TOREX GOLD RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

(Expressed in millions of U.S. dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated statements of financial position of Torex Gold Resources Inc. (the "Company") as at December 31, 2022 and 2021 and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2022 and 2021 were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the audited annual consolidated financial statements, including responsibility for significant judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management maintains accounting systems and internal controls to produce reliable consolidated financial statements and provide reasonable assurance that assets are properly safeguarded.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board of Directors carries out this responsibility through its Audit Committee. The Audit Committee meets periodically with management and the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to recommending the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by KPMG LLP, Chartered Professional Accountants, on behalf of the shareholders. Their report follows.

"Jody Kuzenko"
Jody Kuzenko (signed)
President and Chief Executive Officer

"Andrew Snowden"
Andrew Snowden (signed)
Chief Financial Officer

February 22, 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Torex Gold Resources Inc.

OPINION

We have audited the consolidated financial statements of Torex Gold Resources Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of operations and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of uncertain income tax positions

Description of the matter

We draw attention to Notes 3(L) and 4 to the financial statements. The Entity is subject to income tax in several jurisdictions. Significant judgment is required in determining the provision for income taxes, due to the complexity of legislation. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Tax uncertainties are evaluated on the basis of whether it is probable that a tax position will ultimately be sustained upon examination by the relevant taxation authorities. Tax uncertainties are measured using the most likely amount or expected value, depending on which better predicts the resolution of the uncertainty. The assessment of uncertain tax positions requires significant judgment to assess the likelihood of whether the tax position taken by the Entity will be accepted by the taxation authority.

Why the matter is a key audit matter

We identified the evaluation of uncertain income tax positions as a key audit matter. This matter represented an area of significant risk of material misstatement. In addition, significant auditor judgment and specialized skills and knowledge were required to evaluate the Entity's assessment of the likelihood of the taxation authority accepting the tax position taken by the Entity.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We involved tax professionals with specialized skills and knowledge who assisted in evaluating the Entity's uncertain tax positions including interpretations of income tax legislation by:

- Inquiring with the Entity and inspecting internal documentation including the Entity's interpretation and evaluation of their tax filing positions
- Inspecting evaluations and opinions provided by the Entity's external tax and legal advisors
- Developing an independent assessment of the Entity's uncertain income tax positions based on our understanding and interpretation of income and other tax legislation and comparing it to the Entity's assessment.

OTHER INFORMATION

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Heather Joan Cheeseman.

Toronto, Canada
February 22, 2023

Torex Gold RESOURCES INC.

Consolidated Statements of Financial Position

Millions of U.S. dollars		**December 31, 2022**		December 31, 2021
Assets				
Current assets:				
Cash and cash equivalents	**$**	**376.0**	$	255.7
Derivative contracts (Note 11)		**5.5**		-
Value-added tax receivables (Note 8)		**43.7**		57.4
Inventory (Note 5)		**120.2**		123.3
Prepaid expenses and other current assets (Note 6)		**16.5**		17.5
		561.9		453.9
Value-added tax receivables (Note 8)		**4.5**		5.6
Other non-current assets		**4.6**		7.9
Deferred income tax assets (Note 13)		**90.4**		55.4
Property, plant and equipment (Note 7)		**931.9**		836.1
Total assets	**$**	**1,593.3**	$	1,358.9
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**132.8**	$	121.4
Income taxes payable (Note 13)		**107.9**		70.9
Lease obligations		**2.6**		2.1
		243.3		194.4
Derivative contracts (Note 11)		**2.0**		-
Other non-current liabilities (Note 15)		**4.7**		2.3
Lease obligations		**1.3**		1.2
Decommissioning liabilities (Note 12)		**40.5**		37.3
Deferred income tax liabilities (Note 13)		**11.4**		23.3
Total liabilities	**$**	**303.2**	$	258.5
Shareholders' equity:				
Share capital (Note 14)		**1,031.5**		1,030.5
Contributed surplus		**24.2**		24.3
Other reserves (Note 14)		**(56.6)**		(56.6)
Retained earnings		**291.0**		102.2
		1,290.1		1,100.4
Total liabilities and shareholders' equity	**$**	**1,593.3**	$	1,358.9

Subsequent Event (Note 11)
Commitments (Note 24)

Approved on behalf of the Board of Directors:

"Jody Kuzenko"	"Tony Giardini"
Jody Kuzenko (signed)	Tony Giardini (signed)
Director	Director

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

Torex Gold RESOURCES INC.

Consolidated Statements of Operations and Comprehensive Income

Millions of U.S. dollars, except per share amounts	Year Ended December 31, 2022		December 31, 2021	
Revenue				
Metal sales (Note 23)	**$**	**868.5**	$	855.8
Cost of sales				
Production costs		**337.1**		304.9
Royalties		**26.2**		25.6
Depreciation and amortization		**201.3**		198.8
Earnings from mine operations	**$**	**303.9**	$	326.5
General and administrative expenses (Note 15)		**24.1**		20.4
Exploration and evaluation expenses		**8.6**		7.2
Impairment loss (Notes 5 & 7)		**-**		41.2
	$	**32.7**	$	68.8
Other (income) expenses:				
Derivative gain, net (Note 11)		**(8.8)**		(3.1)
Finance (income) costs, net (Note 10)		**(5.2)**		0.8
Foreign exchange gain		**(1.3)**		(1.1)
	$	**(15.3)**	$	(3.4)
Income before income taxes		**286.5**		261.1
Current income tax expense (Note 13)		**144.6**		123.4
Deferred income tax recovery (Note 13)		**(46.9)**		(14.0)
Net income and comprehensive income	**$**	**188.8**	$	151.7
Earnings per share (Note 16)				
Basic	**$**	**2.20**	$	1.77
Diluted	**$**	**2.19**	$	1.71

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

Torex Gold RESOURCES INC.

Consolidated Statements of Changes in Shareholders' Equity

Millions of U.S. dollars, except number of common shares	Number of Common Shares	Share Capital	Contributed Surplus	Other Reserves	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance, January 1, 2021	85,531,067	$ 1,027.8	$ 24.4	$ (56.6)	$ (49.5)	$ 946.1
Exercise of stock options	15,393	0.3	(0.3)	-	-	-
Redemption of restricted share units	26,450	0.5	-	-	-	0.5
Redemption of EPSUs and ERSUs	176,273	1.9	-	-	-	1.9
Share-based compensation	-	-	0.2	-	-	0.2
Net income	-	-	-	-	151.7	151.7
Balance, December 31, 2021	85,749,183	$ 1,030.5	$ 24.3	$ (56.6)	$ 102.2	$ 1,100.4

Millions of U.S. dollars, except number of common shares	Number of Common Shares	Share Capital	Contributed Surplus	Other Reserves	Retained Earnings	Total Shareholders' Equity
Balance, January 1, 2022	**85,749,183**	**$ 1,030.5**	**$ 24.3**	**$ (56.6)**	**$ 102.2**	**$ 1,100.4**
Exercise of stock options	**5,666**	**0.1**	**(0.1)**	**-**	**-**	**-**
Redemption of restricted share units	**21,919**	**0.2**	**-**	**-**	**-**	**0.2**
Redemption of EPSUs and ERSUs	**67,040**	**0.7**	**-**	**-**	**-**	**0.7**
Net income	**-**	**-**	**-**	**-**	**188.8**	**188.8**
Balance, December 31, 2022	**85,843,808**	**$ 1,031.5**	**$ 24.2**	**$ (56.6)**	**$ 291.0**	**$ 1,290.1**

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

Torex Gold RESOURCES INC.

Consolidated Statements of Cash Flows

	Year Ended			
Millions of U.S. dollars		**December 31, 2022**		December 31, 2021
Operating activities:				
Net income for the year	**$**	**188.8**	$	151.7
Adjustments for:				
Share-based compensation expense		**4.2**		5.2
Cash settlement of share-based compensation		**(2.6)**		(2.2)
Remeasurement of share-based payments		**0.4**		(5.9)
Depreciation and amortization		**201.5**		198.7
Change in unrealized gains and losses on derivative contracts		**(3.5)**		(5.4)
Unrealized foreign exchange gain		**(1.2)**		(0.7)
Finance costs		**4.6**		3.6
Impairment loss		**-**		41.2
Income tax expense		**97.7**		109.4
Tax credit applicable to production costs		**(0.3)**		(2.5)
Income taxes paid		**(107.3)**		(127.9)
Net cash generated from operating activities before changes in non-cash operating working capital	**$**	**382.3**	$	365.2
Changes in non-cash operating working capital:				
Value-added tax receivables, net		**18.9**		(14.2)
Inventory		**1.8**		(15.7)
Prepaid expenses and other current assets		**0.8**		(3.2)
Accounts payable and accrued liabilities		**4.3**		(2.1)
Net cash generated from operating activities	**$**	**408.1**	$	330.0
Investing activities:				
Additions to property, plant and equipment		**(277.2)**		(230.4)
Borrowing costs capitalized to property, plant and equipment		**(0.4)**		(0.1)
Value-added tax receivables, net		**(2.9)**		(5.3)
Short-term investments		**-**		32.1
Net cash used in investing activities	**$**	**(280.5)**	$	(203.7)
Financing activities:				
Repayment of debt		**-**		(40.0)
Lease payments		**(3.9)**		(2.7)
Interest paid		**(1.1)**		(1.7)
Transaction costs		**(2.7)**		(0.5)
Net cash used in financing activities	**$**	**(7.7)**	$	(44.9)
Effect of foreign exchange rate changes on cash and cash equivalents		**0.4**		0.2
Net increase in cash and cash equivalents	**$**	**120.3**	$	81.6
Cash and cash equivalents, beginning of the year	**$**	**255.7**	$	174.1
Cash and cash equivalents, end of the year	**$**	**376.0**	$	255.7

Supplemental Cash Flow Information (Note 19)

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

NOTE 1. CORPORATION INFORMATION

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

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

These consolidated financial statements of the Company as at and for the years ended December 31, 2022 and 2021 include the accounts of the Company and its subsidiaries (herein referred to as "consolidated financial statements").

NOTE 2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accounting policies are consistently applied to all years presented, unless otherwise stated. These consolidated financial statements were approved for issuance by the Board of Directors on February 22, 2023.

Basis of consolidation

These consolidated financial statements comprise the financial statements of Torex and the accounts of the Company's wholly owned subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intragroup assets, liabilities, equity, revenue, expenses and cash flows relating to transactions between entities of the group have been eliminated. The Company's subsidiaries are as follows:

- 2290456 Ontario Inc.
- Caymus Holdings S.à.r.l.
- Groth Holdings S.à.r.l.
- TGRXM, S.A. de C.V.
- Minera Media Luna, S.A. de C.V. ("MML")

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

A. Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments and other items, which are measured at fair value, as explained in Note 3(G and J).

B. Foreign Currency

Functional and presentation currency

The consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Company and its subsidiaries.

Transactions in foreign currencies are translated into the Company's functional currency at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in a currency other than the U.S. dollar are translated using exchange rates prevailing at the dates of the Consolidated Statements of Financial Position. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates on the dates of the initial transactions or valuation where items are remeasured. Income and expense items are translated at the exchange rate in effect at the date of the underlying transactions, except for depreciation and amortization related to non-monetary assets and share-based payments, which are translated at historical exchange rates. Exchange rate differences are recognized in the Consolidated Statements of Operations and Comprehensive Income in the period in which they arise. The impact of foreign exchange on deferred income taxes is recognized in income tax expense.

C. Exploration and Evaluation Expenditures and Development Costs

Exploration costs include costs directly related to exploration and evaluation activities in the area of interest, including near mine exploration. Exploration and evaluation expenditures are expensed in the Consolidated Statements of Operations and Comprehensive Income until the determination of the technical feasibility and commercial viability of a project. To determine whether technical feasibility and commercial viability of extracting a mineral resource exists, the Company considers various factors. Once the above determination has been completed, subsequent development expenses are capitalized in mineral properties. Expenditures to develop mineral properties, including engineering to design the size and scope of the project, environmental assessment and permitting, and surface rights acquisitions are capitalized in mineral properties or construction in progress. Expenditures related to activities focused on mineral reserve and mineral resource extension and infill drilling, are capitalized.

The development stage ends and the production stage begins when the mine is in the condition necessary for it to be capable of operating in the manner intended by management. To assess when the mine is substantially complete and ready for its intended use, certain of the criteria considered include the following:

- Substantial completion of the construction activities;
- The level of capital expenditures in relation to the project budget;
- Producing saleable material;
- Completion of a reasonable period of testing of the plant and equipment in the mine and/or mill;
- Achieving a certain level of recoveries from the ore mined and processed; and
- Reaching a certain level of production and sustaining ongoing production.

Upon reaching the production stage, costs are transferred from construction in progress into the appropriate asset classes including mineral property, plant and equipment, inventory, and other assets, and depreciation commences.

Development expenditures incurred during the production stage to provide access to ore reserves in future periods, expand existing capacity, or generally provide future economic benefits will be capitalized under the Company's accounting policy for property, plant and equipment.

The Company may also incur research and development costs related to new technologies. Research costs are expensed as incurred. Development expenditures related to new technologies are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of resources to complete the intangible asset; and
- The ability to reliably measure the expenditure during development.

Following the initial recognition of the development expenditure as an intangible asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for its intended use. It is amortized over the period of expected future benefit. During the period of development, the intangible asset is tested for impairment annually.

D. Property, Plant and Equipment

Mineral property

Mineral property acquisition costs are capitalized as mineral property, which is included in property, plant and equipment in the Consolidated Statements of Financial Position.

Included within mineral property are capitalized stripping costs, related to open pit mining operations. In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of removing overburden and waste materials is referred to as stripping. Prior to the commencement of the production phase, stripping costs are capitalized as part of mineral properties. Stripping costs incurred during the production stage are included in the cost of inventory produced during the period unless the costs are expected to provide a future economic benefit to an identifiable component of the ore body, in which case the costs are capitalized within property, plant and equipment as mineral property. Capitalized stripping costs are calculated by multiplying the stripping tonnes to be capitalized during the period by the current mining cost per tonne.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Underground mine development costs are capitalized to property and equipment when they are expected to have future economic benefit for a period greater than one year. Activities that are typically capitalized include costs incurred to build shafts, drifts, ramps and access corridors, which enable the Company to extract ore underground. The amount of development capitalized is calculated by multiplying the metres of development advanced to be capitalized during the period by the current development cost per metre.

Capitalized interest costs for qualifying assets are included within property and equipment. Qualifying assets are assets that require a significant amount of time to get ready for their intended use, including projects that are in the development or construction stages. Capitalized interest costs are considered an element of the cost of the qualifying asset. Capitalization ceases when the asset is available for use in the manner intended by management or if active development is suspended or ceases. Where the funds used to finance a qualifying asset form part of

general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the general borrowings during the year. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalized represents the borrowing costs specific to the qualifying asset. Borrowing costs capitalized to property, plant and equipment are presented as part of investing activities in the Consolidated Statements of Cash Flows.

Depreciation and amortization

Upon commencement of production, mineral property costs are depreciated on a unit-of-production basis over the estimated life of the asset to which they relate. The useful life of the mineral property (excluding capitalized stripping costs) is determined with reference to its proven and probable reserves. Identified resource material may also be included in depreciation calculations where there is a high degree of confidence in its economic extraction. Capitalized stripping costs are amortized using the unit-of-production method over the estimated proven and probable reserves to which they relate. Capitalized underground mine development costs are amortized using the unit-of-production method over the estimated proven and probable reserves.

The cost of property, plant and equipment, less their residual value (if any), is depreciated over the shorter of the estimated economic useful life of the asset on a straight-line basis or on a unit-of-production basis over the remaining life of the mine with reference based on proven and probable reserves, and a portion of indicated resources where there is a high degree of confidence in its economic extraction. The useful lives of the Company's property, plant and equipment depreciated on a straight-line basis are as follows:

Machinery and equipment	7 to 10 years
Vehicles	4 years
Computer hardware and software	3 years
Office equipment and furniture	5 years
Leasehold improvements	Term of lease
Right-of-use assets	Term of lease

Where components of an item of property, plant and equipment have different useful lives or for which different depreciation rates would be appropriate, they are accounted for as separate items of property, plant and equipment.

Amortization of equipment used for development activities is included in construction in progress until the project enters the production stage.

The Company recognizes major long-term spare parts and standby equipment as plant and equipment when the parts and equipment are significant and are expected to be used over a period greater than a year. Major inspections and overhauls required at regular intervals over the useful life of an item of plant and equipment are recognized in the carrying amount of the related item if the inspection or overhaul provides benefit exceeding one year.

An item of property, plant and equipment is derecognized upon disposal, replacement or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statements of Operations and Comprehensive Income when the asset is derecognized.

E. Leasing Arrangements

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For short-term leases and leases of low-value assets, the Company recognizes the lease

payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, and any initial direct costs and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. Depreciation starts at the commencement date of the lease. The lease term is the non-cancellable period of a lease, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option.

The right-of-use assets are presented in property, plant and equipment in the Consolidated Statements of Financial Position.

F. Impairment of Non-Current Assets

The carrying amount of the Company's non-current, non-financial assets (which include mineral property, plant and equipment, and right-of-use assets) are reviewed for impairment at each reporting date for events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, or "CGUs"). The Company has one CGU pertaining to the Mexican operations. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the CGU to which the asset belongs.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may be reduced. If it has been determined that the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount to a maximum of the carrying amount that would have been determined had no impairment loss been recognized in prior periods. An impairment reversal is recognized in the Consolidated Statements of Operations and Comprehensive Income.

G. Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company's financial assets include cash and cash equivalents, short-term investments, trade receivables, and derivative contracts. Cash and cash equivalents include cash and other highly liquid investments, such as term deposits with major financial institutions, which have a term to maturity of three months or less at the time of acquisition and are readily convertible to specified amounts of cash. The Company's financial liabilities include

accounts payable and accrued liabilities, derivative contracts and debt (excluding lease liabilities). The Company classifies its financial instruments in the following categories:

Financial Assets at Amortized Cost – Assets that are held for collection of contractual cash flows include cash and cash equivalents and trade receivables and are measured at amortized cost. The Company's intent is to hold these financial assets until there is a need to utilize the cash and cash equivalents. Cash and cash equivalents and trade receivables are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at amortized cost. Financial assets are reviewed at each period end for impairment.

Financial Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at fair value through profit or loss ("FVTPL"), or the Company has opted to measure them at FVTPL. Debt and accounts payable and accrued liabilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial Assets and Liabilities at FVTPL – Financial assets and liabilities at FVTPL are initially recognized at fair value with changes to fair value recognized in the Consolidated Statements of Operations and Comprehensive Income.

Financial assets and liabilities are classified as current if receipt or payment is expected within 12 months and in the case of liabilities when the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, they are presented as non-current.

Derecognition and modification of debt

The Company derecognizes debt instruments when the Company's obligations are discharged, cancelled or have expired.

When a debt instrument is restructured or refinanced and the terms have been substantially modified, the transaction is accounted for as an extinguishment with a gain or loss recognized in the Consolidated Statements of Operations and Comprehensive Income. When a modification is not substantial, the difference in present value arising as a result of such a non-substantial modification is recognized in the Consolidated Statements of Operations and Comprehensive Income. Fees and transaction costs related to a non-substantial modification are recognized as an adjustment to the carrying amount of the liability.

Management takes into account both quantitative and qualitative factors in assessing whether terms have been substantially modified, and often judgment is required in conducting the assessment. Terms are considered to have been substantially modified when the net present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, differs by at least 10% from the present value of the remaining cash flows under the original terms. If the difference in the present values of the cash flows is less than 10%, then a qualitative assessment is performed to determine whether the terms of the two instruments are substantially different. The purpose of a qualitative assessment is to identify substantial differences in terms that by their nature are not captured by a quantitative assessment.

In determining whether the terms of a debt arrangement have been substantially modified, management considers several factors, including, but not limited to, covenants, restrictions on use of proceeds, lender borrowing capacity for revolving debt, and other changes that are not otherwise considered in the quantitative analysis.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Consolidated Statements of Financial Position, only if there is an enforceable legal right to offset the recognized amounts and the intention is to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Derivative instruments and hedge accounting

The Company may enter into derivative instruments to mitigate economic exposures to commodity price, interest rates and currency exchange rate fluctuations. Where the Company elects to use hedge accounting, the Company formally documents relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking all derivatives to specific assets and liabilities recognized or forecasted transactions. At the inception of the hedge and on an ongoing basis, the Company assesses whether the derivative hedge instruments that are used in the hedging relationship are highly effective in offsetting changes in fair values of cash flows of the hedged items.

Derivative instruments are classified as either hedges of highly probable forecasted transactions (“cash flow hedges”) or non-hedge derivatives.

Cash Flow Hedges – In order to achieve hedge accounting, the expected cash flows from derivative hedging instruments should offset the cash flows from the transactions being hedged. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value is recognized in other comprehensive income, net of tax. Any ineffective portion of a hedge relationship is recognized immediately in the Consolidated Statements of Operations and Comprehensive Income. The amounts accumulated in other comprehensive income are reclassified to the Consolidated Statements of Operations and Comprehensive Income when the underlying hedged transaction, identified at contract inception, affects profit or loss other than when the forecasted transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, in which case the gains and losses previously deferred in other comprehensive income are transferred and included in the measurement of the initial carrying amount of the asset or liability.

When derivative contracts designated as cash flow hedges are terminated, expired, sold, or no longer qualify for hedge accounting, hedge accounting is discontinued prospectively. Any amounts recorded in other comprehensive income up until the time the contracts do not qualify for hedge accounting remain in other comprehensive income. Amounts recognized in other comprehensive income are recognized in the Consolidated Statements of Operations and Comprehensive Income in the period in which the hedged item affects profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

If the forecasted transaction is no longer expected to occur, then the amounts accumulated in other comprehensive income are reclassified to the Consolidated Statements of Operations and Comprehensive Income immediately.

As at December 31, 2022, the Company has no outstanding fair value or cash flow hedges.

Non-hedge Derivatives – Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as FVTPL and measured at fair value with gains or losses arising from changes in the fair value recorded in the Consolidated Statements of Operations and Comprehensive Income in the period they occur. Fair values for derivative instruments classified as FVTPL are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

The Company assesses whether a contract contains embedded derivatives when it becomes party to the contract. Embedded derivatives identified in financial liabilities or non-financial instrument contracts are recognized separately unless they are considered to be closely related to the host contract. Embedded derivatives that are separated from their host contracts are recorded in the Consolidated Statements of Financial Position at fair value, and mark-to-market adjustments on these instruments are included in the Consolidated Statements of Operations and Comprehensive Income.

Derivative assets and liabilities are shown separately in the Consolidated Statements of Financial Position unless there is a legal right to offset and intent to settle on a net basis. Derivative instruments are classified as current or non-current assets or liabilities in the Consolidated Statements of Financial Position, depending on their contractual maturity dates.

H. Inventory

Inventory classifications include stockpiled ore, in-circuit, finished goods and materials and supplies. The value of all production inventory is measured on a weighted average basis and includes direct production costs and attributable overhead and depreciation incurred to bring the materials to their current point in the processing cycle. Inventory is valued at the lower of cost and net realizable value, with net realizable value determined with reference to market prices, less estimated future production costs (including royalties) to convert inventory into saleable form.

(i) Stockpiled ore represents unprocessed ore that has been mined and is available for future processing. Stockpiled ore is measured by estimating the number of tonnes added to or removed from the stockpile, the number of estimated contained ounces and the estimated gold recovery percentage. Stockpile ore tonnages are verified by periodic surveys. Stockpiled ore value is based on the costs incurred (including applicable overhead and depreciation) in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs and are removed at the average cost in the stockpile.

(ii) In-circuit represents material that is currently being treated in the processing plant to extract the contained gold and to transform it to a saleable form. The in-circuit inventory is valued at the average of the beginning inventory and the costs of material fed into the processing stream plus in-circuit conversion costs, including applicable overhead, and depreciation related to the processing facilities.

(iii) Finished goods inventory is saleable goods in the form of doré bars that have been poured, gold bullion, and carbon fines shipped to the refiner. Included in the costs are the direct costs of mining and processing operations as well as overhead and depreciation.

(iv) Materials and supplies inventory consists mostly of equipment parts and other consumables required in the mining and ore processing activities. Materials and supplies inventory is valued at the lower of weighted average cost and net realizable value.

Any write-downs of inventories to net realizable value or reversals of previous write-downs are recognized in the Consolidated Statements of Operations and Comprehensive Income in the period that the write-down or reversal occurs.

I. Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effect.

J. Share-based Payments

The Company has three share-based compensation plans: the Stock Option Plan (the "SOP Plan"), the Employee Share Unit Plan (the "ESU Plan"), and the Restricted Share Unit Plan (the "RSU Plan"). The Company measures share-based awards based on the fair value of the options or units on the date of grant. Awards that the Company intends to settle through the issuance of common shares are expensed over the vesting period based on the grant date fair value and are not remeasured. Awards that may be settled in cash are accounted for using the liability method whereby they are subsequently remeasured at fair value at each reporting date until the awards are settled, with fair value changes recognized in the Consolidated Statements of Operations and Comprehensive Income within general and administrative expenses.

SOP Plan

The fair value of options granted under the SOP Plan is measured at grant date using generally accepted valuation techniques, taking into account the terms and conditions upon which the options are granted. The expected volatility is estimated based on the historical and implied volatility of the Company's share price. The estimated fair value of the options is amortized using graded vesting, over the period in which the options vest or immediately at grant date for those that vest immediately. Any consideration paid by the option holder on the exercise of stock options is credited to share capital, together with the related share-based compensation originally recorded in contributed surplus. Under the SOP Plan, a participant may elect a cashless exercise and have the Company satisfy the settlement of the in-the-money amount by issuing common shares.

ESU Plan

The Company has an ESU Plan to provide Employee Performance Share Units ("EPSUs") and Employee Restricted Share Units ("ERSUs") to participants in the plan as a form of remuneration. Subject to adjustment in accordance with the ESU Plan, an EPSU or ERSU represents the right to receive a common share of the Company at vesting, or at the election of the participant and subject to the consent of the Company, the cash equivalent of a common share less applicable withholdings. The number of EPSUs that will ultimately vest is determined by multiplying the number of EPSUs granted to the participant by an adjustment factor, which ranges from 0 to 2.0. Therefore, the number of EPSUs that will vest and be issued may be higher or lower than the number of EPSUs originally granted to a participant. The adjustment factor is based on the Company's total shareholder return relative to a selected group of comparable companies over the term of the applicable EPSU performance period. Under the terms of the ESU Plan, the Board of Directors is authorized to determine the adjustment factor.

The vesting terms and initial fair value of EPSUs and ERSUs granted are specific to each individual grant. The number of units granted and vesting terms are approved by the Board of Directors. The initial fair value of the EPSUs is determined using a Monte-Carlo simulation. The initial fair value of the ERSUs is determined using the closing price of the common shares on the Toronto Stock Exchange on the business day immediately prior to the grant date.

Awards granted under the ESU Plan are settled in shares, unless a participant elects a cash settlement, subject to the consent of the Company. ESU Plan awards are accounted for as cash-settled awards and are, therefore, revalued to fair value at each period end.

RSU Plan

The Company has an RSU Plan to provide common shares to participants in the plan as a form of remuneration.

Each RSU has the same value as one common share at the date of measurement based on the prior day's closing price. The vesting terms for RSUs granted are specific to each individual grant as determined by the Board of

Directors. The fair value of the RSUs is expensed over the vesting period specific to the grant or at grant date for those that vest immediately.

An amendment was made to the RSU Plan in January 2019 that allows participants to elect, subject to the Company's consent, cash settlement. A liability is recognized for the fair value of the outstanding RSUs at each reporting date, with changes in fair value recognized in general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income.

K. Revenue Recognition

Revenue includes sales of refined gold and by-products (silver, copper precipitate and carbon fines). Revenue is recognized upon the transfer of control over goods to the customer.

For sales of gold bullion, control generally transfers to the customer when the gold bullion is sold to the customer on the trade date for spot sales.

Sales of copper precipitate are recognized upon shipment when control passes to the customer, based on analysis of the significant rights and obligations of ownership. These contracts are provisionally priced and sales prices are subject to final adjustment at the end of a future period after shipment, based on quoted market prices during the quotational period specified in the contract (generally three to five months after delivery to the customer). Revenue from provisionally priced sales is initially recorded at the estimated fair value of the consideration that is expected to be ultimately received based on forecast reference prices. The Company's revenue based on a provisional price contains an embedded derivative and the amounts receivable are adjusted to fair value through revenue each period prior to final settlement. The Company also adjusts estimated metal quantities used in computing provisional sales using final assay values, and these adjustments are included in revenue. A provisional payment is generally due upon delivery of the copper precipitate to the customer. Final payment is due upon final settlement of price and quantity with the customer.

L. Income Taxes

Income tax expense is composed of current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current income tax

Current income tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred income tax

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investment in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and the Company is able to control the timing of the reversal of the temporary differences. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences if it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

M. Earnings per Share

Basic earnings per share is calculated by dividing the earnings for the period by the weighted average number of common shares issued and outstanding during the period. Diluted earnings per share is calculated using the treasury stock method whereby proceeds deemed to be received on the exercise of options and redemption of units under the RSU and ESU Plans in the per share calculation are assumed to be used to repurchase common shares at the average market price during the period, unless the adjustment is anti-dilutive, in which case they are excluded. For diluted earnings per share, earnings for the period are adjusted for gains (if any) on remeasurement of share-based payments, net of tax.

N. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. These provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax risk-free rate. The increase in the provision due to passage of time is recognized as interest expense.

On recognition of a provision for decommissioning liabilities, an addition is made to the asset category the provision relates to and is depreciated on a unit-of-production basis. A decommissioning liability is recognized by the Company when a legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises as a result of environmental disturbances caused by the exploration, development or ongoing production of a mineral property. Decommissioning liabilities are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk-free rate. Accretion of the liability over time is recorded in finance costs in the Consolidated Statements of Operations and Comprehensive Income. The effect of any changes to the decommissioning liability, including changes to the underlying estimates and changes in market interest rates used to discount the obligation, is added to or deducted from the cost of the related assets for an operating mine.

O. Accounting Pronouncements

New and amended standards and interpretations issued and effective:

Amendments to IAS 16, *Property, Plant and Equipment* (“IAS 16”)

Amendments to IAS 16 were issued by the IASB in May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in the

Consolidated Statements of Operations and Comprehensive Income. The Company adopted the amendments effective January 1, 2022. The application of these amendments did not have an impact on the Company's consolidated financial statements.

Recent accounting pronouncements issued but not yet effective:

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 12, *Income Taxes* ("IAS 12")

In May 2021, the IASB issued a narrow scope amendment to IAS 12. The amendment narrowed the scope of the IAS 12 recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as deferred taxes on leases and decommissioning obligations. The amendment is effective for annual periods beginning on or after January 1, 2023, and is to be applied retrospectively. The Company does not expect an impact to the consolidated financial statements as a result of the adoption effective January 1, 2023.

Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which made amendments to IAS 8. The amendments replaced the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Accounting estimates are developed if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period's Consolidated Statements of Operations and Comprehensive Income, or the Consolidated Statements of Operations and Comprehensive Income of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. The amendments apply for annual periods beginning on or after January 1, 2023 and early adoption is permitted. The Company does not expect a significant impact to the consolidated financial statements as a result of the adoption effective January 1, 2023.

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1")

In January 2020, the IASB issued narrow scope amendments to IAS 1. The narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the Company or events after the reporting date. The amendments are effective for annual periods beginning on or after January 1, 2024, and are to be applied retrospectively. The Company expects to adopt the amendments effective January 1, 2024 and is currently evaluating the impact of the amendments on its consolidated financial statements.

In October 2022, the IASB issued *Non-current Liabilities with Covenants* (Amendments to IAS 1) to clarify that covenants to be complied with after the reporting date for an entity's right to defer settlement of a liability do not affect the classification of the liability as current or non-current at the reporting date. These amendments aim to improve information an entity provides with regards to non-current liabilities with covenants through additional disclosures. These amendments are effective for annual reporting periods beginning on or after January 1, 2024,

with early adoption permitted. The Company will adopt the amendments effective January 1, 2024 and is currently evaluating the impact of the amendments on its consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2, *Making Material Judgements* ("IFRS Practice Statement 2")

In February 2021, the IASB issued *Disclosure of Accounting Policies*, which amends IAS 1 and IFRS Practice Statement 2. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments also clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed, and not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements. The amendment to IFRS Practice Statement 2 adds guidance and examples to the materiality practice statement, which explains how to apply the materiality process to identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted and are to be applied prospectively. The Company will adopt the amendments effective January 1, 2023 and is currently evaluating the impact of the amendments on the disclosure of accounting policies in its consolidated financial statements.

Amendments to IFRS 16, *Leases* ("IFRS 16")

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16). The amendments added subsequent measurement requirements for sale and leaseback transactions with variable payments. The amendments are effective for annual periods beginning on or after January 1, 2024. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2024 and is currently evaluating the impact of the amendments on its consolidated financial statements.

NOTE 4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates.

The areas that require management to make significant judgments, estimates and assumptions in applying the Company's accounting policies in determining carrying values include, but are not limited to:

Mineral reserves and resources

The Company estimates its mineral reserves and resources based on information compiled by qualified persons as defined in accordance with National Instrument 43-101, *Standards of Disclosure for Mineral Projects,* requirements. The estimation of mineral reserves and resources requires judgment to interpret available geological data, select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs and recovery rates. There are numerous uncertainties inherent in estimating mineral reserves and resources and assumptions that are valid at the time of estimation and may change significantly when new information becomes available. New geological data as well as changes in the above assumptions may change the economic status of reserves and resources and may, ultimately, result in the reserves and resources being revised.

Changes in the proven and probable mineral reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, inventory valuation, the calculation of depreciation expense, the capitalization of production phase stripping costs, the calculation of decommissioning liabilities, the assessment of technical feasibility and commercial viability, and recognition of deferred tax amounts.

The Company updates the Life of Mine ("LOM") plan for the Morelos Complex annually or when facts and circumstances indicate that the mineral reserves have changed, and the impact is significant. The updated LOM forms the basis for the calculation of depreciation expense, the capitalization of production phase stripping costs and decommissioning liabilities. It is also considered in the Company's assessment of indicators of impairment of property, plant and equipment.

Taxes

The Company is subject to income tax in several jurisdictions. Significant judgment is required in determining the provision for income taxes, due to the complexity of legislation. There are certain transactions and calculations for which the ultimate tax determination is uncertain. Tax uncertainties are evaluated on the basis of whether it is probable that a tax position will ultimately be sustained upon examination by the relevant taxation authority. Tax uncertainties are measured using the most likely amount or expected value, depending on which better predicts the resolution of the uncertainty. The assessment of uncertain tax positions requires significant judgment to assess the likelihood of whether the tax position taken by the Company will be accepted by the taxation authority. Where the ultimate tax determination is different from the amounts that were initially recorded, such differences can materially impact the current and deferred tax amounts recognized in the Consolidated Statements of Financial Position and the Consolidated Statements of Operations and Comprehensive Income.

Deferred income taxes

The Company has deductible tax attributes that may be carried forward to reduce tax payments in future years. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit, which is impacted by interpretation of tax laws and regulations, historic and future expected levels of taxable income, timing of reversals of taxable temporary differences, and tax planning initiatives. Future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income tax assets. The Company recognizes the deferred tax benefit related to deductible tax attributes to the extent there is sufficient evidence to support that recovery is probable.

Impairment of non-current assets

The carrying value of property, plant and equipment is reviewed at each reporting period to determine whether there is any indication of impairment. The Company evaluates both external and internal sources of information to determine if indicators of impairment exist. If indicators of impairment are identified, an impairment test is conducted.

Both internal and external sources of information are required to be considered when determining the presence of an impairment indicator or an indicator of reversal of a previous impairment. Judgment is required around significant adverse changes in the business climate which may be indicators of impairment, such as a significant decline in the Company's market capitalization relative to the carrying value of net assets, changes in resources and/or reserves, future metal prices and key input costs. Judgment is also required when considering whether significant positive changes in any of these items indicate a previous impairment may have reversed.

As at December 31, 2021, the Company suspended development of its monorail-based mining technology and does not intend to use the monorail technology in the construction of the Media Luna Project. The Company recorded an impairment loss of $40.7 (Note 7) related to costs incurred to date based on the estimated fair value less costs to sell of the related assets.

Decommissioning liabilities

The Company has recognized a decommissioning liability relating to its Morelos Complex. Assumptions have been made, based on the current economic environment, which management believes are a reasonable basis upon which to estimate the future liability. As discussed in Note 12, these assumptions include a pre-tax discount rate, and the extent, timing and nature of reclamation expenditures. These estimates are reviewed regularly to take into account any material changes to the assumptions. From time to time, the Company engages an external expert to prepare an updated closure plan for the ELG Mine Complex and/or the Media Luna Project. However, actual decommissioning costs will ultimately depend on future market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. Changes in these factors can materially impact the decommissioning liability and related assets recognized in the Consolidated Statements of Financial Position.

NOTE 5. INVENTORY

	December 31, 2022	December 31, 2021
Ore stockpiled	**$ 58.6**	$ 68.9
In-circuit	**12.7**	11.4
Finished goods	**2.0**	3.7
Materials and supplies	**46.9**	39.3
	$ 120.2	$ 123.3

The amount of depreciation included in inventory as at December 31, 2022 is $42.6 (December 31, 2021 - $43.9). For the year ended December 31, 2022, a total charge of $5.2 was recorded to adjust long-term, low-grade stockpile inventory to net realizable value: $2.0 and $3.2 through production costs and depreciation and amortization, respectively (year ended December 31, 2021 - total charge of $8.9, $3.9 and $5.0 through production costs and depreciation and amortization, respectively). For the year ended December 31, 2022, no impairment was recorded on ore stockpile inventory (non-long-term, low-grade) (year ended December 31, 2021 - nil). As at December 31, 2022, materials and supplies are shown net of a provision of $4.3 (December 31, 2021 - $5.2). For the year ended December 31, 2022, $0.9 was recorded as a reversal of a provision for materials and supplies (year ended December 31, 2021 - provision of $0.5 was recognized). The Debt Facility (Note 9) is secured by all the assets, including inventory, of the Company and its material subsidiaries, which currently are its subsidiaries with a direct or indirect interest in the ELG Mine Complex and/or the Media Luna Project.

NOTE 6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	December 31, 2022	December 31, 2021
Trade receivables	**$ 2.6**	$ 3.4
Prepayments	**11.1**	11.3
Other current assets	**2.8**	2.8
	$ 16.5	$ 17.5

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Mexico			Canada	Total
	Mineral Property	Property & Equipment	Construction in Progress	Property & Equipment	
Cost					
As at January 1, 2021	$ 477.2	$ 1,033.5	$ 108.5	$ 10.3	$ 1,629.5
Additions	68.6	66.1	120.2	1.7	256.6
Closure and rehabilitation	-	7.0	-	-	7.0
As at December 31, 2021	545.8	1,106.6	228.7	12.0	1,893.1
Additions	**78.8**	**81.9**	**154.4**	**-**	**315.1**
Closure and rehabilitation	**-**	**1.2**	**0.5**	**-**	**1.7**
As at December 31, 2022	**$ 624.6**	**$ 1,189.7**	**$ 383.6**	**$ 12.0**	**$ 2,209.9**
Accumulated depreciation and impairment loss					
As at January 1, 2021	$ 264.1	$ 534.5	$ -	$ 3.6	$ 802.2
Depreciation	79.8	133.5	-	0.8	214.1
Impairment loss	-	34.3	-	6.4	40.7
As at December 31, 2021	343.9	702.3	-	10.8	1,057.0
Depreciation	**104.5**	**116.3**	**-**	**0.2**	**221.0**
As at December 31, 2022	**$ 448.4**	**$ 818.6**	**$ -**	**$ 11.0**	**$ 1,278.0**
Net book value					
As at December 31, 2021	$ 201.9	$ 404.3	$ 228.7	$ 1.2	$ 836.1
As at December 31, 2022	**$ 176.2**	**$ 371.1**	**$ 383.6**	**$ 1.0**	**$ 931.9**

During the year ended December 31, 2022, property, plant and equipment additions include $0.8 of capitalized borrowing costs (December 31, 2021 - $0.1). As at December 31, 2022, property, plant and equipment includes, net of accumulated depreciation, $8.4 of capitalized borrowing costs (December 31, 2021 - $8.7), and $19.6 related to the decommissioning liability for the Morelos Complex (December 31, 2021 - $20.8). Mineral property includes, net of accumulated depreciation, $111.4 of capitalized deferred stripping costs (December 31, 2021 - $126.4), which includes $31.8 of capitalized depreciation of property and equipment (December 31, 2021 - $40.7). Included within property and equipment, net of accumulated depreciation, are right-of-use assets of $4.7 as at December 31, 2022 for leases of light vehicles, mobile equipment, heavy mining equipment, office space and other office equipment (December 31, 2021 - $3.5).

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

NOTE 8. VAT RECEIVABLES

VAT receivables are generated on the purchase of supplies and services and are refundable from the Mexican government. As at December 31, 2022, the amount of VAT due from the Servicio de Administración Tributaria ("SAT" or "Mexican tax authorities") is $48.2 (or 935.4 million Mexican pesos) (December 31, 2021 - $63.0 or

1,297.7 million Mexican pesos). Of the amount due, $43.7 is expected to be collected within the next year (December 31, 2021 - $57.4) and is presented as a current asset, with the remaining $4.5 presented as a non-current asset (December 31, 2021 - $5.6). VAT receivables are shown net of a provision of $4.1 for claims considered to be uncollectible (December 31, 2021 - $4.0).

NOTE 9. DEBT

2021 Revolving Facility

On March 30, 2021, the Company's subsidiary MML signed a Third Amended and Restated Credit Agreement (the "TARCA") with the Bank of Montreal, BNP Paribas, ING Bank N.V., Dublin Branch, Société Générale and the Bank of Nova Scotia in connection with a two-year secured $150.0 revolving debt facility (the "2021 Revolving Facility"), resulting in the refinancing of the 2019 debt facility. Proceeds of the 2021 Revolving Facility were permitted to be used for general corporate and working capital purposes, including development expenditures and certain acquisitions, and for letters of credit or funding of capital expenditures, in all cases subject to the conditions of the 2021 Revolving Facility.

The 2021 Revolving Facility allowed the Company to make distributions to its shareholders in the aggregate amount of up to C$100.0, subject to the conditions of the 2021 Revolving Facility.

The 2021 Revolving Facility bore 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 2021 Revolving Facility was to mature on March 30, 2023 with a step down in capacity by $25.0 on September 30, 2022, and again on December 31, 2022.

2022 Revolving Facility and Term Loan

On August 17, 2022, the Company (as borrower) signed a Fourth Amended and Restated Credit Agreement (the "FARCA") with the Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, ING Capital LLC, National Bank of Canada, and Société Générale (the "Banks") in connection with a secured $250.0 debt facility (the "Debt Facility"), replacing the TARCA (under which the Company's subsidiary MML was the borrower). The Debt Facility consists of a $100.0 term loan (the "Term Facility") and a $150.0 revolving debt facility (the "Revolving Facility"). As at December 31, 2022, the Company had nil borrowings on the Debt Facility and had drawn $3.4 in letters of credit, reducing the available liquidity of the Debt Facility to $246.6. Proceeds of the Debt Facility may be used for general corporate purposes, including certain development expenditures and acquisitions, in all cases subject to the conditions of the Debt Facility.

The Debt Facility bears an interest rate of Term SOFR (subject to a zero floor), a forward-looking term rate based on SOFR, plus a credit spread adjustment and an applicable margin based on the Company's leverage ratio. The applicable margin applied is 2.50% based on a leverage ratio less than 1.0 times, 2.75% at a ratio less than 2.0 times, 3.00% at a ratio less than 2.5 times, and 3.50% at a ratio equal to or greater than 2.5 times. The credit spread adjustment will range from 0.10% to 0.25%.

The $150.0 Revolving Facility matures on December 31, 2025 and is subject to quarterly commitment reductions of $12.5 commencing on March 31, 2024. The $100.0 Term Facility can be drawn until December 31, 2023, matures on June 30, 2025 and is subject to four equal quarterly repayment instalments commencing on September 30, 2024. Both the Revolving Facility and Term Facility can be repaid in full anytime without penalty.

The Debt 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 Debt Facility,

including compliance with financial covenants related to maintaining a net leverage ratio of less than or equal to 3.0, an interest coverage ratio of greater than or equal to 3.0 and minimum liquidity of $50.0.

The Debt Facility is secured by all of the assets of the Company and its material subsidiaries, which currently are its subsidiaries with a direct or indirect interest in the ELG Mine Complex and/or the Media Luna Project.

As at December 31, 2022, the Company was in compliance with the financial and other covenants under the FARCA.

Transaction costs

Unamortized deferred finance charges associated with the Company's facilities totaled $1.6 as at December 31, 2022 (December 31, 2021 - $0.9). During the year ended December 31, 2022, amortization of $0.7 relating to the deferred finance charges was expensed, net of borrowing costs capitalized to property, plant and equipment of $0.4 (year ended December 31, 2021 - $0.8 and nil, respectively).

NOTE 10. FINANCE (INCOME) COSTS

The following table shows net finance (income) costs for the years ended December 31, 2022 and 2021:

	Year Ended			
		December 31, 2022		December 31, 2021
Finance costs, excluding lease obligations	**$**	**3.0**	$	2.1
Interest income		**(9.8)**		(2.8)
Accretion of decommissioning liabilities		**1.5**		1.1
Interest on lease obligations		**0.1**		0.4
	$	**(5.2)**	$	0.8

NOTE 11. DERIVATIVE CONTRACTS

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

	Classification		**Fair Value as at December 31, 2022**		Fair Value as at December 31, 2021
Gold contracts	Current assets	**$**	**5.5**	$	-
Total derivative assets		**$**	**5.5**	$	-
Gold contracts	Non-current liabilities		**2.0**		-
Total derivative liabilities		**$**	**2.0**	$	-

In February 2022, the Company entered into gold forward contracts to sell 138,000 ounces of gold between October 2022 and December 2023 at prices ranging from $1,906 per ounce to $1,942 per ounce (or at a weighted average price of $1,921 per ounce). In December 2022, the Company entered into gold forward contracts to sell 60,000 ounces of gold between January 2024 and December 2024 at prices ranging from $1,913 per ounce to $1,926 per ounce (or at a weighted average price of $1,916 per ounce).

In January 2023, the Company entered into additional gold forward contracts to sell 48,000 ounces of gold between January 2024 and December 2024 at prices ranging from $1,960 per ounce to $1,974 per ounce (or at a weighted average price of $1,967 per ounce).

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

The table below provides a summary of the gold contracts outstanding as at December 31, 2022:

	Gold Ounces	Average Price per Ounce	Notional Value by Term to Maturity	Fair Value as at December 31, 2022
Current assets	**108,000**	**$ 1,924**	**$ 207.8**	**$ 5.5**
Non-current liabilities	**60,000**	**1,916**	**115.0**	**(2.0)**
	168,000		**$ 322.8**	**$ 3.5**

The following table shows the (gains) losses on derivative contracts for the years ended December 31, 2022 and 2021:

	Year Ended	
	December 31, 2022	December 31, 2021
Gain on interest rate contracts	**$ -**	$ (0.1)
Loss on currency contracts	**-**	0.2
Gain on gold contracts	**(8.8)**	(3.2)
	$ (8.8)	$ (3.1)

NOTE 12. DECOMMISSIONING LIABILITIES

The Company has estimated the decommissioning liability as at December 31, 2022 using a pre-tax discount rate of 3.15% (December 31, 2021 - 3.96%) based on inflation-adjusted Mexican bond yields, with expenditures expected to be incurred between 2025 and 2063. The estimated total future undiscounted cash flows to settle the decommissioning liability as at December 31, 2022 are $52.8 (December 31, 2021 - $47.9).

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

The following table shows the movements in decommissioning liability for the years ending December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Balance, beginning of year	**$ 37.3**	$ 29.2
Revisions to expected discounted cash flows	**0.5**	7.6
Accretion expense	**1.5**	1.1
Foreign exchange movement	**1.2**	(0.6)
Balance, end of year	**$ 40.5**	$ 37.3

NOTE 13. INCOME TAXES

The components of income tax expense for the years ended December 31, 2022 and 2021 are as follows:

	Year Ended			
		December 31, 2022		December 31, 2021
Current income tax expense	**$**	**144.6**	$	123.4
Deferred income tax recovery		**(46.9)**		(14.0)
Income tax expense	**$**	**97.7**	$	109.4

For the years ended December 31, 2022 and 2021, the Company's effective rate of income tax differs from the statutory rate of 26.5% as follows:

	Year Ended			
		December 31, 2022		December 31, 2021
Income before income tax expense	**$**	**286.5**	$	261.1
Canadian federal and provincial tax rates		**26.5%**		26.5%
Expected income tax expense		**75.9**		69.2
Tax effect:				
Mexican mining royalty		**26.5**		26.9
Impact of foreign tax rates		**8.4**		8.4
Net deductible permanent differences		**(1.8)**		(4.2)
Impact of foreign exchange		**(12.9)**		7.6
Change in unrecognized deferred tax assets		**1.6**		1.5
Income tax expense	**$**	**97.7**	$	109.4

The significant components of recognized deferred income tax assets and liabilities are as follows:

		December 31, 2022		December 31, 2021
Assets				
Exploration expenses	**$**	**15.7**	$	18.1
Provisions		**17.9**		14.0
Other deferred tax assets		**8.2**		8.1
Future deductibility of Mexican mining royalties		**27.7**		22.6
Tax credits		**0.5**		0.5
Tax losses		**2.9**		10.1
Property, plant and equipment		**21.2**		-
Total deferred tax assets	**$**	**94.1**	$	73.4
Liabilities				
Property, plant and equipment	**$**	**-**	$	(19.5)
Accrued withholding tax liability		**-**		(10.0)
Other deferred tax liabilities		**(15.1)**		(11.8)
Total deferred tax liabilities	**$**	**(15.1)**	$	(41.3)
Balance, deferred tax assets, net, end of year	**$**	**79.0**	$	32.1
Classification:				
Non-current assets	**$**	**90.4**	$	55.4
Non-current liabilities		**(11.4)**		(23.3)
	$	**79.0**	$	32.1

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences as management does not consider their utilization to be probable in the foreseeable future:

	December 31, 2022	December 31, 2021
Decommissioning liabilities and other reserves	**$ 21.0**	$ 15.6
Total unrecognized deductible temporary differences	**$ 21.0**	$ 15.6

NOTE 14. SHARE CAPITAL AND OTHER RESERVES

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Issued

During the year ended December 31, 2022, 94,625 shares were issued as a result of stock options exercised and to settle vested awards under the Company's share-based compensation plans (year ended December 31, 2021 - 218,116).

Other reserves

Other reserves in the Consolidated Statements of Financial Position represent foreign currency translation reserves that arose from the change of the Company's functional currency as of November 1, 2014. Foreign currency translation reserves remain in other reserves until the time the Company disposes or partially disposes of its interest in a foreign operation. If a disposal occurs, the Company reclassifies the cumulative amount of the exchange differences relating to that operation from other reserves to foreign exchange loss in the Consolidated Statements of Operations and Comprehensive Income. As at December 31, 2022, the amount is net of deferred taxes of nil (December 31, 2021 - nil).

NOTE 15. SHARE-BASED PAYMENTS

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

The ESU Plan allows for the issuance of ERSUs and EPSUs to employees of the Company.

The following is a summary of the number of common share options (the "Options") outstanding under the SOP Plan, RSUs outstanding under the RSU Plan, and ERSUs and EPSUs outstanding under the ESU Plan as at December 31, 2022 and the amounts of share-based compensation expense (recovery) recognized for the years ended December 31, 2022 and 2021:

	Number Outstanding	Year Ended	
	December 31, 2022	**December 31, 2022**	December 31, 2021
Common share options	**24,707**	**$ -**	$ 0.2
RSUs	**124,461**	**1.0**	1.0
ERSUs	**307,877**	**1.1**	1.4
EPSUs	**461,828**	**2.1**	2.6
	918,873	**$ 4.2**	$ 5.2
Loss (gain) on remeasurement		**0.4**	(5.9)
Share-based compensation expense (recovery)		**$ 4.6**	$ (0.7)

Options

The SOP Plan authorizes the Board of Directors to grant Options to directors, officers, consultants or employees. The term of any Option grant may not exceed five years. The SOP Plan also limits the aggregate number of securities that may be granted to a non-executive director in any given year under all share-based compensation arrangements of the Company. As of January 1, 2022, the Company does not intend to issue new stock options.

All options outstanding as at December 31, 2022, are fully vested and exercisable. As at December 31, 2022, options held by directors, officers, employees and consultants are as follows:

	Outstanding and Exercisable		
Range (C$)	**Number of Options**	**Weighted Average Remaining Contractual Life (Years)**	**Weighted Average Exercise Price (C$)**
$17.20-$17.62	14,204	3.05	$ 17.20
$17.63-$18.04	10,503	2.46	18.04
	24,707	**2.80**	**$ 17.56**

A summary of changes in the number of Options outstanding for the years ended December 31, 2022 and 2021 is presented as follows:

	Number of Options	**Weighted Average Exercise Price (C$)**
Outstanding Balance, January 1, 2021	229,423	$ 17.93
Granted	32,669	17.20
Exercised	(65,992)	13.12
Expired	(57,965)	24.23
Outstanding balance, December 31, 2021	**138,135**	**$ 17.42**
Exercised	**(20,223)**	**12.46**
Forfeited	**(26,838)**	**14.40**
Expired	**(66,367)**	**20.09**
Outstanding and exercisable balance, December 31, 2022	**24,707**	**$ 17.56**

RSU Plan

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

Awards under the plan immediately vest upon grant. A liability is initially recognized for the fair value of the awards under the RSU Plan at the date of grant, and at each reporting date, changes in fair value are recognized in the Consolidated Statements of Operations and Comprehensive Income. As at December 31, 2022, the RSUs had a fair value of $1.4 (December 31, 2021 - $1.1), the current portion of which was recorded in accounts payable and accrued liabilities and the non-current portion in other non-current liabilities in the Consolidated Statements of Financial Position.

A summary of changes in the number of RSUs issued by the Company and the weighted average grant date fair values for the years ended December 31, 2022 and 2021 is presented below:

	Number of RSUs		Weighted Average Grant Date Fair Value (C$)
Balance, January 1, 2021	131,730	$	17.25
Granted	77,920		16.37
Settled	(106,169)		15.50
Balance, December 31, 2021	**103,481**	**$**	**18.38**
Granted	**99,264**		**12.72**
Settled	**(78,284)**		**15.67**
Balance, December 31, 2022	**124,461**	**$**	**15.57**

ESU Plan

A portion of the fair value of the ERSUs and EPSUs is recognized as a liability based on the pro-rated number of days the eligible employees are employed by the Company compared to the vesting period of each grant. Changes in the fair value are recognized in the Consolidated Statements of Operations and Comprehensive Income.

Employee restricted share units

ERSUs granted in the year ended December 31, 2022 vest in January 2025, and have an estimated weighted average unit fair value at the grant date of C$12.87 per unit. The fair value of ERSUs granted was determined using the closing price of the common shares on the Toronto Stock Exchange on the business day immediately prior to the grant date. As at December 31, 2022, the ERSUs earned to date based on the service condition had a fair value of $2.1 (December 31, 2021 - $2.5), the current portion of which was recorded in accounts payable and accrued liabilities and the non-current portion in other non-current liabilities in the Consolidated Statements of Financial Position. None of the ERSUs, issued under the ESU Plan, were redeemable as at December 31, 2022 and December 31, 2021.

A summary of changes in the number of ERSUs issued by the Company and the weighted average grant date fair values for the years ended December 31, 2022 and 2021 is presented below:

	Number of ERSUs		Weighted Average Grant Date Fair Value (C$)
Balance, January 1, 2021	398,876	$	14.51
Granted	113,031		16.89
Settled	(145,189)		11.69
Forfeited	(48,737)		18.17
Balance, December 31, 2021	**317,981**	**$**	**16.08**
Granted	**156,356**		**12.87**
Settled	**(146,103)**		**14.65**
Forfeited	**(20,357)**		**14.51**
Balance, December 31, 2022	**307,877**	**$**	**15.24**

Employee performance share units

The EPSUs granted during the year ended December 31, 2022 vest in January 2025, and have an estimated weighted average unit fair value at the grant date of C$16.86. The fair value of EPSUs granted was calculated using a Monte-Carlo simulation model. The Monte-Carlo simulation model requires the use of subjective assumptions including expected share price volatility, risk-free interest rate, and estimated forfeiture rate. Historical and market data are considered in setting the assumptions. The EPSUs are earned over time and expensed accordingly. At each reporting date, changes in fair value are recognized in the Consolidated Statements of Operations and Comprehensive Income. As at December 31, 2022, the EPSUs had a fair value of $2.4 (December 31, 2021 - $1.8), the current portion of which was recorded in accounts payable and accrued liabilities and the non-current portion in other non-current liabilities in the Consolidated Statements of Financial Position. None of the EPSUs were redeemable as at December 31, 2022 and December 31, 2021. During the year ended December 31, 2022, 121,635 EPSUs vested and 97,526 were forfeited due to the application of a market adjustment factor. During the year ended December 31, 2021, 150,923 EPSUs vested and 66,870 were forfeited due to the application of a market adjustment factor.

A summary of changes in the number of EPSUs issued by the Company and the weighted average grant date fair value for the years ended December 31, 2022 and 2021 is presented below:

	Number of EPSUs		Weighted Average Grant Date Fair Value (C$)
Balance, January 1, 2021	598,328	$	19.35
Granted	169,547		20.90
Settled	(150,923)		9.98
Forfeited	(139,967)		17.09
Balance, December 31, 2021	**476,985**	**$**	**23.53**
Granted	**234,537**		**16.86**
Settled	**(121,635)**		**20.34**
Forfeited	**(128,059)**		**19.07**
Balance, December 31, 2022	**461,828**	**$**	**22.22**

The following is a summary of the weighted average assumptions used in the Monte Carlo simulation model for EPSUs granted during the years ended December 31, 2022 and 2021:

	Year Ended	
	December 31, 2022	December 31, 2021
Risk-free interest rate	**1.99%**	0.57%
Expected share price volatility	**53%**	62%
Expected life of units (in years)	**2.90**	2.86
Annual dividends	**0%**	0%
Estimated forfeiture rate	**0%**	0%

NOTE 16. EARNINGS PER SHARE

Earnings per share has been calculated using the weighted average number of common shares outstanding for the years ended December 31, 2022 and 2021 as follows:

	Year Ended	
	December 31, 2022	December 31, 2021
Net income	**$ 188.8**	$ 151.7
Remeasurement of share-based payments, net of tax	**-**	(4.1)
Net income, net of remeasurement of share-based payments	**$ 188.8**	$ 147.6
Basic weighted average shares outstanding	**85,831,727**	85,714,843
Weighted average shares dilution adjustments:		
Share options	**643**	14,142
RSUs	**98,661**	95,291
ERSUs	**114,068**	184,906
EPSUs	**34,382**	131,425
Diluted weighted average shares outstanding	**86,079,481**	86,140,607
Earnings per share		
Basic	**$ 2.20**	$ 1.77
Diluted	**$ 2.19**	$ 1.71

The following is a summary for the years ended December 31, 2022 and 2021 of the share options, RSUs, ERSUs and EPSUs excluded in the diluted weighted average number of common shares outstanding as their exercise or settlement would be anti-dilutive in the earnings per share calculation:

	Year Ended	
	December 31, 2022	December 31, 2021
Share options	**24,707**	78,346
RSUs	**5,808**	-
ERSUs	**14,021**	12,135
EPSUs	**381,899**	-
	426,435	90,481

NOTE 17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

	As at December 31, 2022		As at December 31, 2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	**$ 376.0**	**$ 376.0**	$ 255.7	$ 255.7
Derivative contracts	**5.5**	**5.5**	-	-
Trade receivables	**2.6**	**2.6**	3.4	3.4
	$ 384.1	**$ 384.1**	$ 259.1	$ 259.1
Financial liabilities				
Accounts payable and accrued liabilities	**$ 132.8**	**$ 132.8**	$ 121.4	$ 121.4
Derivative contracts	**2.0**	**2.0**	-	-
	$ 134.8	**$ 134.8**	$ 121.4	$ 121.4

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

(a) Credit risk:

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash and cash equivalents, trade receivables and derivative assets are primarily held with reputable financial institutions as at December 31, 2022. The carrying amount of the Company's cash and cash equivalents, trade receivables and derivative assets represents the maximum exposure to credit risk as at December 31, 2022.

(b) Liquidity risk:

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

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had cash balances of $376.0 (December 31, 2021 - $255.7). The Company maintains its cash in fully liquid business accounts.

As at December 31, 2022, the Company had nil borrowings on the Debt Facility and had drawn $3.4 in letters of credit, reducing the available liquidity of the Debt Facility to $246.6 (December 31, 2021 - the $150.0 2021 Revolving Facility was undrawn).

Cash flows that are expected to fund the operation of the ELG Mine Complex, the development of the Media Luna Project and settle current liabilities are dependent on, among other things, proceeds from gold sales. If operations at the ELG Mine Complex are shut down for a prolonged period of time, the Company may not be able to generate sufficient cash flow to meet its obligations or satisfy certain requirements of the Debt Facility. The Company may have various options available to mitigate the risk of breaching requirements under the FARCA, including seeking a waiver from the Banks, which is outside the Company's direct control, and failing that, settling the loan entirely and so removing the requirements under the FARCA.

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

									As at December 31, 2022
		Less than 1 year		**1-3 years**		**4-5 years**		**Greater than 5 years**	**Total**
Accounts payable and accrued liabilities	**$**	**132.8**	**$**	**-**	**$**	**-**	**$**	**-**	**$ 132.8**
Derivative contracts		**-**		**2.0**		**-**		**-**	**2.0**
Lease obligations		**2.7**		**2.0**		**0.5**		**-**	**5.2**
	$	**135.5**	**$**	**4.0**	**$**	**0.5**	**$**	**-**	**$ 140.0**

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

(c) Market risk:

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

(i) Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument or its fair value will fluctuate because of changes in market interest rates. The Debt Facility (Note 9) bears interest at a rate of Term SOFR plus a credit spread adjustment and an applicable margin based on the Company's leverage ratio. The 2021 Revolving Facility (Note 9) bore interest at a rate of LIBOR plus an applicable margin based on the net leverage ratio on any loan or letter of credit outstanding. In February 2019, the Company entered into interest rate swap contracts for a fixed LIBOR of 2.492% on interest payments related to $150.0 of the term loan to hedge against unfavourable changes in interest rates. In the second quarter of 2021, the Company unwound its interest rate swap contracts for a realized loss of $1.0.

The Company does not consider its interest rate risk exposure to be significant as at December 31, 2022 with respect to its cash and cash equivalents.

(ii) Foreign currency risk:

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada and Mexico and has exposure to financial risk arising from fluctuations in foreign exchange rates. The Company expects the majority of its exploration, project development, operating and decommissioning expenditures associated with the Morelos Property to be paid in Mexican pesos and U.S. dollars.

As at December 31, 2022, the Company had cash and cash equivalents and accounts payable and accrued liabilities that are denominated in Mexican pesos and in Canadian dollars. A 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $2.3 in the Company's net income from the translation of these balances for the year ended December 31, 2022, assuming other variables remain unchanged. A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $0.1 in the Company's net income for the year ended December 31, 2022, assuming other variables remain unchanged.

(iii) Commodity price risk:

Gold prices have fluctuated widely in recent years, and there is no assurance that a profitable market will exist for gold produced by the Company. In 2020, the Company entered into a series of zero-cost collars to hedge against changes in gold prices for a total of 8,000 ounces of gold per month until September 2021. These contracts expired in September 2021, and as at December 31, 2022, the Company has no further outstanding gold collar positions (December 31, 2021 - nil).

During the year ended December 31, 2022, the Company entered into gold forward contracts to sell 198,000 ounces of gold between October 2022 and December 2024 at prices ranging from $1,906 per ounce to $1,942 per ounce (or at a weighted average price of $1,919 per ounce). As at December 31, 2022, the remaining gold forward contracts have prices ranging from $1,907 per ounce to $1,942 per ounce (or at a weighted average price of $1,921) to sell 168,000 ounces of gold between January 2023 to December 2024. As at December 31, 2022, a 10% change in the gold price would result in a $21.4 decrease or increase (using a weighted average forward price as at December 31, 2022 of $1,901 per ounce) in the Company's net income for the year ended December 31, 2022 relating to the gold forward contracts.

(d) Fair value:

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

The Company's derivative currency contracts are measured at Level 2 within the fair value hierarchy. The levels in the hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NOTE 18. CAPITAL MANAGEMENT

Capital consists of the Company's shareholders' equity and debt. As at December 31, 2022, the Company's shareholders' equity was $1,290.1 (December 31, 2021 - $1,100.4), and debt, comprising the Debt Facility and finance leases, net of deferred finance charges was $3.9 (December 31, 2021 - $3.3), resulting in total capital of $1,294.0 (December 31, 2021 - $1,103.7). Available liquidity as at December 31, 2022 was $622.6 comprised of cash of $376.0 and undrawn capacity on the Debt Facility of $246.6 as a result of nil borrowings and $3.4 in letters of credit drawn (December 31, 2021 - $405.7 comprised of cash of $255.7, and undrawn capacity on the 2021 Revolving Facility of $150.0). The Company's objectives when managing capital are to maintain financial strength, to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long-term.

NOTE 19. SUPPLEMENTAL CASH FLOW INFORMATION

Reconciliation of additions to property, plant and equipment to investing activities in the Consolidated Statements of Cash Flows

		December 31, 2022		December 31, 2021
Additions to property, plant and equipment (Note 7)	**$**	**315.1**	$	256.6
Capitalized depreciation		**(20.7)**		(19.6)
Capitalized borrowing costs		**(0.8)**		(0.1)
Lease additions		**(4.9)**		(1.4)
Changes in non-cash investing working capital		**(11.5)**		(5.1)
	$	**277.2**	$	230.4

Reconciliation of movements of liabilities to cash flows arising from financing activities

		Debt Facility		**Leases**
Balance, January 1, 2021	$	38.8	$	4.6
Repayment of debt		(40.0)		(2.7)
Lease additions		-		1.4
Interest paid		(1.3)		(0.4)
Interest expense		1.3		0.4
Amortization of deferred finance charges		0.8		-
Transaction costs		(0.5)		-
Reclassification of deferred finance charges		0.9		-
Balance, December 31, 2021	**$**	**-**	**$**	**3.3**
Repayment of debt		**-**		**(3.9)**
Lease additions		**-**		**4.9**
Interest paid		**(1.0)**		**(0.5)**
Interest expense		**1.9**		**0.1**
Borrowing costs capitalized to property, plant and equipment		**0.4**		**0.4**
Amortization of deferred finance charges		**0.7**		**-**
Transaction costs		**(2.7)**		**-**
Reclassification of deferred finance charges		**0.7**		**-**
Unrealized foreign exchange gain		**-**		**(0.4)**
Balance, December 31, 2022	**$**	**-**	**$**	**3.9**

NOTE 20. SEGMENTED INFORMATION

The Company's mineral property and equipment is located substantially in Mexico. The Company operates one reportable operating segment, being mineral exploration and mine development and operation in Mexico. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

NOTE 21. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, President & CEO, and Chief Financial Officer are key management personnel.

The remuneration of key management personnel in respect of the years ended December 31, 2022 and 2021 was as follows:

	Year Ended			
		December 31, 2022		December 31, 2021
Salaries and benefits	**$**	**2.7**	$	3.8
Share-based compensation		**2.7**		0.5
	$	**5.4**	$	4.3

NOTE 22. EXPENSES BY NATURE

The following employee benefits expenses are included in cost of sales, general and administrative expenses, and exploration expenses.

	Year Ended			
		December 31, 2022		December 31, 2021
Salaries, short-term incentives, and other benefits	**$**	**67.1**	$	56.0
Share-based compensation		**3.3**		(1.1)
	$	**70.4**	$	54.9

NOTE 23. METAL SALES

Revenue from contracts with customers

All revenue from gold and silver, carbon fines and copper precipitate is recognized at a point in time when control transfers (Note 3(K)).

The Company is principally engaged in the business of producing gold. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods.

Disaggregated revenue information

The disaggregated revenue information in respect of the years ended December 31, 2022 and 2021 is as follows:

	Year Ended	
	December 31, 2022	December 31, 2021
Gold	**$ 850.5**	$ 841.2
By-products	**18.0**	14.6
	$ 868.5	$ 855.8

Trade receivables

Receivables represent the Company's right to an amount of consideration that is unconditional in which only the passage of time is required before payment of the consideration is due. The Company's trade receivables are included within prepaid expenses and other current assets. The Company's trade receivables balance is $2.6 (December 31, 2021 - $3.4).

NOTE 24. COMMITMENTS

Purchase commitments

As at December 31, 2022, the total purchase commitments for the ELG Mine Complex and the Media Luna Project are as follows:

	As at December 31, 2022				
	Less than 1 year	**1-3 years**	**4-5 years**	**Greater than 5 years**	**Total**
Operating commitments	**$ 150.5**	**$ 68.4**	**$ -**	**$ -**	**$ 218.9**
Capital commitments	**85.8**	**30.2**	**-**	**-**	**116.0**
	$ 236.3	**$ 98.6**	**$ -**	**$ -**	**$ 334.9**

ELG Mine Complex royalties

Production revenue from certain concessions is subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and is payable on a quarterly basis. In the year ended December 31, 2022, the Company paid $21.3 for the 2.5% royalty relating to the fourth quarter of 2021 and the first, second and third quarters of 2022 (December 31, 2021 - $22.7 relating to the fourth quarter of 2020 and the first, second and third quarters of 2021). As at December 31, 2022, the Company has accrued $5.6 for the 2.5% royalty relating to the fourth quarter of 2022 (December 31, 2021 - $5.1).

The Company is subject to a mining tax of 7.5% on taxable earnings before the deduction of taxes, interest, depreciation and amortization, and a royalty of 0.5% on sales of gold, silver and platinum. Both the mining tax and royalty are payable to the SAT on an annual basis in the following year. The mining tax is considered an income tax for IFRS purposes. In March 2022, the Company paid $34.6 relating to amounts due for 2021 for the 7.5% and 0.5% royalties (paid in March 2021 - $34.5). As at December 31, 2022, the Company has $28.0 and $4.3 accrued for the 7.5% and 0.5% royalties to be paid in March 2023, respectively (December 31, 2021 - $39.7 and $4.2 accrued for the 7.5% and 0.5% royalties to be paid in March 2022, respectively).