS FINANCIAL MEASURES

The Company has included the additional IFRS measures “Earnings from mine operations” and “Cash generated from operating activities before changes 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 changes 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.

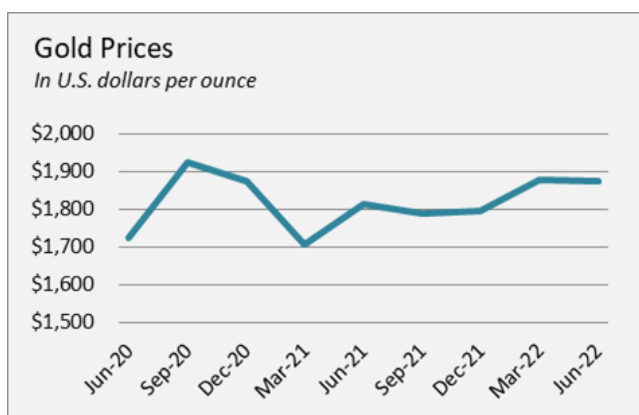
**Table 19.**

		Three Months Ended		Six Months Ended	
		Jun 30, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
<b>Average market spot prices<sup>1</sup></b>					
Gold	\$/oz	1,876	1,814	1,881	1,806
<b>Closing market exchange rates<sup>2</sup></b>					
Mexican peso : U.S. dollar	Peso : \$	20.1	19.9	20.1	19.9
Canadian dollar : U.S. dollar	C\$ : \$	1.29	1.24	1.29	1.24
<b>Average market exchange rates<sup>2</sup></b>					
Mexican peso : U.S. dollar	Peso : \$	20.1	20.0	20.3	20.2
Canadian dollar : U.S. dollar	C\$ : \$	1.28	1.23	1.27	1.25

1. Source: Bloomberg

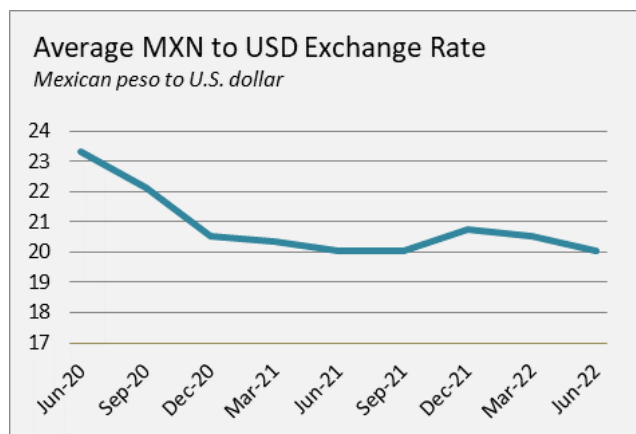
2. Sources: Bank of Mexico, Bank of Canada

## Metal prices



The Company’s profitability and operating cash flows are significantly impacted by the price of gold. From January 2022 to June 2022, based on closing prices, gold prices decreased 1%. From January 2021 to June 2021 and based on closing prices, gold prices decreased 7%. 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 per oz (or at a weighted average price of \$1,921 per oz).

## 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 half 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 20.1 and 20.0 pesos to \$1 during the three months ended June 30, 2022 and 2021, respectively, representing a depreciation of 0.2% in the Mexican peso.

## SUMMARY OF QUARTERLY RESULTS

### Quarterly Results for the Eight Most Recently Completed Quarters

Table 20.

In millions of U.S. dollars, unless otherwise noted	2022			2021			2020		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	
<b>Financial Results</b>									
Revenue	\$	<b>235.0</b>	207.7	202.0	216.7	205.9	231.2	251.6	256.5
Net income (loss)	\$	<b>70.3</b>	40.0	(0.5)	36.5	60.7	55.0	91.9	60.3
Per share - Basic	\$/share	<b>0.82</b>	0.47	(0.01)	0.43	0.71	0.64	1.07	0.71
Per share - Diluted	\$/share	<b>0.80</b>	0.46	(0.01)	0.41	0.69	0.62	1.05	0.69

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 14 of the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2022.

In the first quarter of 2022, 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 per oz.

Table 21.

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

The Company is subject to various operational, financial, compliance and other risks, uncertainties, contingencies and other factors which could materially adversely affect the Company's future business, operations, and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A and as described under the heading "Cautionary Notes".

Management monitors the principal risks and uncertainties to the Company's business, financial condition, and results of operations for new or elevated risks and supplements, when necessary, its disclosure under "Financial Risk Management" and below. Readers are cautioned that no enterprise risk management framework or system can ensure that all risks to the Company, at any point in time, are accurately identified, assessed, managed or effectively controlled and mitigated.

### Media Luna Project Development Risk

The ability of the Company to achieve its strategic growth plans is dependent, in part, on the successful development of the Media Luna Project.

Upon the Project approval received from its Board of Directors in March 2022, the Company commenced Project period development and construction activities and procurement of long-lead items. The capital expenditure and resources allocated for the development of Media Luna are expected to be significant in the next three years. Complex mine development projects such as Media Luna Project involve a high degree of uncertainty driven by factors including changes in costs and market conditions.

Currently, the activities on the south side of the river continue to advance in accordance with the plan; however, the construction timelines and costs can be impacted by a wide variety of factors, many of which are beyond the Company's control. These include, but are not limited to:

- unanticipated adverse geotechnical conditions;
- availability and performance of engineering, construction contractors, mining contractors, suppliers and consultants;
- price increase, availability concerns and logistic delays of equipment and construction materials;

- design changes;
- weather conditions and adequacy of water supply;
- accidents, labour actions and force majeure events;
- unexpected labour issues, labour shortages, strikes or community blockades;
- quality of existing infrastructure;
- availability of accommodations for the workforce;
- the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits);
- global economic and inflationary conditions.

As the Company continues to advance the Media Luna Project to mine production in the first quarter of 2024, there can be no assurance that the expected outcomes in the Feasibility Study will be successfully achieved, including the expectation that the Media Luna Project can be constructed and operated in an economically viable manner.

Mitigation measures include extensive operational and economic reviews, with a focus on Project budget, future cash flows, profitability, results of operations and the financial condition of the Company. Project oversight activities include schedule and cost tracking, along with clear execution and oversight responsibilities.

During the second quarter, the activities related to the development of the Media Luna Project continued. The Company has maintained its focus on Project execution by advancing the surface works and underground tunnels, progressing on the detailed engineering design, initiating some critical procurement activities and site preparation work.

### Liquidity Risk

The significant investment needed for the development of the Media Luna Project, along with general market conditions, and volatile metal and key consumable prices, could increase the Company's liquidity risk in the upcoming years. To mitigate this risk, management uses a rigorous planning, budgeting and forecasting process to estimate the funds the Company will need to support ongoing operations and the development of the Media Luna Project. As mentioned previously, the Company expects to fund the development of the Media Luna Project and its exploration plans using available liquidity, forecasted future cash flow, and a prudent level of debt in the range of \$250 million to \$300 million, including the Refinanced Credit Facilities. The Company continues to assess alternatives including the high yield market, assuming favourable market conditions and pricing. While the Company has implemented measures to mitigate the liquidity risk associated with its investment in Media Luna and the Company expects to conclude the financing arrangements in H2 2022 on reasonable terms, there is no assurance that such mitigation measures will be effective and that financing arrangement will be concluded.

For a comprehensive discussion of the risks faced by the Company, please refer to the Company's latest annual information form ("AIF") and Technical Report, each available under the Company's SEDAR profile on [www.sedar.com](http://www.sedar.com) and on the Company's website.

### 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 second 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 June 30, 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 SEDAR profile on [www.sedar.com](http://www.sedar.com), and is available upon request from the Company.

## Mineral Reserves for the Morelos Complex

Table 22.

	Tonnes (kt)	Au (g/t)	Ag (g/t)	Cu (%)	Au (koz)	Ag (koz)	Cu (Mlb)	AuEq (g/t)	AuEq (koz)
<b>El Limón Guajes Open Pit (ELG OP)</b>									
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
<b>Proven &amp; Probable</b>	<b>10,371</b>	<b>3.11</b>	<b>4.5</b>	<b>0.13</b>	<b>1,037</b>	<b>1,503</b>	<b>30</b>	<b>3.15</b>	<b>1,051</b>
<b>El Limón Guajes Underground (ELG UG)</b>									
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
<b>Proven &amp; Probable</b>	<b>2,675</b>	<b>5.74</b>	<b>5.9</b>	<b>0.24</b>	<b>494</b>	<b>511</b>	<b>14</b>	<b>5.81</b>	<b>500</b>
<b>Media Luna Underground (ML UG)</b>									
Proven	-	-	-	-	-	-	-	-	-
Probable	23,017	2.81	25.6	0.88	2,077	18,944	444	4.54	3,360
<b>Proven &amp; Probable</b>	<b>23,017</b>	<b>2.81</b>	<b>25.6</b>	<b>0.88</b>	<b>2,077</b>	<b>18,944</b>	<b>444</b>	<b>4.54</b>	<b>3,360</b>
<b>Surface Stockpiles</b>									
Proven	4,808	1.35	3.1	0.07	209	484	7	1.38	213
Probable	-	-	-	-	-	-	-	-	-
<b>Proven &amp; Probable</b>	<b>4,808</b>	<b>1.35</b>	<b>3.1</b>	<b>0.07</b>	<b>209</b>	<b>484</b>	<b>7</b>	<b>1.38</b>	<b>213</b>
<b>Total Morelos Complex</b>									
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
<b>Proven &amp; Probable</b>	<b>40,871</b>	<b>2.90</b>	<b>16.3</b>	<b>0.55</b>	<b>3,817</b>	<b>21,442</b>	<b>495</b>	<b>3.90</b>	<b>5,123</b>

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 23.

	Tonnes (kt)	Au (g/t)	Ag (g/t)	Cu (%)	Au (koz)	Ag (koz)	Cu (Mlb)	AuEq (g/t)	AuEq (koz)
<b>El Limón Guajes Open Pit (ELG OP)</b>									
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
<b>Measured &amp; Indicated</b>	<b>16,754</b>	<b>2.89</b>	<b>4.8</b>	<b>0.12</b>	<b>1,557</b>	<b>2,579</b>	<b>45</b>	<b>2.93</b>	<b>1,580</b>
Inferred	812	1.80	3.5	0.08	47	90	1	1.83	48
<b>El Limón Guajes Underground (ELG UG)</b>									
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
<b>Measured &amp; Indicated</b>	<b>4,551</b>	<b>6.25</b>	<b>7.4</b>	<b>0.30</b>	<b>915</b>	<b>1,088</b>	<b>30</b>	<b>6.34</b>	<b>927</b>
Inferred	1,380	4.88	6.2	0.25	217	275	8	4.95	220
<b>Media Luna Underground (ML UG)</b>									
Measured	-	-	-	-	-	-	-	-	-
Indicated	25,380	3.24	31.5	1.08	2,642	25,706	602	5.38	4,394
<b>Measured &amp; Indicated</b>	<b>25,380</b>	<b>3.24</b>	<b>31.5</b>	<b>1.08</b>	<b>2,642</b>	<b>25,706</b>	<b>602</b>	<b>5.38</b>	<b>4,394</b>
Inferred	5,991	2.47	20.8	0.81	476	3,998	106	4.05	780
<b>EPO</b>									
Measured	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-
<b>Measured &amp; Indicated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Inferred	8,019	1.52	34.6	1.27	391	8,908	225	3.97	1,024
<b>Total Morelos Complex</b>									
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
<b>Measured &amp; Indicated</b>	<b>46,685</b>	<b>3.41</b>	<b>19.6</b>	<b>0.66</b>	<b>5,114</b>	<b>29,373</b>	<b>677</b>	<b>4.60</b>	<b>6,901</b>
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 being on track to meet full year gold production and cost guidance (TCC and AISC) and guidance on sustaining capital expenditures; Media Luna's long-lead procurement and earthworks being on schedule; the guidance on non-sustaining capital expenditure for the Media Luna Project lowered being to \$170 million to \$210 million; the Company's expectation that it will conclude the Refinanced Credit Facilities on reasonable terms in Q3 2022; 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 expectation that depreciation and amortization to be in the range between \$175 million to \$200 million for 2022; the expectation that the El Limón pit expansion will add approximately 150,000 oz of gold production and extend open pit mining to the end of 2024; expectation that gold recoveries will keep improving 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; the Company's commitment to fully implement the new Global Industry Standard on Tailings Management; plan to release a standalone climate report in H2 2022, outlining the Company's approach to managing climate-related risks and opportunities as well as carbon reduction targets, that is prepared in alignment with the Taskforce on Climate-related Financial Disclosures (TCFD) framework; the main outcomes of the Media Luna Feasibility Study including the expected mine life, annual AuEq sold, mine-site AISC, revenues, mine-site EBITDA, the contribution of copper to the expected mine life, the project capital expenditure, life of mine more than triples to 11.75 years versus ELG standalone case of 3.5 years, after-tax NPV and cumulative cash flow based on certain metal price assumptions; the estimated capital remaining to complete the Media Luna Project after taking into account capital expenditures incurred to-date; with the project approval in March 2022, the expected increase in capital expenditure for Media Luna in the second half of 2022 which will peak in 2023, with continued spend in 2024 to finalize construction and commissioning; the significant potential to expand Mineral Reserves in the ELG Underground, within the broader Media Luna area, and across the entire land package; 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 in exploration; the guided expenditures for drilling programs in 2022; the objective to add new Inferred Resources through the EPO expansion drilling program of an additional 3,141 metres completed at the EPO South Extension; confirming the extension of the EPO zone to the south based on drilling results to date; EPO represents an important area for potentially adding new resources in the Media Luna cluster; confirming the continuity of the skarn and the mineralization and that the EPO area remains open to the north, south and west based on geophysics and the ongoing drilling; additional drilling completed near the main Media Luna ore body aimed to add new Inferred Resources; the objective of the ELG 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, to identify new resources in the direct down-dip and along strike extensions to current underground workings; the Infill and Step-out drilling conducted in prior years have been successful in recategorizing existing Inferred Resources to the Measured and Indicated category and defining additional mineralized material to maintain the production rates which have the potential to extend the life of the mine; the Near Mine program objective of exploring the geological potential and identifying new mineralized material in the area around the ELG Mining Complex; the underground program continuing to be focused in defining new resources in extension at depth and laterally in both the Sub-Sill and ELD deposits; at depth, within the ELG area, where 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; the longer-term exploration strategy is intended to identify and prove up sources of mill feed to extend the life of ELG and Media Luna and increase annual production post-2027.

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 Media Luna 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; ability to conclude the Refinanced Credit Facilities on reasonable terms; ability to complete additional financing, if required, on reasonable terms; 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; 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.

**August 2, 2022**