

TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Financial Statements For the Three and Nine Months Ended September 30, 2020 (Unaudited)

(Expressed in millions of U.S. dollars)

TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

<i>Millions of U.S. dollars</i>	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 204.0	\$ 161.8
Short-term investments	32.0	-
Value-added tax receivables	20.1	30.6
Inventory (Note 5)	110.7	129.2
Prepaid expenses and other current assets	16.3	17.5
	383.1	339.1
Value-added tax receivables	5.8	7.1
Other non-current assets	4.3	9.0
Property, plant and equipment (Note 6)	820.9	874.4
Total assets	\$ 1,214.1	\$ 1,229.6
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 88.9	\$ 90.6
Income tax payable	42.0	68.7
Debt (Note 7)	49.1	81.7
Derivative contracts (Note 9)	16.4	1.6
	196.4	242.6
Other non-current liabilities	5.5	1.6
Debt (Note 7)	105.9	93.2
Decommissioning liabilities	22.6	23.7
Deferred income tax liabilities	38.4	33.7
	368.8	394.8
Shareholders' equity:		
Share capital	1,024.8	1,022.5
Contributed surplus	24.4	33.3
Other reserves	(62.5)	(62.5)
Deficit	(141.4)	(158.5)
	845.3	834.8
Total liabilities and shareholders' equity	\$ 1,214.1	\$ 1,229.6

Commitments (Note 13)

Subsequent event (Note 7)

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

TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

(Unaudited)

<i>Millions of U.S. dollars, except per share amounts</i>	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenue				
Metal sales	\$ 256.5	\$ 198.2	\$ 537.6	450.8
Cost of sales				
Production costs	78.4	70.7	205.7	192.8
Royalties	7.6	5.9	16.0	13.5
Depreciation and amortization	67.5	53.5	156.2	124.6
Care and maintenance (Note 14)	-	-	11.1	-
Earnings from mine operations	\$ 103.0	\$ 68.1	\$ 148.6	119.9
General and administrative (Note 10)	3.4	4.3	13.7	15.0
Exploration and evaluation expenditures	1.6	1.2	2.9	2.0
	\$ 5.0	\$ 5.5	\$ 16.6	17.0
Other expenses (income):				
Derivative loss (gain), net (Note 9)	2.7	(0.3)	43.2	1.0
Finance costs, net (Note 8)	3.4	3.8	10.7	16.4
Foreign exchange loss (gain)	0.1	-	1.6	(1.1)
	\$ 6.2	\$ 3.5	\$ 55.5	16.3
Income before income tax expense (recovery)	91.8	59.1	76.5	86.6
Current income tax expense	56.7	32.8	54.7	40.4
Deferred income tax (recovery) expense	(25.2)	(1.1)	4.7	10.1
Net income and comprehensive income	\$ 60.3	\$ 27.4	\$ 17.1	36.1
Earnings per share (Note 11)				
Basic	\$ 0.71	\$ 0.32	\$ 0.20	0.42
Diluted	\$ 0.69	\$ 0.32	\$ 0.18	0.42

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited)

<i>Millions of U.S. dollars, except number of common shares</i>	Number of					Total
	Common Shares	Common Shares	Contributed Surplus	Other Reserves	Deficit	Shareholders' Equity
Balance, January 1, 2019	84,917,606	\$ 1,014.9	\$ 36.9	\$ (62.5)	\$ (229.7)	\$ 759.6
Exercise of stock options	345,177	4.7	(2.6)	-	-	2.1
Redemption of restricted share units	18,385	0.3	(0.3)	-	-	-
Redemption of EPSUs and ERSUs	97,769	2.4	(4.4)	-	-	(2.0)
Reclassification of RSUs	-	-	(1.3)	-	-	(1.3)
Share-based compensation	-	-	4.0	-	-	4.0
Net income	-	-	-	-	36.1	36.1
Balance, September 30, 2019	85,378,937	\$ 1,022.3	\$ 32.3	\$ (62.5)	\$ (193.6)	\$ 798.5

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

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

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

<i>Millions of U.S. dollars</i>	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating activities:				
Net income for the period	\$ 60.3	\$ 27.4	\$ 17.1	\$ 36.1
Adjustments for:				
Share-based compensation	1.1	1.1	4.2	4.0
Settlement of share-based compensation	-	-	(1.1)	(1.7)
Remeasurement of share-based payments	(1.5)	-	(1.9)	-
Modification of debt	-	(1.8)	-	(1.8)
Depreciation, amortization and accretion	67.9	54.3	160.8	126.5
Unrealized (gain) loss on derivative contracts	(4.0)	(0.3)	14.8	1.0
Unrealized foreign exchange (gain) loss	(1.2)	(1.2)	4.9	(1.3)
Finance costs, net	3.4	5.9	11.2	19.4
Income tax expense	31.5	31.7	59.4	50.5
Income taxes paid	(19.4)	(0.2)	(81.4)	(6.8)
Cash generated from operating activities before changes in non-cash working capital balances	\$ 138.1	\$ 116.9	\$ 188.0	\$ 225.9
Changes in non-cash working capital balances:				
Value-added tax receivables, net	2.9	2.6	10.5	7.9
Inventory	6.9	(14.9)	16.6	(32.3)
Prepaid expenses and other current assets	2.5	1.0	1.2	11.7
Accounts payable and accrued liabilities	22.9	16.9	(11.3)	(9.8)
Net cash generated from operating activities	\$ 173.3	\$ 122.5	\$ 205.0	\$ 203.4
Investing activities:				
Additions to property, plant and equipment	(40.8)	(23.8)	(93.3)	(85.8)
Borrowing costs capitalized to property, plant and equipment	-	(0.1)	(0.1)	(0.3)
Value-added tax receivables, net	(0.1)	(0.1)	(0.9)	0.8
Short-term investments	(32.0)	-	(32.0)	-
Restricted cash	-	32.3	-	26.8
Net cash (used in) from investing activities	\$ (72.9)	\$ 8.3	\$ (126.3)	\$ (58.5)
Financing activities:				
Repayment of debt	(71.8)	(39.5)	(115.3)	(81.9)
Proceeds from Revolving Facility	-	-	90.0	-
Transaction costs	-	(2.6)	-	(2.6)
Interest paid	(2.1)	(4.8)	(6.6)	(16.4)
Exercise of stock options	0.1	0.9	0.2	2.2
Net cash used in financing activities	\$ (73.8)	\$ (46.0)	\$ (31.7)	\$ (98.7)
Effect of foreign exchange rate changes on cash and cash equivalents	0.5	(0.3)	(4.8)	(0.4)
Net increase in cash and cash equivalents	\$ 27.1	\$ 84.5	\$ 42.2	\$ 45.8
Cash and cash equivalents, beginning of the period	\$ 176.9	\$ 83.5	\$ 161.8	\$ 122.2
Cash and cash equivalents, end of the period	\$ 204.0	\$ 168.0	\$ 204.0	\$ 168.0

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

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

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

(Unaudited)

Note 1. Corporation Information

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

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

These unaudited condensed consolidated interim financial statements (herein referred to as “consolidated financial statements”) of the Company as at and for the three and nine months ended September 30, 2020 include the accounts of the Company and its subsidiaries.

Note 2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board under the historical cost convention, as modified by revaluation of derivative contracts and certain financial instruments. These consolidated financial statements do not include all of the disclosures required by International Financial Reporting Standard (“IFRS”) for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019.

These consolidated financial statements were authorized for issuance by the Company’s Board of Directors on November 2, 2020.

COVID-19 Estimation uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce have been, and are anticipated to continue to be, far-reaching. To date there has been significant stock market volatility, significant volatility in commodity prices and foreign exchange markets, restrictions on the conduct of business and the global movement of people, and the availability of some goods has become constrained. There is ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on the Company’s ability to operate, prices for gold, on logistics and supply chains, on our employees and on global financial markets.

During the nine months ended September 30, 2020, efforts were made and continue to be, to safeguard the health of our employees, while continuing to operate safely and maintain employment and economic activity. On April 2, 2020, in response to a decree (the “Decree”) issued by the Government of Mexico for all non-essential businesses in the country to temporarily suspend operations in order to mitigate the spread of COVID-19, the Company announced that operations would not re-start at the conclusion of a planned maintenance shutdown that was underway at the time the Decree was issued. On May 1, 2020, testing commenced over the effectiveness and durability of maintenance repairs made to the processing plant prior to the COVID-19 shutdown. The processing plant treated low grade stockpile material for the month of May and full mining operations re-commenced in June 2020.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

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

(Unaudited)

Note 3. Significant Accounting Policies

The accounting policies followed in these consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2019.

Note 4. Significant Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates. The significant judgments, estimates and nature of assumptions made by management in applying the Company's accounting policies are consistent with those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2019.

Note 5. Inventory

	September 30,	December 31,
	2020	2019
Ore stockpiled	\$ 58.4	77.8
In-circuit	8.4	6.9
Finished goods	8.4	12.9
Materials and supplies	35.5	31.6
	\$ 110.7	\$ 129.2

The amount of depreciation included in inventory as at September 30, 2020 is \$46.9 (December 31, 2019 - \$45.2). For the nine months ended September 30, 2020, a total charge of \$3.3 was recorded to adjust long-term, low-grade stockpile inventory to net realizable value, \$1.1 and \$2.2 through production costs and depreciation and amortization, respectively (nine months ended September 30, 2019 - total charge of \$21.5, \$9.4 and \$12.1 through production costs and depreciation and amortization, respectively). The Debt Facility (Note 7) is secured by all of the assets of Minera Media Luna, S.A. de C.V. ("MML"), including inventory.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

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

(Unaudited)

Note 6. Property, Plant and Equipment

	Mexico			Canada	Total
	Mineral Property	Property & Equipment	Construction in Progress	Property & Equipment	
Cost					
As at January 1, 2019	\$ 358.5	\$ 925.6	\$ 15.8	\$ 3.2	\$ 1,303.1
Additions	55.0	34.9	25.6	3.7	119.2
Disposals	-	(0.3)	-	-	(0.3)
Closure and rehabilitation	-	7.8	-	-	7.8
As at December 31, 2019	\$ 413.5	\$ 968.0	\$ 41.4	\$ 6.9	\$ 1,429.8
Additions	39.6	38.5	41.2	3.0	122.3
Closure and rehabilitation	-	(1.7)	-	-	(1.7)
As at September 30, 2020	\$ 453.1	\$ 1,004.8	\$ 82.6	\$ 9.9	\$ 1,550.4
Accumulated depreciation					
As at January 1, 2019	\$ 70.2	\$ 243.4	\$ -	\$ 1.4	\$ 315.0
Depreciation	79.5	159.6	-	1.6	240.7
Disposals	-	(0.3)	-	-	(0.3)
As at December 31, 2019	\$ 149.7	\$ 402.7	\$ -	\$ 3.0	\$ 555.4
Depreciation	83.0	90.6	-	0.5	174.1
As at September 30, 2020	\$ 232.7	\$ 493.3	\$ -	\$ 3.5	\$ 729.5
Net book value					
As at December 31, 2019	\$ 263.8	\$ 565.3	\$ 41.4	\$ 3.9	\$ 874.4
As at September 30, 2020	\$ 220.4	\$ 511.5	\$ 82.6	\$ 6.4	\$ 820.9

As at September 30, 2020, property, plant and equipment includes, net of accumulated depreciation, \$13.0 in capitalized borrowing costs (December 31, 2019 - \$14.6), \$21.6 in capitalized costs pertaining to the Muckahi Mining System (December 31, 2019 - \$9.9), part of which is an intangible asset, and \$11.8 related to the decommissioning liability for the ELG Mine Complex (December 31, 2019 - \$16.2). Mineral property includes, net of accumulated depreciation, \$118.7 of capitalized deferred stripping costs (December 31, 2019 - \$146.7), which includes \$39.7 of capitalized depreciation of property and equipment (December 31, 2019 - \$48.6). Included within property and equipment are right-of-use assets of \$2.5 at September 30, 2020 for leases of light vehicles, mobile equipment, heavy mining equipment, office space and other office equipment (December 31, 2019 - \$3.5).

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

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

(Unaudited)

Note 7. Debt

	September 30, 2020	December 31, 2019
Debt:		
Debt Facility	\$ 152.4	\$ 171.4
Leases	2.6	3.5
Total debt, net of deferred finance charges	\$ 155.0	\$ 174.9
Less: current portion, net of deferred finance charges	49.1	81.7
Long-term portion, net of deferred finance charges	\$ 105.9	\$ 93.2

Remaining contractual undiscounted debt repayments

2020	\$ 21.9
2021	40.8
2022	95.2
2023 and thereafter	1.3
Total debt repayments	\$ 159.2

Debt Facility

On July 30, 2019, the Company through its wholly-owned subsidiary MML (as borrower) signed a Second Amended and Restated Credit Agreement (“SARCA”) with the Bank of Montreal, BNP Paribas, ING Bank N.V., Dublin Branch, Société Générale and the Bank of Nova Scotia (the “Banks”) in connection with a secured \$335.0 debt facility (the “Debt Facility”). The Debt Facility comprises a \$185.0 term loan (the “Term Facility”) and a \$150.0 revolving loan facility (the “Revolving Facility”). Proceeds of the Revolving 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 restricts the Company from making distributions, except that the Company may distribute the Muckahi Subsidiaries or the Muckahi System Rights (including by way of a “spin out” transaction) if there is no default or event of default. A Muckahi Subsidiary is a direct or indirect subsidiary of the Company whose assets are primarily composed of the rights to and interest in the design of the Muckahi Mining System or assets related thereto (the “Muckahi System Rights”).

The Debt Facility bears interest at a rate of LIBOR +3% (December 31, 2019 - LIBOR +3%). It includes standard and customary finance terms and conditions including with respect to fees, representations, warranties, covenants and conditions precedent to additional draws under the Revolving Facility. The Debt Facility is secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries with a direct or indirect interest in the ELG Mine Complex and or the Media Luna Project. The total borrowing capacity under the Revolving Facility will be reduced to \$100.0 on December 31, 2021.

On December 19, 2019, the Company executed an amendment to the SARCA, increasing the proceeds allowable for development expenditure and accelerating the Term Facility repayment schedule. The Revolving Facility will mature on June 30, 2022 and the Term Facility will mature on March 31, 2022, as amended from June 30, 2022. The Term Facility may be repaid in full at any time without penalty or premium.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

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

(Unaudited)

During the nine months ended September 30, 2020, the Company made principal repayments of \$63.8 under the Term Facility, bringing the total outstanding balance to \$66.3 (paid in the nine months ended September 30, 2019 - \$55.5). During the nine months ended September 30, 2020, the Company drew \$90.0 on the Revolving Facility, and subsequently made a payment to the Revolving Facility for \$50.0, bringing the total outstanding balance to \$90.0 (paid in the nine months ended September 30, 2019 - \$20.0). In October 2020, the Company made an additional payment of \$50.0 on the Revolving Facility.

The Debt Facility permits, including by use of the Revolving Facility, potential spending to facilitate the development of the Media Luna Project, the Muckahi Mining System, and other existing and future projects of the Company, subject to the conditions of the Debt Facility, including compliance with (i) financial covenants related to maintaining a net leverage ratio of 3.0, a debt service coverage ratio of 1.15 and minimum liquidity of \$50.0 and (ii) certain thresholds with respect to the quantum of development expenditures and the amount spent on the Muckahi Mining System. The Debt Facility also includes a Reserve Tail Test that replaces the Reserve Tail Ratio. Non-compliance with the Reserve Tail Test is not an event of default, but instead restricts the amount that can be drawn under the Revolving Facility, and depending on the amount drawn, may also require payments of the Debt Facility. As at September 30, 2020, the full amount of the Revolving Facility (\$150.0) was available based on the Reserve Tail Test, of which \$90.0 was drawn (December 31, 2019 - \$50.0).

As at September 30, 2020, the Company is in compliance with the financial and other covenants under the Debt Facility.

Transaction costs

During the nine months ended September 30, 2020, the amortization expense relating to the deferred finance charges was calculated using an effective interest rate of 5.472% for the Term Loan and 0.864% for the Revolving Facility, and resulted in unamortized deferred finance charges of \$3.9 as at September 30, 2020 (December 31, 2019 - \$8.6).

Note 8. Finance Costs

The following table shows net finance costs for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Finance costs, excluding lease liabilities	\$ 3.5	\$ 4.2	\$ 11.2	\$ 17.7
Interest income	(0.4)	(0.9)	(1.4)	(2.7)
Accretion of decommissioning liabilities	0.3	0.2	0.7	0.5
Interest on lease liabilities	-	0.3	0.2	0.9
	\$ 3.4	\$ 3.8	\$ 10.7	\$ 16.4

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

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

(Unaudited)

Note 9. Derivative Contracts

The following table shows the classification of the fair value of derivative contracts in the Condensed Consolidated Interim Statements of Financial Position as at September 30, 2020 and December 31, 2019:

	Classification	Fair Value as at September 30, 2020	Fair Value as at December 31, 2019
Interest rate contracts	Current Liabilities	\$ 1.3	\$ 0.7
Interest rate contracts	Non-current Liabilities	0.5	0.6
Currency contracts	Current Liabilities	5.7	-
Gold contracts	Current Liabilities	9.4	0.8
Total derivative liabilities		\$ 16.9	\$ 2.1

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

The following table shows the losses (gains) on derivative contracts for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Unrealized (gain) loss on interest rate contracts	\$ (0.4)	\$ 0.2	\$ 0.5	\$ 1.8
Unrealized (gain) loss on currency contracts	(5.9)	-	5.7	(0.3)
Unrealized loss (gain) on gold contracts	2.3	(0.5)	8.6	(0.5)
Realized loss on interest rate contracts	0.5	-	1.2	-
Realized loss on currency contracts	2.2	-	23.2	-
Realized loss on gold contracts	4.0	-	4.0	-
	\$ 2.7	\$ (0.3)	\$ 43.2	\$ 1.0

Note 10. Share-based Payments

The Company has three share-based compensation plans: the Stock Option Plan (the "SOP Plan"), the Restricted Share Unit Plan (the "RSU Plan") and the Employee Share Unit (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 is limited.

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

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

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

(Unaudited)

The following is a summary of the number of common share options (“Options”) issued under the SOP Plan, RSUs issued under the RSU Plan, and ERSUs and EPSUs outstanding as at September 30, 2020 and the amounts of share-based compensation expense recognized for the three and nine months ended September 30, 2020 and 2019:

	Number	Three Months Ended		Nine Months Ended	
	Outstanding	September 30,	September 30,	September 30,	September 30,
	September 30,	September 30,	September 30,	September 30,	September 30,
	2020	2020	2019	2020	2019
Common share options	229,423	\$ -	\$ -	\$ 0.1	\$ 0.2
RSUs	131,730	-	-	1.0	0.7
ERSUs	412,176	0.4	0.4	1.1	1.1
EPSUs	618,278	0.7	0.7	2.0	2.0
	1,391,607	\$ 1.1	\$ 1.1	\$ 4.2	\$ 4.0
Gain on remeasurement		(1.5)	-	(1.9)	-
		\$ (0.4)	\$ 1.1	\$ 2.3	\$ 4.0

Common share 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.

A summary of changes in the number of Options issued by the Company for the nine months ended September 30, 2020 and for the year ended December 31, 2019 is presented as follows:

	Number of	Weighted
	Options	Average Exercise
		Price (C\$)
Balance, January 1, 2019	811,424	\$ 13.31
Granted	37,584	13.89
Exercised	(611,457)	11.83
Expired	(1,500)	11.50
Balance, December 31, 2019	236,051	\$ 17.25
Granted	17,238	18.49
Exercised	(22,366)	11.40
Expired	(1,500)	13.70
Balance, September 30, 2020	229,423	\$ 17.93

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2020

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

(Unaudited)

The fair value of the Options granted was calculated using a Black-Scholes option pricing model. The expected volatility is estimated taking into consideration the historical volatility of the Company's share price. The weighted average fair value of Options granted during the nine months ended September 30, 2020 was C\$7.75 (year ended December 31, 2019 - C\$5.99). The following is a summary of the weighted average of assumptions used in the Black-Scholes option pricing model for Options granted during the nine months ended September 30, 2020 and 2019:

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Risk-free interest rate	0.64%	1.93%
Expected price volatility	58%	63%
Expected option life (in years)	3.50	3.00
Annual dividend rate	0%	0%
Estimated forfeiture rate	0%	0%

Restricted share units

Restricted share units comprise both RSUs issued under the RSU Plan and ERSUs granted under the ESU Plan.

RSUs and ERSUs are initially measured based on the fair value of the units on the date of grant. The liability is subsequently remeasured at fair value at each reporting date until the awards are settled with fair value changes recognized in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income within general and administrative expenses.

Upon settlement, each RSU and ERSU converts into one common share of the Company. RSUs and ERSUs may be settled by cash payment at the election of the participant and subject to the consent of the Company.

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.

An amendment was made to the RSU Plan in January 2019 to allow participants to request cash settlement subject to the Company's consent. A liability of \$1.3 was recognized for the fair value of the awards under the RSU Plan at the date of the amendment (January 24, 2019), and at each reporting date, changes in fair value are recognized in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income. As at September 30, 2020, the RSUs had a fair value of \$1.9. RSUs granted in the nine months ended September 30, 2020 had a fair value of C\$20.15 per unit or \$1.3 at grant date.

ESU Plan

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

For ESU Plan awards, which includes ERSUs and EPSUs, granted in 2017 and settled in the first quarter of 2020, certain employees elected, and the Company consented, to settle certain ESU Plan awards in cash at a price per ESU Plan award equal to the closing price of the common shares on the Toronto Stock Exchange on the business day immediately prior to the vesting date of January 16, 2020. As a result, the method of accounting for all ESU Plans changed to cash-settled.

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On the date of reclassification (January 13, 2020), a liability of \$8.9 was recognized for the fair value of the awards granted, and at each reporting date, changes in fair value are recognized in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income. As at September 30, 2020, the ERSUs had a fair value of \$3.4. ERSUs granted in the nine months ended September 30, 2020 had a fair value of C\$19.92 per unit at grant date.

A summary of changes in the number of RSUs and ERSUs issued by the Company for the nine months ended September 30, 2020 and the year ended December 31, 2019 is presented below:

	Number of RSUs and ERSUs	Weighted Average Value (C\$)
Balance, January 1, 2019	442,963	\$ 18.00
Granted	232,136	13.85
Settled	(170,813)	24.84
Forfeited	(30,447)	14.56
Balance, December 31, 2019	473,839	\$ 13.73
Granted	203,517	20.00
Settled	(129,971)	19.90
Forfeited	(3,479)	17.01
Balance, September 30, 2020	543,906	\$ 14.58

Performance share units

A summary of changes in the number of EPSUs issued by the Company for the nine months ended September 30, 2020 and the year ended December 31, 2019 is presented below:

	Number of EPSUs	Weighted Average Value (C\$)
Balance, January 1, 2019	533,983	\$ 25.85
Granted	242,914	20.84
Settled	(128,629)	41.14
Forfeited	(102,563)	25.80
Balance, December 31, 2019	545,705	\$ 20.03
Granted	207,735	25.53
Settled	(94,138)	29.98
Forfeited	(41,024)	32.11
Balance, September 30, 2020	618,278	\$ 19.56

The EPSUs granted during the nine months ended September 30, 2020 vest in January 2021, 2022 and 2023, and have an estimated weighted average unit fair value at the grant date of C\$25.53. The fair value of EPSUs granted was calculated using a Monte Carlo simulation option pricing model. The Monte Carlo simulation option pricing model requires the use of subjective assumptions including expected share price volatility, risk-free interest rate, and estimated forfeiture rate. Historical data is considered in setting the assumptions. The EPSUs are earned over time and expensed accordingly. Therefore, the estimated forfeiture rate is zero. At each reporting date, changes in fair value are recognized in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income. As at September 30, 2020, the EPSUs had a fair value of \$3.9.

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(Unaudited)

None of the EPSUs, issued under the ESU Plan, were redeemable as at September 30, 2020 and December 31, 2019.

The following is a summary of the assumptions used in the Monte Carlo simulation option pricing model for EPSUs granted during the nine months ended September 30, 2020 and 2019:

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Risk-free interest rate	1.63%	2.29%
Expected price volatility	56%	63%
Expected life of units (in years)	2.74	2.90
Annual dividends	0%	0%
Estimated forfeiture rate	0%	0%

Note 11. Earnings per Share

Earnings per share has been calculated using the weighted average number of common shares outstanding for the three and nine months ended September 30, 2020 and 2019 as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net income for the period	\$ 60.3	\$ 27.4	\$ 17.1	\$ 36.1
Share-based payments remeasurement net of tax	(1.0)	-	(1.3)	-
Net income for the period, net remeasurement of share-based payments	\$ 59.3	\$ 27.4	\$ 15.8	\$ 36.1
Basic weighted average shares outstanding	85,527,218	85,315,517	85,497,317	85,219,953
Weighted average shares dilution adjustments:				
Share options	54,528	67,957	43,233	82,250
Restricted share units	438,659	321,699	337,894	234,755
Performance share units	246,591	137,653	206,187	113,634
Diluted weighted average shares outstanding	86,266,996	85,842,826	86,084,631	85,650,592
Earnings per share				
Basic	\$ 0.71	\$ 0.32	\$ 0.20	\$ 0.42
Diluted	\$ 0.69	\$ 0.32	\$ 0.18	\$ 0.42

For the three months ended September 30, 2020, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 53,956 share options as their exercise or settlement would be anti-dilutive in the earnings per share calculation.

For the nine months ended September 30, 2020, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 89,638 share options, 96,882 ERSUs and 24,775 EPSUs as their exercise or settlement would be anti-dilutive in the earnings per share calculation.

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For the Three and Nine Months Ended September 30, 2020

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(Unaudited)

For the three months ended September 30, 2019, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 86,404 share options and 5,482 EPSUs as their exercise or settlement would be anti-dilutive in the earnings per share calculation.

For the nine months ended September 30, 2019, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 107,284 share options, 9,068 ERSUs and 182,674 EPSUs as their exercise or settlement would be anti-dilutive in the earnings per share calculation.

Note 12. Financial Instruments and Financial Risk Management

The Company's financial instruments consist of cash and cash equivalents, short-term investments, trade receivables, accounts payable and accrued liabilities, derivative contracts and debt (excluding finance lease liabilities). Other than the derivative contracts, these financial instruments are recorded at amortized cost on the Condensed Consolidated Interim Statements of Financial Position. Other than the debt, the fair values of these financial instruments approximate their carrying values due to their short-term maturity. The derivative contracts are recorded at fair value and revalued through income at the end of each reporting period and are classified as Level 2 within the fair value hierarchy.

The carrying amount of debt (excluding finance lease liabilities) is presented net of unamortized deferred finance charges. The fair value of the Company's debt is determined by using a discounted cash flow approach whereby future cash flows associated with the debt were discounted at a rate that equates to the risk-free rate plus a credit spread and therefore the debt is classified within Level 3 of 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 September 30, 2020 and December 31, 2019 are as follows:

	As at September 30, 2020		As at December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	\$ 204.0	\$ 204.0	\$ 161.8	\$ 161.8
Short-term investments	32.0	32.0	-	-
Trade receivables	8.7	8.7	6.0	6.0
	\$ 244.7	\$ 244.7	\$ 167.8	\$ 167.8
Financial Liabilities				
Accounts payable and accrued liabilities	\$ 88.9	\$ 88.9	\$ 90.6	\$ 90.6
Derivative contracts	16.9	16.9	2.1	2.1
Debt, excluding lease liabilities	152.4	147.4	171.4	176.8
	\$ 258.2	\$ 253.2	\$ 264.1	\$ 269.5

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For the Three and Nine Months Ended September 30, 2020

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

(Unaudited)

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

(a) Credit risk:

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. All of the Company's cash and cash equivalents and short-term investments are held with reputable financial institutions as at September 30, 2020. The short-term investments represent a 180-day non-redeemable GIC entered into in the third quarter of 2020. The carrying amount of the Company's cash and cash equivalents and short-term investments represents the maximum exposure to credit risk as at September 30, 2020.

The Company is exposed to liquidity risk and credit risk with respect to its VAT receivables if the Mexican tax authorities are unable or unwilling to make payments in a timely manner in accordance with the Company's monthly filings. Timing of collection of VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. As at September 30, 2020, the Company's VAT receivables balance is \$25.9, and in respect of this balance, the Company expects to recover \$20.1 over the next 12 months and a further \$5.8 thereafter. The VAT receivables balance is presented net of \$3.1 for a provision for claims that are considered to be uncollectible. The Company's approach to managing liquidity risk with respect to its VAT receivables is to file its refund requests on a timely basis, monitor actual and projected collections of its VAT receivables, and cooperate with the Mexican tax authorities in providing information as required.

(b) Liquidity risk:

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

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2020, the Company had cash balances of \$204.0 (excluding short-term investments of \$32.0) (December 31, 2019 - \$161.8). The Company maintains its cash in fully liquid business accounts.

As at September 30, 2020, the amounts outstanding under the Debt Facility totalled \$156.3 (December 31, 2019 - \$180.0).

Cash flows that are expected to fund the operation of the ELG Mine Complex and settle current liabilities are dependent on, among other things, proceeds from gold sales. 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 also have various options available to mitigate the risk of breaching requirements under the SARCA, including seeking a waiver from the Lenders, which is outside the Company's direct control and failing that, settling the loan entirely and so removing the requirements under the SARCA.

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For the Three and Nine Months Ended September 30, 2020

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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 on the Condensed Consolidated Interim Statements of Financial Position.

	As at September 30, 2020		
	Up to 1 year	1-5 years	Total
Accounts payable and accrued liabilities	\$ 88.9	\$ -	\$ 88.9
Derivative contracts	16.4	0.5	16.9
Debt, excluding lease liabilities (Note 7)	51.3	105.0	156.3
	\$ 156.6	\$ 105.5	\$ 262.1

	As at December 31, 2019		
	Up to 1 year	1-5 years	Total
Accounts payable and accrued liabilities	\$ 90.6	\$ -	\$ 90.6
Derivative contracts	1.6	0.5	2.1
Debt, excluding lease liabilities (Note 7)	85.0	95.0	180.0
	\$ 177.2	\$ 95.5	\$ 272.7

(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 7) bears interest at a rate of LIBOR +3%. 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.

As at September 30, 2020, a 100 basis points change in the LIBOR would result in a decrease or increase of \$0.7 (using the LIBOR rate as at September 30, 2020 of 0.25%) in the Company's net income for the nine months ended September 30, 2020 relating to the interest rate swap contracts.

The Company does not consider its interest rate risk exposure to be significant as at September 30, 2020 with respect to its cash and cash equivalent positions.

(ii) Foreign currency risk:

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

As at September 30, 2020, the Company had cash and cash equivalents, VAT receivables, accounts payable and accrued liabilities and income taxes payable 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

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For the Three and Nine Months Ended September 30, 2020

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decrease or increase of \$0.4 in the Company's net income for the nine months ended September 30, 2020. This excludes the impact of the Mexico peso forward contracts. A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of \$0.2 in the Company's net income for the nine months ended September 30, 2020.

In the first quarter of 2020, the Company entered into forward contracts for approximately 50% of its estimated Mexico peso expenditures or \$234.0 at a weighted average rate of 19.70 until December 2020. In the second quarter, the Company extended the maturity dates of certain currency contracts due to settle in the second quarter of 2020, with a total notional value of \$24.0, to future periods ranging from 7 to 11 months. There were \$59.0 of contracts remaining at September 30, 2020 at a weighted average rate of 20.25. A 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of \$4.1 in the Company's net income for the nine months ended September 30, 2020 in relation to the forward contracts.

(iii) Commodity price risk:

Gold prices have fluctuated widely in recent years and there is no assurance that a profitable market will exist for gold produced by the Company. The Company entered into a series of zero-cost collars to hedge against changes in gold prices for a total of 8,000 ounces of gold per month until September 2021. The remaining gold collar contracts have an average floor price of \$1,450 per ounce and an average ceiling of \$2,036 per ounce.

As at September 30, 2020, a 10% change in the gold price would result in a decrease or increase of \$0.7 (using the spot rate as at September 30, 2020 of \$1,888) in the Company's net income for the nine months ended September 30, 2020 relating to the zero-cost collar hedges.

Note 13. Commitments

Purchase commitments

As at September 30, 2020, the total purchase commitments for the ELG Mine Complex amounted to \$75.1, which are expected to settle over the next 12 months.

ELG royalties

Production revenue from certain concessions is subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and is payable on a quarterly basis. In the nine months ended September 30, 2020, the Company paid \$11.1 for the 2.5% royalty relating to the fourth quarter of 2019 and the first two quarters of 2020. As at September 30, 2020, the Company has \$6.4 accrued relating to 2020 for the 2.5% royalty.

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 on an annual basis in the following year. The mining tax is considered an income tax for IFRS purposes. In March 2020, the Company paid \$17.5 relating to amounts due for 2019 for the 7.5% and 0.5% royalties. As at September 30, 2020, the Company has \$38.0 and \$2.6 accrued for the 7.5% and 0.5% royalties, respectively.

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(Unaudited)

Note 14. Care and Maintenance

Consistent with the Decree issued by the Government of Mexico as described in Note 2, operations at the ELG Mine Complex were suspended beginning April 2, 2020 and the assets were placed in care and maintenance. On May 1, 2020, testing commenced over the effectiveness and durability of maintenance repairs made to the processing plant prior to the COVID-19 shutdown. The processing plant treated low grade stockpile material for the month of May and full mining operations commenced June 2020. In the nine months ended September 30, 2020, care and maintenance charges of \$11.1 relate to and comprise \$8.0 of labour and contractor costs, supplies and incremental consulting and advisory fees, and \$3.1 of depreciation and amortization (nine months ended September 30, 2019 - nil).

Note 15. Transactions with Related Parties

In June 2018, Fred Stanford, the Company's President and Chief Executive Officer ("CEO") at that time, sold, assigned and transferred to the Company (the "Assignment"), with the exception of trademarks, his entire right, title and interest in a proprietary mining system (the "Mining System" which is sometimes referred to as "Muckahi") for use in underground mines for nominal consideration. The Company has granted an irrevocable license (the "License" and together with the Assignment, the "IP Agreements"), in any intellectual property associated with the Mining System, including any improvements, to Muckahi Inc., an entity controlled by Fred Stanford. The License restricted Muckahi Inc. from making use of the License during Fred Stanford's tenure as CEO. On June 17, 2020, the License was amended such that Muckahi Inc. may not make use of the License while Fred Stanford, now Executive Chairman, holds any position with the Company as employee, officer or director.