ALAMOS GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All amounts are expressed in United States dollars, unless otherwise stated)

This management's discussion and analysis ("MD&A") of the operating results and financial position of Alamos Gold Inc. and its subsidiaries (the "Company") is for the three-month period ended March 31, 2010 compared with the three-month period ended March 31, 2009. Together with the interim consolidated financial statements and related notes, the MD&A provides a detailed account and analysis of the Company's financial and operating performance for the period. The Company's functional and reporting currency is the United States dollar. This MD&A is current to May 4, 2010 and should be read in conjunction with the Company's Annual Information Form and other corporate filings available at www.sedar.com ("SEDAR"). Management is responsible for the interim consolidated financial statements referred to in this MD&A, and provides officers disclosure certifications filed with securities commissions on SEDAR. The Audit Committee reviews the interim consolidated financial statements and MD&A, and recommends approval to the Company's Board of Directors.

The MD&A should be read in conjunction with the interim consolidated financial statements of the Company and related notes, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Refer to Note 2 of the December 31, 2009 and 2008 audited consolidated financial statements for disclosure of the Company's significant accounting policies.

Note to U.S. Investors

All references to mineral reserves and resources contained in this MD&A are determined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators ("CSA") and Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards. While the terms "mineral resource," "measured mineral resource," "indicated mineral resource," and "inferred mineral resource" are recognized and required by Canadian regulations, they are not defined terms under the Securities and Exchange Commission ("SEC") standards in the United States ("U.S."). As such, information contained in this MD&A concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. "Indicated mineral resource" and "inferred mineral resource" have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an "indicated mineral resource" or "inferred mineral resource" will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves.

Overview

Alamos Gold Inc. is a publicly-traded company on the Toronto Stock Exchange (TSX: AGI). The Company owns and operates the Mulatos mine ("Mulatos" or the "Mine") within the Salamandra group of concessions located in the state of Sonora in northwest Mexico. In addition, the Company recently acquired two advanced-stage gold development projects, Aği Daği and Kirazli, located in the Biga Peninsula of northwestern Turkey.

Mexico

The Salamandra group of concessions comprises 30,325 hectares, and contains the producing Mine as well as several advanced and grassroots exploration projects. The Mine achieved commercial production in 2006 and produces gold in dore form for shipment to a refinery. Exploration potential includes both mineralized extensions and satellite deposits in close proximity to existing mining operations.

Proven and probable reserves as at December 31, 2009 were 61.6 million tonnes grading 1.21 grams of gold per tonne of ore ("g/t Au") for approximately 2.4 million contained ounces of gold, providing a mine life of over 11.5 years at recent production levels.

Turkey

In early 2010, the Company acquired the 14,905-hectare Aği Daği and Kirazlı gold development projects, which contain established mineral resources and several highly prospective exploration targets. In March 2010, the Company published a preliminary economic assessment technical report (the "Scoping Study") evaluating the potential economics of developing Aği Daği and Kirazlı into gold mines.

The findings of the study were positive and the Company is advancing the projects to the preliminary feasibility stage. The Scoping Study also presented an updated mineral resource estimate. Indicated resources at December 31, 2009 were 63.8 million tonnes grading 0.64 g/t Au and 5.20 grams of silver per tonne of ore ("g/t Ag") for approximately 1.3 million ounces of gold and 10.7 million ounces of silver. Inferred resources were 26.4 million tonnes grading 0.74 g/t Au and 8.72 g/t Ag for 0.6 million ounces of gold and 7.4 million ounces of silver.

First Quarter 2010 Highlights

In the first quarter of 2010, the Company:

- Generated revenues of $46.7 million, a 31% increase over revenues of $35.5 million in the first quarter of 2009.
- Recognized earnings of $14.0 million ($0.12 per share) compared to earnings of $8.8 million ($0.09 per share) in the same period of 2009.
- Sold 42,148 ounces of gold at a cash operating cost of $268 per ounce of gold sold (total cash cost inclusive of royalties of $316 per ounce of gold sold).
- Produced 41,600 ounces of gold, in-line with full year production guidance of 160,000 to 175,000 ounces of gold.
- Generated cash flows from operating activities of $23.5 million ($0.21 per share) compared to $17.1 million ($0.17 per share) in the first quarter of 2009.

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- Acquired two advanced-stage gold projects in northwestern Turkey for consideration of $40.0 million cash, the issuance of four million shares of the Company and $0.7 million in transaction costs.
- Released positive Scoping Study results supporting a decision to advance the Aği Daği and Kirazlı gold projects to the preliminary feasibility stage.
- Declared a dividend of $0.03 per share payable on April 30, 2010 to shareholders of record on April 15, 2010.
- Reported a 17% increase in proven and probable reserves at the Mulatos Mine, in addition to plans to expand crusher throughput by up to 20%.
- Announced high-grade drill results at San Carlos, including 32.0 metres grading 13.97 g/t Au.

Results of Operations

Gold production of 41,600 ounces in the first quarter of 2010 decreased 10% compared to gold production of 46,000 ounces in the first quarter of 2009. Gold sales in the first quarter of 2010 increased 5% over the comparable period of 2009 to 42,148 ounces. The table below outlines key production indicators in the first quarters of 2010 and 2009:

Production summary	Q1 2010	Q1 2009	Change (#)	Change (%)
Ounces produced [1]	41,600	46,000	(4,400)	(10%)
Ore crushed (tonnes)	1,190,000	1,068,000	122,000	11%
Grade (g/t Au)	1.76	1.71	0.05	3%
Contained ounces stacked	67,436	58,716	8,720	15%
Ratio of ounces produced to contained ounces stacked	62%	78%	(16%)	(21%)
Ore mined (tonnes)	1,210,000	1,047,000	163,000	16%
Waste mined (tonnes)	743,000	1,532,000	(789,000)	(52%)
Total mined (tonnes)	1,953,000	2,579,000	(626,000)	(24%)
Waste-to-ore ratio	0.61	1.46	(0.85)	(58%)
Ore crushed per day (tonnes)	13,200	11,700	1,500	13%

(1) Reported gold production for Q1 2009 has been adjusted to reflect final refinery settlement. Reported gold production for Q1 2010 is subject to final refinery settlement and may be adjusted.

In the first quarter of 2010, the Mulatos Mine produced 41,600 ounces of gold at a total cash cost, including the 5% royalty, of $316 per ounce. Gold production in the quarter was in line with annual production guidance of between 160,000 and 175,000 ounces. Average daily crusher throughput was consistent with budgeted levels in the first quarter of 2010 and increased 13% over the comparative prior year period.

Crusher throughput and grade both increased in the first quarter of 2010 compared to the first quarter of 2009, however, gold production declined 10%. The decrease in gold production resulted from less ounces being stacked on the leach pad in the fourth quarter of 2009 while the new closed circuit crushing system was being commissioned. Given the average 17-week leach cycle recovery time, both gold production and the “recovery ratio” of ounces produced divided by contained ounces stacked were adversely impacted in the first quarter. Consequently, the recovery ratio in the first quarter of 62% was below budgeted levels of 68%. The recovery ratio is expected to increase to budgeted levels in subsequent periods of 2010.

Mining operations in the first quarter continued to benefit from a positive reconciliation relative to the block model and from a low waste-to-ore ratio. The grade of ore mined in the first quarter was 2.06 g/t Au, compared to the grade of ore stacked of 1.76 g/t Au. The difference between the grade mined and stacked reflects a drawdown of lower grade crusher stockpile ore in the quarter. The reconciliation of mined blocks to the block model continues to reflect positive grade and tonnes variances. In the first quarter of 2010, the reconciliation of mined blocks to the block model was +6.0%, +7.2% and +13.6% for tonnes, grade and ounces, respectively. The positive tonnes variance has resulted from modeled waste being identified as ore, contributing to a lower than budgeted waste-to-ore ratio. Since the start of mining activities in 2005, the project-to-date reconciliation is -1.5%, +9.5%, +7.9% for tonnes, grade and ounces, respectively. Positive reconciliation variances indicate that the Company is mining more gold than what was indicated in the reserve model, which generally has the effect of extending mine life and lowering mining costs.

The following table compares costs per tonne for the three-month periods ended March 31, 2010 and 2009:

Costs per tonne summary	Q1 2010	Q1 2009	Change (%)
Mining cost per tonne of material (ore and waste)	$2.17	$1.46	49%
Waste-to-ore ratio	0.61	1.46	(58%)
Mining cost per tonne of ore	$3.50	$3.60	(3%)
Crushing/conveying cost per tonne of ore	$1.77	$1.78	(1%)
Processing cost per tonne of ore	$2.43	$2.26	8%
Mine administration cost per tonne of ore	$1.86	$1.57	18%
Total cost per tonne of ore	$9.56	$9.21	4%

Total cost per tonne of ore in the first quarter of 2010 was $9.56, approximately 4% above the $9.21 incurred in the first quarter of 2009. The marginally higher cost per tonne of ore in 2010 is primarily attributable to higher maintenance costs and the strengthening in value of the Mexican peso compared to the United States dollar, offset by lower costs associated with a reduced waste-to-ore ratio. The Mexican peso:United States dollar foreign exchange rate in the first quarter of 2010 averaged 12.8:1, compared to 14.4:1 in the first quarter of 2009. This resulted in a 13% increase in the Company’s Mexican peso-denominated costs, which comprise approximately 40% of operating costs.

Mining cost per tonne of material was $2.17 in the first quarter of 2010, 49% higher than $1.46 in the first quarter of 2009. The higher mining cost per tonne of material in 2010 reflects the relative strength of the Mexican peso as well as higher equipment maintenance costs associated primarily with drilling and hauling equipment. During the first quarter, a number of maintenance repairs were completed on equipment that had been scheduled for repair in previous periods. As a result, costs in the first quarter included higher than average maintenance costs.

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Crushing and conveying, processing and mine administration costs were consistent with budget, but generally higher than in the first quarter of 2009 partially attributable to the increase in the value of the Mexican peso compared to the United States dollar.

Cash operating costs of $268 per ounce of gold sold in the first quarter of 2010 were 12% lower than $306 reported in the same period of 2009. Lower cash operating costs in the first quarter of 2010 reflect a higher estimated recovery factor applied to ounces stacked on the leach pad in the first quarter of 2010 compared to 2009, as well as the production of lower cost ounces from leach pad gold inventory in the quarter.

Cash operating costs include total costs incurred in the period, in addition to inventory adjustments that recognize the allocation of costs to and from the Company's in-process leach pad gold inventory in the period. The Company utilizes a gold process flow inventory model that allocates total costs incurred to the recoverable ounces stacked on the leach pad in that period, and charges each ounce of gold produced on an average cost basis. Accordingly, cash operating costs reflect not only the cash spent in a period, but also an adjustment to reflect the increase or decrease in the leach pad inventory. A reconciliation of total costs to cash operating costs is presented below:

Cash operating cost reconciliation	Q1 2010	Q1 2009
Total cost per tonne of ore	$9.56	$9.21
Ore crushed (tonnes)	1,190,000	1,068,000
Total cost	$11,376,000	$9,836,000
Inventory adjustments to reflect additional ounces produced from (allocated to) leach pad inventory and other period costs	($101,000)	$2,417,000
Mining and processing costs allocated to ounces sold as reported on income statement	$11,275,000	$12,253,000
Ounces sold	42,148	40,058
Cash operating cost per ounce sold	$268	$306

In the first quarter of 2010, the Company added ounces to its leach pad inventory as the number of recoverable ounces stacked exceeded the number of ounces produced in the period. The leach pad inventory, which incorporates both cash operating costs and amortization, increased from $7.2 million at December 31, 2009 to $7.8 million at first quarter-end, reflecting a recovery assumption applied to ore stacked in the quarter that was higher than the "recovery ratio".

Investments in Mineral Property, Plant and Equipment and Acquisitions

A summary of the cash invested in operating capital and development activities for the three-months ended March 31, 2010 is presented below:

	2010 ($000)
Operating capital – Mexico	
Construction	2,660
Crusher	217
Component changes	186
Mobile equipment	731
Pit design and slope stability	409
Other	216
	4,419
Development – Mexico	
Escondida development	4,480
Mulatos relocation	98
	4,578
Development – Turkey	
Acquisition of Aği Daği and Kirazlı	40,180
Development and capitalized exploration	937
	41,117
Cash invested in mineral property, plant and equipment and acquisitions	**50,114**

Operating Capital - Mexico

During the first quarter of 2010, construction spending totaled $2.7 million and focused on the water treatment plant ($0.7 million) leach pad expansion ($0.6 million), construction of the new office in Hermosillo ($0.4 million), building an air strip at the mine site ($0.3 million) and other ($0.7 million).

Other significant operating capital spending included the purchase of a new Caterpillar D-6 dozer ($0.4 million), light vehicles ($0.3 million) and component changes ($0.2 million). Further, $0.2 million of capital expenditures were incurred to complete the closed crushing circuit project, $0.4 million was invested in pit design and slope stability testing to support future mine production and $0.2 million was invested in various other capital projects.

In March 2010, the Company provided its mineral reserve and resource update as at December 31, 2009 and announced a planned increase in crusher throughput of up to 20% through the addition of a screen between the secondary and tertiary crushers at an expected capital cost of approximately $6.5 million. This project is expected to be completed by the fourth quarter of 2010 and is in addition to the Company's 2010 capital budget as presented in the January 7, 2010 press release.

Development - Mexico

The Company invested $4.5 million in development activities at Escondida during the first quarter of 2010. As at March 31, 2010, the mining contractor had removed approximately 4.0 million tonnes of overburden since the project commenced, or approximately 17% of the total required. In April 2010, life-of-mine planning based on the Company's updated reserve and resource update indicated that an additional one million tonnes of ore and four million tonnes of waste are required to be mined in order to access the Escondida high grade zone. The Company is in the process of evaluating the impact of this additional development work on the timeline for development, and expects that the current deadline for completion in the fourth quarter of 2011 may still be achievable if additional mining capacity can be attained.

Construction of the mill to process high-grade ore from the Escondida zone as well as from other potential high-grade zones is planned to commence in the third quarter of 2010 and is expected to be complete by the end of 2011 at an estimated cost of $17.5 million, which includes a 20% contingency.

Development - Turkey

Effective January 6, 2010, the Company acquired the Aği Daği and Kirazlı advanced-stage gold projects located on the Biga Peninsula of northwestern Turkey. Aği Daği is located approximately 50 kilometres southeast of Çanakkale and Kirazlı is located approximately 25 kilometres northwest of Ağı Daği. Çanakkale is the largest centre on the Biga Peninsula with a population of approximately 96,000. Infrastructure in close proximity to the project is excellent and well-serviced with paved roads, electricity, transmission lines, and electricity generating facilities, the most significant being a large coal-fired power plant adjacent to the nearby Town of Çan, which has a population of approximately 30,000.

Positive results from the Scoping Study published in the first quarter have resulted in the decision to advance the project to the preliminary feasibility stage. On completion of a positive preliminary feasibility study, timely approval of the environmental impact assessment report and receipt of all required mining permits, production is planned to commence at Kirazlı in the first quarter of 2013, followed by Ağı Daği in the first quarter of 2014.

In the first quarter of 2010, the Company invested $0.9 million at the Ağı Daği and Kirazli projects, primarily focused on costs incurred to support the Scoping Study ($0.4 million) and capital asset acquisitions including light vehicles and leasehold improvements ($0.4 million).

Exploration Summary

Total exploration spending in the first quarter of 2010 was approximately $2.4 million. Exploration activities in Mexico of $2.0 million were expensed, while $0.4 million of exploration costs supporting development of Ağı Daği and Kirazli were capitalized.

Exploration - Mexico

The Company had up to four drills operating during the first quarter, drilling a total of 16,000 metres in 81 holes focused on the following areas:

Zone	Location	Stage
Puerto del Aire Extension	0.8 kilometres northeast of the Mulatos Pit	Exploration and resource definition
San Carlos	Northeast of El Victor Pit	Resource definition

Puerto del Aire ("PdA") Extension

The Company invested $1.1 million on drilling at the PdA Extension in the first quarter of 2010, focused on expanding the zone to the northeast. Drilling results continue to reveal the presence of a very large system of intense silica alteration, concealed by post-mineral volcanic cover, that has similar characteristics to the high-grade portion of the Escondida zone.

The PdA trend has now been determined to extend for more than two kilometres and appears to extend beyond the Mulatos River. The project continues to demonstrate the potential for gold mineralization below post-mineral cover and the Company continues to discover localized zones of high-grade gold mineralization. Although the area is highly prospective, the identified mineralized zones at PdA and PdA Extension may not all be amenable to heap leaching, or portions may be located at depths which could preclude open pit mining.

In the first quarter, the Company identified a southern extension of the San Carlos mafic dyke swarm along the PdA Extension trend. Though the dyke swarm is barren, it is indicative of potential deep seated major structures, and the Company believes that its presence has increased the likelihood of discovering additional high-grades zones. Drill-testing is ongoing.

San Carlos

Exploration spending at San Carlos in the first quarter of 2010 of $0.3 million was below budgeted levels due to an unseasonably rainy winter season which limited access as drill rigs and personnel were unable to cross the Mulatos River due to high water levels. A total of 2,500 metres in 10 holes were drilled towards the end of the quarter.

Since 2006, the Company has drilled over 16,000 metres in 74 holes at San Carlos, identifying a mineralized envelope defined by the distribution of silica alteration that is both stratabound and structurally-controlled in nature and extends for at least 400 metres along strike from the Mulatos River. Several holes contained high-grade intercepts, such as hole 09SC034, which intercepted 32.0 metres grading 13.97 g/t Au. This zone is up to 300 metres wide, and upwards of 100 metres thick, and contains a high-grade portion with a strike length of approximately 270 metres.

The Company has identified a post-mineral mafic dyke swarm at San Carlos, which appears to be spatially related to high-grade gold mineralization, and the Company currently considers the presence of mafic dykes to be indicative of potential for high-grade gold mineralization.

Resource definition drilling continues at San Carlos with the objective of upgrading the established inferred mineral resources to the measured and indicated categories.

<u>Exploration - Turkey</u>

Exploration activities in the first quarter of 2010 at the Ağı Daği and Kirazlı projects focused on establishing and staffing the exploration camp, and mobilizing contractors to commence

drilling late in the first quarter. In late March, the Company started drilling with two core rigs focused on collecting metallurgical, geotechnical and geological data to support the pre-feasibility study.
The pace of exploration has accelerated, with four drill rigs currently on site, and six rigs expected to be active by the end of the second quarter on 2010.

The Company believes that there is significant potential for mineral resource expansion at Ağı Daği and Kirazlı. In addition to expanding the limits of the known mineral deposits, there are several high-priority exploration targets in close proximity to the established mineral resources. In the second half of 2010, the Company plans to commence exploration drilling at Çamyurt, a highly prospective zone located about 3.5 kilometres southeast of the proposed Ağı Daği pits, before moving onto Rock Pile, an area that hosts high-grade gold mineralization located approximately 1.5 kilometres southwest of the proposed Kirazlı pit.

Financial Highlights

A summary of the Company's financial results for the three-month periods ended March 31, 2010 and 2009 is presented below:

	Q1 2010	Q1 2009
Cash provided by operating activities before changes in non-cash working capital (000)(1)	$21,960	$15,441
Changes in non-cash working capital (000)	$1,574	$1,627
Cash provided by operating activities (000)	$23,534	$17,068
Earnings before income taxes (000)	$20,879	$11,467
Earnings (000)	$14,005	$8,797
Earnings per share		
- basic and diluted	$0.12	$0.09
Comprehensive income (000)	$14,005	$9,350
Weighted average number of common shares outstanding		
- basic	113,925,000	101,569,000
- diluted	116,044,000	102,960,000
Assets (2)	$450,369	$360,282 (2)

(1) A non-GAAP measure calculated as cash provided by operating activities as presented on the consolidated statements of cash flows and adding back changes in non-cash working capital.
(2) The comparative period for assets is December 31, 2009

The Company reported strong financial results in the first quarter of 2010, generating cash from operating activities before changes in non-cash working capital of $22.0 million, and $23.5 million ($0.21 per share) after changes in non-cash working capital. The cash provided by operating activities for the first quarter of 2010 represents a 38% increase over the $17.1 million ($0.17 per share) generated in the first quarter of 2009. Earnings in the first quarter of 2010 were $14.0 million or $0.12 per basic share, compared to $8.8 million ($0.09 per basic share) in the same period of 2009, an increase of 59%.

Financial results for the three months ended March 31, 2010 improved significantly over the same period of 2009 driven by higher realized gold prices and lower mining and processing costs.

Gold Sales

Details of gold sales are presented below:

	Q1 2010	Q1 2009	Change (#)	Change (%)
Gold sales (ounces)	42,148	40,058	2,090	5%
Gold sales revenues (000)	$46,651	$35,521	$11,130	31%
Realized gold price per ounce	$1,107	$887	$220	25%
Average gold price for period (London PM Fix)	$1,109	$908	$201	22%

Gold sales revenues in the first quarter of 2010 of $46.7 million represented a 31% increase over revenues of $35.5 million in the first quarter of 2009. The increase in gold sales revenues is attributable to a combination of a 5% increase in the number of ounces sold and a 25% increase in the average realized gold price.

The Company generally enters into forward gold sales contracts in order to match sales contracts with the next expected delivery. The Company's objective is to realize a gold sales price consistent with the average London PM Fix spot gold price. As at March 31, 2010, the Company did not have any derivative activity outstanding related to gold, and is therefore fully leveraged to future changes in the price of gold.

Assessment of Gold Market

The Company's realized gold price in the first quarter of 2010 was $1,107 per ounce, compared to an average London PM Fix spot market price of $1,109. The market price of gold continues to exhibit significant volatility. Subsequent to the end of the first quarter, the gold price reached levels in excess of $1,180 per ounce. At a gold price of $1,180 per ounce, the Company realizes a mine operating cash margin (before taxes and corporate and administrative costs) in excess of $850 per ounce.

Operating Expenses and Operating Margins

Mine operating costs allocated to ounces sold are summarized in the following table for the periods indicated:

	Q1 2010	Q1 2009	Change %
Gold production (ounces) [1]	41,600	46,000	(10%)
Gold sales (ounces)	42,148	40,058	5%
Cash operating costs (000)[2]	**$11,275**	**$12,253**	**(8%)**
- Per ounce sold	**$268**	**$306**	**(12%)**
Royalties (000)[3]	$2,024	$1,886	7%
Total cash costs (000)[4]	**$13,299**	**$14,139**	**(6%)**
- Per ounce sold	**$316**	**$353**	**(10%)**
Amortization (000)	$5,682	$5,095	12%
Accretion expense (000)	$112	$86	30%
Total production costs (000)[5]	**$19,093**	**$19,320**	**(1%)**
- Per ounce sold	**$453**	**$482**	**(6%)**
- Realized gold price per ounce	$1,107	$887	25%
- Operating cash margin per ounce [6]	$791	$534	48%

(1) Reported gold production is subject to final refinery settlement.
(2) "Cash operating costs" is a non-GAAP measure which includes all direct mining costs, refining and transportation costs and by-product credits. "Cash operating costs" is equivalent to mining and processing costs as reported in the Company's financial statements, which is presented net of inventory adjustments.
(3) Royalties are included as of April 1, 2006 at 5% of net precious metals revenues (as determined in accordance with the royalty agreement).
(4) "Total cash costs" is a non-GAAP measure which includes all "cash operating costs" and royalties. "Total cash costs" is equivalent to mining and processing costs and royalties as reported in the Company's financial statements.
(5) "Total production costs" is a non-GAAP measure which includes all "total cash costs", amortization, and accretion of asset retirement obligations. "Total production costs" is equivalent to mining and processing costs, royalties, amortization and accretion of asset retirement obligations as reported in the Company's financial statements.
(6) "Operating cash margin per ounce" is a non-GAAP measure which is calculated as the difference between the Company's gold sales and mining and processing and royalty expenses ("total cash costs") as reported in the Company's financial statements.

Cash operating costs for the quarter were $268 per ounce of gold, 12% lower than the comparable quarter of 2009. This improved result was achieved despite an increase in the value of the Mexican peso compared to the United States dollar, and reflects a higher estimated recovery factor applied to leach pad inventory than that applied in the first quarter of 2009. Amortization was $135 per ounce of gold sold in the first quarter of 2010, 6% higher than $127 per ounce in the same period of 2009. The Company released an updated mineral reserve estimate in March 2010 that extended the mine life as at December 31, 2009 from approximately 9 years to 11.5 years (at current production rates). Since a significant portion of the Company's amortization expense is calculated on a units-of-production basis, amortization per ounce is expected to decline throughout 2010 as a lower amortization factor is applied to ounces stacked and ultimately produced from the leach pad.

Production from certain mining concessions within the Salamandra District is subject to a sliding scale production royalty. At gold prices above $400, the royalty is calculated at a rate of 5% of the value of gold and silver production, less certain deductible refining and transportation costs. The royalty is calculated based on the daily average London PM Fix gold market prices, not actual prices realized by the Company. With the achievement of commercial production on April 1, 2006, production to a maximum of two million ounces of gold is subject to royalty. As at March 31, 2010, the royalty was paid or accrued on approximately 544,000 ounces of applicable gold production. Royalty expense in the first quarter of 2010 was $2.0 million, approximately 7% higher than the $1.9 million royalty expense in the same period of 2009. The increase in royalty expense is attributable to higher average market gold price in 2010 compared to 2009.

Exploration

The Company's accounting policy for exploration costs requires that exploration expenditures that do not meet the criteria for mine development be expensed as incurred. Total exploration expenditures in the first quarter of 2010 were $2.4 million, of which $2.0 was expensed and $0.4 million related to Turkey was capitalized. Comparatively, in the first quarter of 2009 a total of $3.4 million was spent on exploration activities at Mulatos, of which $1.6 million was expensed.

Corporate and Administrative

Corporate and administrative expenses of $2.1 million in the first quarter of 2010 were approximately 38% higher than the $1.5 million incurred in 2009. Higher corporate and administrative costs were primarily the result of higher salary costs associated with new employees in the Toronto head office, increased travel spending as well as the inclusion of costs associated with the Company's new administration office in Ankara, Turkey.

Stock-based Compensation

Stock-based compensation expense in the three-month period ended March 31, 2010 was $1.5 million compared to $1.3 million in the comparable period of 2009. The value of stock-based compensation expense is added to the contributed surplus account within shareholders' equity, resulting in no net effect on total shareholders' equity.

In order to promote employee retention, all stock option grants are subject to vesting provisions under which 20% of all stock options granted vest on the date of grant and 20% at each subsequent six-month period. The vesting provisions result in the calculated market value of stock option grants being charged to expense in accordance with the vesting terms of the option. Stock-based compensation expense in the first quarter of 2010 was higher than in the first quarter of 2009 as a result of higher fair values associated with new options granted in the current year.

Accretion

Accretion expense includes accretion of the Company's asset retirement and property acquisition obligation liabilities. The accretion expense for the current period was comparable with the prior year period.

Employee Future Benefits

The Company is required to recognize employee future benefit liabilities associated with its Mexican work force. The related expense for the current period was comparable with the prior year period.

Interest Income

Interest income in the first quarter of 2010 was $0.3 million, consistent with interest income earned in the first quarter of 2009. Interest rates on deposit accounts and short-term investments remain at historically low levels.

Foreign Exchange Gain

The Company recognized a foreign exchange gain of $0.1 million in the first quarter of 2010 compared to a foreign exchange loss of $1.2 million in same period of 2009. In 2010, the value of the Canadian dollar and Mexican peso strengthened, while the value of the Turkish Lira compared to the United States dollar weakened. Revaluation of Canadian-denominated cash balances and Turkish Lira-denominated future tax liabilities resulted in foreign exchange gains, which were largely offset by losses recorded on the revaluation of Mexican peso-denominated tax liabilities.

Other (loss)/gain

During the first quarter of 2010, the Company sold three haul trucks and one loader to the mining contractor that is developing the Escondida zone. The proceeds of $2.3 million were based on appraised values. The net book value of this equipment was $3.2 million, resulting in a $0.9 million loss that has been classified as "Other loss" in the Consolidated Statements of Operations. In addition, the Company wrote off the net book value ($0.4 million) of certain warehouse and laboratory assets during the period.

Income Taxes

Tax expense in the first quarter of 2010 was $6.9 million compared to $2.7 million in the same period of 2009. The Single Rate Tax Law (minimum tax) that came into effect in Mexico at the start of 2008 did not contribute to a higher tax expense in 2010, but may in future periods. The Company is cash taxable in Mexico and must calculate and provide for tax installments on a monthly basis. The Company satisfies its tax liability through periodic installment payments, as well as by offsetting refundable value-added tax owed from the Mexican government against its tax payable liability.

The general statutory income tax rate in Mexico for 2010 is 30%. In Canada, the combined federal and provincial statutory income tax rate was 33% in 2009. The effective tax rate for the first quarter of 2010 (calculated as a percentage of earnings before income tax) was 33%. The effective tax rate results from a number of factors, many of which are difficult to forecast.

Summary of Quarterly Results

The following table summarizes quarterly results for the past eight quarters. Quarterly gold production has been adjusted to reflect final settlements, where applicable.

	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Gold production (ounces)	38,500	39,900	39,347	46,000	42,000	42,500	48,000	41,600
Gold sales (ounces)	35,482	41,293	40,176	40,058	45,420	43,201	49.145	42,148
Gold sales ($000)	32,337	37,207	32,400	35,521	41,978	41,283	52,649	46,651
Earnings from operations ($000)	10,175	11,387	8,708	11,743	17,111	17,984	25,605	21,905
Earnings (loss) ($000)	6,191	8,346	9,140	8,797	12,969	14,115	20,081	14,005
Earnings (loss) ($ per share) – basic/diluted	0.07/ 0.06	0.09	0.10	0.09	0.12	0.13	0.18	0.12

Gold production, gold sales and earnings have generally trended higher over the past eight quarters as the Company has optimized mining operations and benefited from rising gold prices. Higher realized gold prices and gold sales have resulted in generally improved financial results. Third quarter operating and financial results could represent seasonal lows if the anticipated rainy season in northern Mexico is significantly worse than average.

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, short term investments, amounts receivable, accounts payable and accrued liabilities and current and future income tax liabilities, some of which are denominated in Canadian dollars ("CAD"), Mexican pesos ("MXN") and Turkish Lira ("TRL"). The Company is exposed to financial gains or losses as a result of foreign exchange movements against the United States dollar.

The Company's cash and cash equivalents may be invested in short-term liquid deposits or investments which provide a revised rate of interest upon maturity. At March 31, 2010, the majority of the Company's reported cash and cash equivalents were held in bank deposit accounts or 60-day to 90-day term deposits. The Company's short-term investments are generally term deposits with an initial term-to-maturity of greater than 90 days.

The majority of the Company's cash balances are held in United States dollars. However, the Company does maintain cash and cash equivalents denominated in CAD, MXN and TRL. At March 31, 2010, the Company had entered into certain derivative contracts in order to manage its exposures to fluctuations in foreign exchange rates.

At March 31, 2010, the Company had outstanding foreign currency option contracts which provided the counterparty with the right to require the Company to deliver up to CAD$4 million in exchange for USD$3.86 million, and USD$2 million in exchange for MXN$26.2 million in the second quarter of 2010. The mark-to-market loss associated with these contracts at March 31, 2010 was $116,000.

In addition at the end of the first quarter, the Company had CAD$3 million foreign currency forward contracts which are convertible on maturity into United States dollars at rates ranging from CAD$1:USD$0.94 to CAD$1:USD$0.97. The mark-to-market loss associated with these contracts was $110,000 with maturity dates ranging from April 30 to June 10, 2010.

The Company also had outstanding at March 31, 2010 a CAD$2 million deposit which is convertible to United States dollars at an exchange rate of CAD$1:USD$0.95 at the discretion of the counterparty on maturity April 12, 2010. The mark-to-market loss associated with this contract at March 31, 2010 was $68,000.

The Company's operating costs are primarily denominated in United States dollars. However, the Company also translates operating costs denominated in the CAD, MXN and TRL into United States dollars. As a result, the Company's operating costs are affected by changes in the foreign exchange rates of those currencies. A 10% increase/(decrease) in the value of the CAD against the United States dollar could increase/(decrease) the Company's reported corporate and administrative costs by approximately $0.6 million annually. A 10% increase/(decrease) in the value of the MXN compared to the United States dollar could increase/(decrease) the Company's mining and processing costs and decrease/(increase) earnings before income taxes by approximately $2.5 million annually. A 10% change in the value of the TRL compared to the United States dollar would not have a material impact on the Company's operating costs at this time, but could result in a significant foreign exchange gain or loss on revaluation of the Company's TRL-denominated future tax liability balance.

The Company is exposed to monetary assets and liabilities denominated in CAD. The Company maintains CAD cash balances, which are not fully offset by CAD-denominated liabilities. In the first quarter of 2010, the impact of the strengthening CAD resulted in the Company recognizing a $0.5 million foreign exchange gain on its CAD-denominated cash balances, which was partially offset by mark-to-market losses on foreign currency contracts. While the Company realized a foreign exchange gain on its CAD cash holdings as a result of the strengthening CAD, a higher CAD also had the adverse effect of increasing the Company's corporate and administrative costs when converting CAD expenses into United States dollars.

The Company also has exposure to monetary assets and liabilities denominated in MXN. Significant cash balances, outstanding amounts receivable, accounts payable or tax liabilities denominated in MXN expose the Company to foreign exchange gains or losses. The Company maintains cash balances in MXN in order to partially mitigate its balance sheet exposure to changes in the MXN/United States dollar exchange rate resulting from its MXN-denominated taxes payable and future tax liability balances.

Liquidity and Capital Resources

During the first quarter of 2010, the Company's cash and cash equivalents decreased by $10.6 million. Cash in-flows included $23.5 million cash provided by operating activities, $2.7 million cash proceeds on the exercise of options, $0.3 million cash proceeds on the sale of fixed assets, the liquidation of $12.1 million of short term investments and $0.9 million attributable to foreign exchange rate gains on cash held in foreign currencies. Cash outflows included $40.2 million of cash expenditures in the quarter for the acquisition of the Turkish projects and capital additions of $9.9 million. At March 31, 2010, the Company had $164.2 in cash and cash equivalents and short-term investments compared to $186.9 million at December 31, 2009.

The Company's working capital surplus decreased to $171.6 million at March 31, 2010 from $196.8 million at December 31, 2009.

The Company has significant budgeted capital and exploration expenditures in both Mexico and Turkey in 2010. In addition to expansion activities at its operations in Mexico, the Company expects to invest significantly in exploration and development activities at its newly acquired projects in Turkey over the next several years, which the Company expects can be funded from operating cash flows..

With cash and short-term investment balances at March 31, 2010 of $164.2 million, working capital of $171.6 million, no debt, and strong operating cash flows, the Company believes that it is well positioned to support the further development and expansion of its existing mining and development operations, aggressive exploration spending at its properties, as well as acquisitions.

Conversion to International Financial Reporting Standards ("IFRS")

Effective February 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement into IFRS for comparative purposes of amounts previously reported under Canadian GAAP by the Company for the year ended December 31, 2010, including a revised opening balance sheet as at January 1, 2010.

In 2008, the Company completed a preliminary IFRS diagnostic which highlighted several key areas of difference between existing Canadian GAAP and IFRS, specifically property, plant and equipment, provisions, income taxes and exploration costs.

In early 2009, the Company developed an IFRS project plan assigning responsibilities and outlining the proposed timing of execution of key IFRS conversion projects. The Company's IFRS project plan stipulates several project phases. The first phase included initial training and education for key finance staff identified to establish appropriate IFRS financial reporting expertise at all levels of the business. This phase was largely completed in the third quarter of 2009, with key members of the IFRS project team attending external courses, as well as conducting self-study training, however, training and education remains an ongoing initiative of the Company.

The next phase of the Company's IFRS project was the "impact assessment" phase, whereby the project team reviewed each of the significant areas of difference highlighted by the initial diagnostic. In this phase, the project team determined the potential qualitative differences between Canadian GAAP and IFRS and assessed the impact of these differences on the Company's accounting policies, information systems, internal controls over financial reporting and other business processes.

The following is a discussion of some of the accounting standards identified as most likely to have a significant financial statement impact on the Company.

1) IFRS 1, First-Time Adoption of IFRS:

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of January 1, 2010, the date of the first comparative balance sheet presented under IFRS. However, IFRS 1 provides entities adopting IFRS for the first time a number of optional exemptions and mandatory exemptions, in certain areas, to the general requirement for full retrospective application of IFRS on the date of transition. The following are the optional exemptions which the Company is considering:

- Business combination election – The election allows the Company to adopt IFRS 3(R) prospectively from the date of transition.

- Fair value or revaluation as deemed cost election – The Company may elect on transition to record certain items of property, plant and equipment at fair value.

- Share-based payments election – The election enables the Company to adopt IFRS 2, from the date of transition to IFRS.

- Decommissioning liabilities included in the cost of PP&E – This election enables the Company to apply a simplified approach for the determination of the corresponding asset balance relating to decommissioning liabilities at the date of transition.

2) IAS 16, Property, plant and equipment – The Company believes that its existing accounting procedures adequately account for componentization as required under IFRS. The Company is in the process of reviewing its fixed asset subledger in detail and having independent appraisals performed in order to identify significant differences between the carrying value and fair value of certain mining equipment.

3) IAS 37, Provisions – Differences between Canadian GAAP and IFRS with respect to the discounting calculation and discount rates applied to future asset retirement costs are being reviewed.

4) IFRS 2, Share-based payments – The Company expects changes to its methodology used to calculate stock option forfeitures and the calculation of graded vesting for compensation expense.

5) IFRS 6, Exploration costs – The Company's policy under Canadian GAAP requires exploration and evaluation costs to be capitalized when the properties are identified as having development potential, as evidenced by positive economic analysis on the project. The Company is currently reviewing the policies under IFRS to identify if there are any potential differences.

6) IFRS 3(R), Business Combinations - The key areas of difference between IFRS and Canadian GAAP which can have a significant impact on future business combinations relate to the following:
    - The measurement date of shares issued as consideration;
    - The value recognized for non-controlling interests;
    - Contingent consideration;
    - Transactions costs of the business combination are expensed as incurred; and
    - Negative goodwill.

The Company has completed a preliminary review of the above areas of potential difference on its information systems and is planning a number of new software implementations as a result. In addition, the Company intends to implement an integrated enterprise risk management software system in 2010 in order to facilitate financial reporting under IFRS.

The Company has completed the majority of its impact assessment phase. The next project phase consists of developing new IFRS-compliant accounting policies, implementation of these policies, calculating the Company`s opening balance sheet under IFRS as at January 1, 2010, related testing and additional training as required. The Company expects to have developed new IFRS-compliant accounting policies and calculated its opening balance sheet under IFRS by the end of the third quarter of 2010.

As the review of accounting policies is completed and the new information systems are implemented during the year, the Company will monitor the impact on internal controls over financial reporting and disclosure controls. The Company will ensure appropriate changes, as required, are made throughout this process to ensure the integrity of internal controls over financial reporting and disclosure controls.

Internal Control over Financial Reporting

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed and operate effectively in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

There have been no significant changes to internal control over financial reporting in the three-month period ended March 31, 2010.

Disclosure Controls

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2010 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Commitments

Contractual obligations exist with respect to royalties; however gold production subject to royalty cannot be ascertained with certainty and the royalty rate varies with the gold price.

(All amounts are expressed in United States dollars, unless otherwise stated)

Based on the current gold price and rates of production, royalty expense is expected to be in the range of $2.0 million to $2.5 million per quarter.

The Company has signed relocation contracts with certain property owners and possessors in the town of Mulatos. Although future relocation, property acquisition and legal costs may be material, the Company cannot currently determine the expected timing, outcome of negotiations or costs associated with the relocation of the remaining property owners and possessors and potential land acquisitions.

Outstanding Share Data

The table below describes the terms associated with the Company's outstanding and diluted share capital:

	May 4, 2010
Common shares - Common shares outstanding	114,670,608
Stock options - Average exercise price CDN$8.95; approximately 62% vested and 75% in-the-money.	5,586,300
Total	**120,256,908**

Outlook

The first quarter of 2010 was characterized by continued strong operating and exploration results at the Mulatos mine, combined with the addition of significant growth potential to the Company's production profile. In addition, the Company's strong financial position provided it with the financial flexibility to reward its shareholders through the declaration of the Company's inaugural dividend in the amount of $0.03 per share. Going forward, the Company's Board of Directors intends to review its dividend policy on a semi-annual basis.

First quarter gold production was in-line with the Company's full year 2010 production guidance of 160,000 to 175,000 ounces, while total cash costs of $316 were substantially below budgeted levels. In addition to positive operating results, the updated mineral reserve and resource estimate announced during the first quarter indicated a mine life increase as at December 31, 2009 from approximately 9 years to in excess of 11.5 years based on existing crusher throughput rates.

Production expansion at Mulatos is expected to be derived from existing heap leach operations, the mill processing of high-grade ore and the development of satellite deposits. In conjunction with its mineral reserve and resource update, the Company announced plans to increase crusher throughput by up to 20% by the fourth quarter of 2010 in order to offset potential reduced production resulting from mining lower grade ore that has become economic in the current gold price environment. Construction of the Mulatos Mill to process high-grade ore from Escondida, and potentially other deposits, is expected to begin in the third quarter of 2010, with planned incremental production of at least 55,000 ounces per year starting in 2012, over a minimum two-year mill life. In addition, the Company is evaluating the development of the La Yaqui and Cerro Pelon satellite deposits, which have the potential to add substantial incremental gold production.

Future production growth is expected to come from the Company's recent acquisitions in Turkey. The Company plans to complete the preliminary feasibility study and related environmental impact assessment reports for Aği Daği and Kirazlı during the first half of 2011. On completion of a positive preliminary feasibility study and timely approval of the environmental impact assessment reports and permits, production is planned to commence at Kirazlı in the first quarter of 2013, followed by Ağı Daği in the first quarter of 2014.

The Company believes that there is potential for mineral resource expansion at the Ağı Daği and Kirazlı deposits. In addition to expanding the limits of the known mineral deposits, there are several high-priority exploration targets in close proximity to the established mineral resources.

Drilling is ongoing at Mulatos and is focused on further defining the PdA Extension and San Carlos zones. The potential for discovery of additional high-grade mineralization is high and continued exploration success at these areas could result in potential significant increases to mineral resources at Mulatos. In addition, definition drilling is ongoing at Mulatos with the goal of converting additional near-pit mineral resources into reserves, which, if successful, could increase mine life.

The Company continues to strengthen its financial position: Debt-free with approximately $160.0 million in cash and short-term investments at May 4, 2010 and strong cash flows from operations. This financial strength will allow the Company to finance its immediate capital, development and exploration plans, as well as provide significant funding for development of additional projects through acquisitions.

Future accounting pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that public companies will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. The conversion to IFRS will require the Company to change certain accounting policies, systems, internal controls over financial reporting and disclosure controls.

Business Combinations, Consolidations, Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements, and Section 1502 Non-controlling Interests. These new standards are harmonized with IFRS. Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011. The Company has not yet quantified the impact of adoption on its consolidated financial statements.

Risk Factors and Uncertainties

The Company is subject to various financial and operational risks that could have a significant impact on its profitability and levels of operating cash flow, and could cause such future business, operations, and financial condition to differ materially from the forward-looking information contained in this MD&A and described in the Forward-Looking Statements section below. For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's MD&A as at December 31, 2009 and Annual Information Form filed at www.sedar.com.

Forward-Looking Statements

Except for historical information contained in this management's discussion and analysis, disclosure statements contained herein are forward-looking, as defined in the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements.

This MD&A contains forward-looking statements concerning the Company's plans for its properties and other matters within the meaning of Section 21E of the Securities Exchange Act of the United States. Forward-looking statements include, but are not limited to: statements with respect to anticipated commencement dates of mining expansions; potential expansion costs; operations; projected quantities of future metal production; anticipated production rates and mine life; operating efficiencies; costs and expenditures and conversion of mineral resources to proven and probable reserves; and other information that is based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning proven and probable reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed, and in the case of mineral resources or mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. Exploration results that include geophysics, sampling and drill results on wide spacings may not be indicative of the occurrence of a mineral deposit. Such results do not provide assurance that further work will establish sufficient grade, continuity, metallurgical characteristics and economic potential to be classed as a category of mineral resource. It cannot be assumed that all or any part of an "indicated mineral resource" or "inferred mineral resource" will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements." Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements.

Cautionary Non-GAAP Statements

The Company believes that investors use certain indicators to assess gold mining companies. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with GAAP. “Cash flow from operating activities before changes in non-cash working capital” is a non-GAAP performance measure which could provide an indication of the Company’s ability to generate cash flows from operations, and is calculated by adding back the change in non-cash working capital to “Cash provided by (used in) operating activities” as presented on the Company’s consolidated statements of cash flows. “Mining cost per tonne of ore” is a non-GAAP performance measure which could provide an indication of the mining and processing efficiency and effectiveness at the Mine. It is determined by dividing the relevant mining and processing costs by the tonnes of ore processed in the period. “Cost per tonne of ore” is usually affected by operating efficiencies and waste-to-ore ratios in the period. “Cash operating costs per ounce” and “total cash costs per ounce” as used in this analysis are non-GAAP terms typically used by gold mining companies to assess the level of gross margin available to the Company by subtracting these costs from the unit price realized during the period. These non-GAAP terms are also used to assess the ability of a mining company to generate cash flow from operations. There may be some variation in the method of computation of “cash operating costs per ounce” as determined by the Company compared with other mining companies. In this context, “cash operating costs per ounce” reflects the cash operating costs allocated from in-process and dore inventory associated with ounces of gold sold in the period. “Cash operating costs per ounce” may vary from one period to another due to operating efficiencies, waste-to-ore ratios, grade of ore processed and gold recovery rates in the period. “Total cash costs per ounce” includes “cash operating costs per ounce” plus applicable royalties. Cash operating costs per ounce and total cash costs per ounce are exclusive of exploration costs.