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 and six-month periods ended June 30, 2010 compared with the three and six-month periods ended June 30, 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 August 3, 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 owns the Ağı Dağı and Kirazlı advanced-stage gold development projects, 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 current production levels.

Turkey

In early 2010, the Company acquired the 10,861-hectare Ağı Dağı 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 Ağı Dağı 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.

Second Quarter 2010 Highlights

In the second quarter of 2010, the Company:

- Generated revenues of $47.5 million, a 13% increase over revenues of $42.0 million in the second quarter of 2009.
- Recognized earnings of $12.1 million ($0.11 per basic share) compared to earnings of $13.0 million ($0.12 per share) in the same period of 2009.
- Produced 38,400 ounces of gold and sold 39,688 ounces of gold at a cash operating cost of $283 per ounce of gold sold (total cash cost inclusive of royalties of $341 per ounce of gold sold).
- Generated cash flows from operating activities of $20.9 million ($0.18 per basic share) compared to $20.4 million ($0.19 per basic share) in the second quarter of 2009.

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- Continued to obtain positive assay results at San Carlos, including the highest grade-thickness intercept ever in the San Carlos zone with infill drill hole 10SC120 returning 29.0 metres grading 15.02 g/t Au (including 12.2 meters grading 34.61 g/t Au, all assays un-cut).
- Continued drilling to support engineering and development of the Ağı Dağı and Kirazlı projects in Turkey.
- Paid an inaugural semi-annual dividend of $0.03 per share.

Results of Operations

Gold production of 38,400 ounces in the second quarter of 2010 decreased 9% compared to gold production of 42,000 ounces in the second quarter of 2009. Gold sales in the second quarter of 2010 decreased 13% over the comparable period of 2009 to 39,688 ounces. The table below outlines key production indicators for the second quarters of 2010 and 2009:

Production summary	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Ounces produced [1]	38,400	42,000	80,000	88,000
Ore crushed (tonnes)	1,202,000	1,072,000	2,392,000	2,140,000
Grade (g/t Au)	1.64	1.92	1.70	1.82
Contained ounces stacked	63,400	66,269	130,700	124,884
Ratio of ounces produced to contained ounces stacked	61%	63%	61%	70%
Ore mined (tonnes)	1,188,000	1,026,000	2,398,000	2,073,000
Waste mined (tonnes)	1,117,000	1,081,000	1,860,000	2,613,000
Total mined (tonnes)	2,305,000	2,107,000	4,258,000	4,686,000
Waste-to-ore ratio	0.94	1.05	0.78	1.26
Ore crushed per day (tonnes)	13,200	11,800	13,200	11,800

(1) Reported gold production for Q2 and YTD 2009 has been adjusted to reflect final refinery settlement. Reported gold production for Q2 and YTD 2010 is subject to final refinery settlement and may be adjusted.

In the second quarter of 2010, the Mulatos mine produced 38,400 ounces of gold at a cash operating cost of $283 per ounce; including the 5% royalty, total cash costs were $341 per ounce. Gold production in the second quarter of 2010 decreased compared to the same period of 2009, but achieved budgeted levels. Crusher throughput in the second quarter of 2010 was consistent with planned levels, while higher than budgeted mined grade contributed to a lower than budgeted "recovery ratio" for the period. The recovery ratio is defined as the ratio of gold ounces produced divided by the number of contained ounces stacked over a specific period. Lower production in the second quarter of 2010 is attributable to two factors: Increased solution percolation time due to the height of the heap leach pad, and the onset of drought conditions in mid-June that reduced solution flow until mid-July.

Average daily crusher throughput in the second quarter of 2010 increased 12% compared to the second quarter of 2009. This increase in crusher throughput was offset by a 15% decrease in the average gold grade and a slight decrease in the recovery ratio, resulting in the

9% drop in quarterly gold production. The Company expects to be able to continue to achieve budgeted levels of crusher throughput in 2010, and the recovery ratio is expected to improve in the second half of 2010 as gold production is derived from ore stacked on the new expanded leach pad area and the impact of the rainy season has subsided.

Mining operations in the second 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 stacked in the second quarter was 1.64 g/t Au, approximately 19% higher than the budgeted grade for the quarter. The reconciliation of mined blocks to the block model continues to reflect positive grade variances. In the second quarter of 2010, the reconciliation of mined blocks to the block model was -6%, +10% and +4% for tonnes, grade and ounces, respectively. Since the start of mining activities in 2005, the project-to-date reconciliation is –2%, +10%, +8% 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 and six-month periods ended June 30, 2010 and 2009:

Costs per tonne summary	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Mining cost per tonne of material (ore and waste)	$1.89	$1.93	$2.02	$ 1.67
Waste-to-ore ratio	0.94	1.05	0.78	1.26
Mining cost per tonne of ore	$3.66	$3.97	$3.58	$ 3.78
Crushing/conveying cost per tonne of ore	$2.31	$1.65	$2.04	$1.72
Processing cost per tonne of ore	$2.24	$2.74	$2.34	$2.50
Mine administration cost per tonne of ore	$2.05	$1.65	$1.95	$1.61
Total cost per tonne of ore	$10.26	$10.01	$9.91	$9.61

Total cost per tonne of ore in the second quarter of 2010 of $10.26 increased 2% compared to $10.01 in the second quarter of 2009. The marginally higher cost per tonne of ore in the second quarter and year-to-date 2010 is primarily attributable to higher crushing and 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 second quarter of 2010 averaged 12.6:1, compared to 13.4:1 in the second quarter of 2009. This resulted in a 6% increase in the Company's Mexican peso-denominated costs, which comprise approximately 40% of operating costs.

Mining cost per tonne of material was $1.89 in the second quarter of 2010, consistent with the second quarter of 2009. On a year-to-date basis, mining cost per tonne of material of $2.02 represented an increase of 21% compared to the same period 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 incurred in the first quarter of 2010 related to drilling and hauling equipment.

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Crushing and conveying costs per tonne were significantly higher in the second quarter and year-to-date in 2010 than in the same periods of 2009. In late 2009, the Company commissioned the closed circuit, designed to ensure the size quality of the stacked ore. Incremental power and maintenance costs associated with this project are the primary reason for higher crushing and conveying costs. Administration costs increased in the second quarter of 2010 compared to the same period of 2009 due to increased headcount and costs associated with camp and security contractors. Lower processing costs are attributable to higher silver by-product credits in 2010 as the Company sold 40,000 ounces of silver year-to-date in 2010 compared to 10,000 ounces in the first six months of 2009. Revenues from the sale of by-product silver are accounted for as a recovery of processing costs.

Cash operating costs of $283 per ounce of gold sold in the second quarter of 2010 were consistent with $275 reported for the second quarter of 2009. On a year-to-date basis, cash operating costs of $275 per ounce in 2010 were 5% below $289 per ounce reported for the first half of 2009.

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	Q2 2010	Q2 2009
Total cost per tonne of ore	$10.26	$10.01
Ore crushed (tonnes)	1,202,000	1,072,000
Total cost	$12,332,520	$10,730,720
Inventory adjustments to reflect additional ounces produced from (allocated to) leach pad inventory and other period costs	($1,103,520)	$1,756,478
Mining and processing costs allocated to ounces sold as reported on income statement	$11,229,000	$12,487,198
Ounces sold	39,688	45,420
Cash operating cost per ounce sold	$283	$275

In the second 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. Since the start of 2010, the leach pad inventory, which incorporates both cash operating costs and amortization, increased from $7.2 million at December 31, 2009 to $9.3 million at second-quarter end, reflecting an ultimate recovery assumption applied to ore stacked in the quarter that was higher than the "recovery ratio" for the period.

Investments in Mineral Property, Plant and Equipment and Acquisitions

A summary of the cash invested in operating capital and development activities for the six-months ended June 30, 2010 is presented below:

	Q2 2010 ($000)	YTD 2010 ($000)
Operating capital – Mexico		
Construction	6,802	9,462
Crusher	49	266
Component changes	495	681
Mobile equipment	211	942
Pit design and slope stability	13	422
Other	163	378
	7,733	12,151
Development – Mexico		
Escondida development	4,732	9,212
Mulatos relocation	89	187
	4,821	9,399
Development – Turkey		
Acquisition of Ağı Dağı and Kirazlı	-	40,180
Development and capitalized exploration	2,761	3,698
	2,761	43,878
Cash invested in mineral property, plant and equipment and acquisitions	**15,315**	**65,428**

Operating Capital - Mexico
During the second quarter of 2010, construction spending totaled $6.8 million and focused on the leach pad expansion ($4.6 million), water treatment plant ($1.2 million), construction of the new office in Hermosillo ($0.4 million), and completing construction of the air strip at the mine site ($0.1 million). Other significant operating capital spending included the purchase of light vehicles ($0.2 million) and heavy equipment component changes ($0.5 million). Construction of the new leach pad area is expected to be complete by the fourth quarter of 2010. Stacking ore directly on the new leach pad area is expected to improve the recovery ratio and increase the rate of gold production in the fourth quarter of 2010.

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 early in the fourth quarter of 2010.

Development - Mexico
The Company invested $4.7 million in development activities at Escondida during the second quarter of 2010. As at June 30, 2010, the mining contractor had removed approximately 6.8

million tonnes of overburden since the project commenced, or approximately 21% 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 now planned for the first quarter of 2011 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

On January 6, 2010, the Company acquired the Ağı Dağı and Kirazlı advanced-stage gold projects located on the Biga Peninsula of northwestern Turkey. Ağı Dağı 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 97,000. 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 of 2010 have resulted in the decision to advance the project to the preliminary feasibility stage. On completion of a positive preliminary feasibility study, and assuming 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 Dağı in the first quarter of 2014.

In the second quarter of 2010, the Company invested $2.8 million at the Ağı Dağı and Kirazli projects. Spending in the second quarter was focused on exploration, preliminary engineering studies and permitting work to support the pre-feasibility study. The Company had four core drill rigs operating during the quarter to provide metallurgical and geotechnical data to support the pre-feasibility study at a cost of $1.8 million. In addition, consultant costs related to the pre-feasibility study totaled $0.5 million, while capital purchases, salaries and other costs comprised $0.5 million.

Exploration Summary

Total exploration spending in the second quarter of 2010 was $3.8 million. Exploration activities in Mexico of $2.0 million were expensed, while $1.8 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 second quarter, drilling a total of 15,200 metres in 77 holes focused on the following areas:

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

San Carlos

Exploration activities in the second quarter of 2010 at San Carlos focused on further delineating the resource area and initiating exploration drilling for additional high-grade zones. Total spending in the second quarter of 2010 at San Carlos was $1.1 million focused on completing an infill program with the objective of upgrading the established inferred mineral resources to the measured and indicated categories.

At San Carlos, the Company has identified 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. During the quarter, results of infill drill hole 10SC120 indicated the highest grade intercept ever reported at San Carlos with 29.0 meters grading 15.20 g/t Au, including 12.2 meters grading 34.61 g/t Au (all assays un-cut), further demonstrating the continuity and robustness of the zone.

Drilling activities at San Carlos were suspended in early July due to the onset of the rainy season. A drill program aimed at further extending and exploring the known mineralized zones is expected to resume in the fourth quarter of 2010. During the second half of 2010, resource modeling and estimation will be completed for incorporation into the Company's 2010 annual reserve and resource statement.

Puerto del Aire ("PdA") Extension

The Company invested $0.5 million drilling at the PdA Extension in the second quarter of 2010, focused on continuing to expand 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 northeasterly beyond the Mulatos River. Drill results continue 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 second quarter, the Company identified a southern extension of the San Carlos mafic dyke swarm intersecting 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 is increasing the likelihood of discovering additional high-grades zones. Drill-testing is ongoing.

Exploration - Turkey

Exploration activities in the second quarter of 2010 at the Ağı Dağı and Kirazlı projects focused on collecting metallurgical, geotechnical and geological data to support the pre-feasibility study. Exploration activities have progressed well, with four drill rigs currently on site, and six rigs expected to be active by the end of third quarter of 2010.

Results of the drilling completed to-date have confirmed, and in some cases, upgraded expected grades and thicknesses. Of particular interest is infill hole 10AD387 which returned 2.24 g/t Au over 31.3 meters. This hole was drilled between two proposed pits at the Ağı Dağı Baba target and appears to link mineralization between the two.

Drilling to collect engineering data at Ağı Dağı to support the pre-feasibility study was completed in the first half of 2010 at Baba and Deli and exploration activities will now shift focus to infill and extension drilling. With the recent approval of the new mining law in Turkey, the Company expects to receive drilling permits for Kirazlı shortly and will transfer two drill rigs to complete engineering and infill drilling of that deposit as soon as the related permits are received.

The Company believes that there is significant potential for mineral resource expansion at Ağı Dağı 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 Dağı pits, before moving to Rock Pile later in 2011, 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 and six-month periods ended June 30, 2010 and 2009 is presented below:

	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Cash provided by operating activities before changes in non-cash working capital (000)(1)	$21,511	$21,228	$43,470	$36,670
Changes in non-cash working capital (000)	($619)	($790)	$955	$837
Cash provided by operating activities (000)	$20,892	$20,438	$44,425	$37,507
Earnings before income taxes (000)	$19,579	$18,921	$40,458	$30,389
Earnings (000)	$12,078	$12,969	$26,083	$21,767
Earnings per share				
- basic	$0.11	$0.12	$0.23	$0.21
- diluted	$0.10	$0.12	$0.22	$0.20
Comprehensive income (000)	$12,078	$13,109	$26,083	$22,460
Weighted average number of common shares outstanding				
- basic	114,965,000	107,604,000	114,448,000	104,603,000
- diluted	116,732,000	110,439,000	116,239,000	106,722,000
Assets (2)			$475,245(2)	$300,990 (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) Assets are presented as at June 30, 2010 and June 30, 2009.

The Company reported strong financial results in the second quarter of 2010, generating cash from operating activities before changes in non-cash working capital of $21.5 million, and $20.9 million ($0.18 per share) after changes in non-cash working capital. The cash provided by operating activities for the second quarter of 2010 represents a 2% increase from the $20.4 million ($0.19 per share) generated in the second quarter of 2009. Earnings in the second quarter of 2010 were $12.1 million or $0.11 per basic share, compared to $13.0 million ($0.12 per basic share) in the same period of 2009.

Earnings for the three months ended June 30, 2010 were consistent with the same period of 2009. Higher realized gold prices were partially offset by a 13% decrease in the number of gold ounces sold, resulting in overall improved financial performance from the Mine. Offsetting improved financial results from operations were several non-mine related items including: higher stock-based compensation expense, lower foreign exchange gains and a higher effective tax rate.

Gold Sales

Details of gold sales are presented below:

	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Gold sales (ounces)	39,688	45,420	81,836	85,478
Gold sales revenues (000)	$47,494	$41,978	$94,145	$77,498
Realized gold price per ounce	$1,197	$924	$1,150	$907
Average gold price for period (London PM Fix)	$1,197	$922	$1,152	$915

Gold sales revenues in the second quarter of 2010 of $47.5 million represented a 13% increase over revenues of $42.0 million in the second quarter of 2009. The increase in gold sales revenues is attributable to a combination of a 13% decrease in the number of ounces sold and a 30% 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 June 30, 2010, the Company did not have any significant 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 second quarter of 2010 was $1,197 per ounce, consistent with the average London PM Fix spot market price of $1,197. The market price of gold continues to exhibit significant volatility. Subsequent to the end of the second quarter, the spot market gold price decreased to $1,187 per ounce on August 3, 2010. At this gold price, the Company realizes a mine operating cash margin (before taxes and corporate and administrative costs) in excess of $800 per ounce.

Operating Expenses and Operating Margins

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

	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Gold production (ounces) (1)	38,400	42,000	80,000	88,000
Gold sales (ounces)	39,688	45,420	81,836	35,482
Cash operating costs (000)(2)	**$11,229**	**$12,487**	**$22,504**	**$24,740**
- Per ounce sold	**$283**	**$275**	**$275**	**$289**
Royalties (000)(3)	$2,311	$2,245	$4,335	$4,131
Total cash costs (000)(4)	**$13,540**	**$14,732**	**$26,839**	**$28,871**
- Per ounce sold	**$341**	**$324**	**$328**	**$338**

Amortization (000)	$5,182	$5,694	$10,864	$10,789
Accretion expense (000)	$115	$83	$227	$169
Total production costs (000)(5)	**$18,837**	**$20,509**	**$37,930**	**$39,829**
- Per ounce sold	**$475**	**$452**	**$463**	**$466**
- Realized gold price per ounce	$1,197	$924	$1,150	$907
- Operating cash margin per ounce (6)	$856	$600	$822	$569

(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 $283 per ounce of gold, 3% higher than the comparable quarter of 2009. Higher crushing costs and comparative strength in the value of the Mexican peso compared to the United States dollar resulted in increased costs, which were partially offset by higher silver sale by-product credits. Amortization was $131 per ounce of gold sold in the second quarter of 2010, 5% higher than $125 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 June 30, 2010, the royalty was paid or accrued on approximately 583,000 ounces of applicable gold production. Royalty expense in the second quarter of 2010 was $2.3 million, approximately 3% higher than the $2.2 million royalty expense in the same period of 2009. The increase in royalty expense is attributable to higher average market gold price in the second quarter of 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 second quarter of 2010 were $3.8 million, of which $2.0 was expensed and $1.8 million related to Turkey was capitalized. Comparatively, in the second quarter of 2009 a total of $1.5 million was spent on exploration activities in Mexico, of which $0.7 million was expensed.

Corporate and Administrative

Corporate and administrative expenses of $2.3 million in the second quarter of 2010 were approximately 66% higher than the $1.4 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 requirements 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 June 30, 2010 was $5.3 million compared to $2.3 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 second quarter of 2010 was higher than in the second quarter of 2009 as a result of both an increased number of options granted and higher fair values associated with each option granted. In the second quarter of 2010, the Company granted 3,556,000 stock options, compared to 1,630,000 stock options granted in the second quarter of 2009, an increase of 118%. In addition, due to the Company's higher stock price in the second quarter of 2010 compared to the same period of 2009, the weighted average fair value of each option granted (as calculated using the Black-Scholes option pricing model) in the second quarter of 2010 was $6.09 compared to $3.44 for each option granted in the prior year period.

Accretion

Accretion expense includes accretion of the Company's asset retirement and property acquisition obligation liabilities. The accretion expense for the current period increased marginally compared to 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 lower than the prior year period due to an increase in the mine life and changes in other actuarial assumptions applied to calculate the employee future benefits liability.

Interest Income

Interest income in the second quarter of 2010 was $0.3 million, below interest income earned in the second quarter of 2009 of $0.4 million. 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 $0.2 million in the second quarter of 2010 compared to a foreign exchange gain of $1.5 million in same period of 2009. In the second quarter of 2010, the value of the Mexican peso, Canadian dollar and Turkish Lira all weakened compared to the United States dollar. As a result, revaluation of Canadian-denominated cash balances resulted in a foreign exchange loss which offset the foreign exchange gain on revaluation of the Company's Turkish Lira-denominated future tax liability. During the second quarter, foreign exchange gains on translation of the Company's Mexican-peso denominated future tax liabilities were offset by foreign exchange losses arising from revaluation of the Company's Mexican peso cash holdings and other monetary net assets.

Other (loss)/gain

During the second quarter of 2010, the Company reported an insignificant other loss. On a year-to-date basis, the other loss includes a loss on the sale of mobile equipment of $0.9 million and a $0.4 million write-down of fixed assets that were no longer in use.

Income Taxes

Tax expense in the second quarter of 2010 was $7.5 million compared to $6.0 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 second quarter of 2010 (calculated as a percentage of earnings before income tax) was 38%. The higher effective tax rate in the second quarter of 2010 compared to the statutory rate and prior quarters is attributable to a significant non-deductible stock based compensation expense, which has the effect of reducing earnings before income tax and increasing the calculated effective tax rate. 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.

	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Gold production (ounces)	39,900	39,347	46,000	42,000	42,500	48,000	41,600	38,400
Gold sales (ounces)	41,293	40,176	40,058	45,420	43,201	49.145	42,148	39,688
Gold sales ($000)	37,207	32,400	35,521	41,978	41,283	52,649	46,651	47,494
Earnings from operations ($000)	11,387	8,708	11,743	17,111	17,984	25,605	21,905	19,066
Earnings ($000)	8,346	9,140	8,797	12,969	14,115	20,081	14,005	12,078
Earnings ($ per share) – basic/diluted	0.09	0.10	0.09	0.12	0.13	0.18	0.12	0.11/ 0.10

Gold sales revenues 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 June 30, 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 June 30, 2010, the Company had entered into certain derivative contracts in order to manage its exposures to fluctuations in foreign exchange rates.

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 second quarter of 2010, the impact of the weakening CAD resulted in the Company recognizing a $0.7 million foreign exchange loss on its CAD-denominated cash balances. While the Company realized a foreign exchange loss on its CAD cash holdings as a result of the weakening CAD, a lower CAD also had a positive effect of decreasing 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 second quarter of 2010, the Company's cash and cash equivalents decreased by $4.5 million. Cash in-flows included $20.9 million cash provided by operating activities, $9.6 million cash proceeds on the exercise of options and $0.6 million cash proceeds on the sale of fixed assets. Significant cash out-flows in the second quarter of 2010 included the purchase of $15.9 million of short term investments, $15.3 million of capital expenditures in Mexico and Turkey, dividend payments of $3.4 million and $1.0 million attributable to foreign exchange rate losses on cash held in foreign currencies.

At June 30, 2010, the Company had $175.7 million in cash and cash equivalents and short-term investments compared to $186.9 million at December 31, 2009. The decrease in total cash and cash equivalents and short-term investments of $11.2 million, reflects the $40.2 million cash paid to acquire the Turkish projects, offset by positive cash flows from operations and financing activities. The Company's working capital surplus decreased to $186.9 million at June 30, 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 projects in Turkey over the next several years, which the Company expects to be able to finance from operating cash flows.

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.

   - Borrowing costs - Under this election, the Company may elect to not retrospectively restate balances relating to the implementation requirements of IAS 23, as a first-time adopter is able to apply the transitional provisions from the later of January 1, 2009 or the transition date.

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 policy's 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.

7) IAS 12, Income Taxes – A key difference has been identified in that a deferred tax liability is recognized under IFRS for a temporary difference, except to the extent the deferred tax liability arises from:
    a) the initial recognition of goodwill; or
    b) the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (i.e., an asset acquisition).

    The Company expects differences to arise for certain transactions in which deferred tax liabilities were recognized under Canadian GAAP.

    Another key difference exists in that a deferred tax liability is recognized under IFRS for a temporary difference caused by changes in the exchange rate of non-monetary assets and liabilities settled in a foreign currency. The Company expects differences to arise given Canadian GAAP prohibited recognition of deferred tax liabilities for these foreign currency changes.

The Company has completed technical papers to address all significant GAAP differences, which are currently being reviewed by the Company's auditors. The Company is also in the process of quantifying the impact of all adjustments to the opening balance sheet, and anticipate completion of this phase by the end of the third quarter of 2010. In addition, the next project phase consists of developing new IFRS-compliant accounting policies, which the Company expects to have completed by the end of the third quarter of 2010.

The Company has completed a preliminary review of the above areas of potential difference on its information systems and has commenced implementation of an integrated resource planning software system, with a plan to complete implementation by the end of the third quarter of 2010. In addition, in order to facilitate financial reporting under IFRS, the Company implemented software to facilitate tracking and recording of stock options during the second quarter of 2010, and are planning on implementing tax provision software in the latter half 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 June 30, 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 June 30, 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 & Contingencies

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. 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. In addition, negotiations for surface rights with respect to the La Yaqui, Cerro Pelon and El Carricito development and exploration properties are ongoing. Negotiation efforts are currently focused on resolving differences in price expectations between the various counterparties. Although future relocation, property and surface rights 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/or potential land or surface rights acquisitions.

On June 28, 2010, the Company entered into a settlement agreement with Mala Noche Resources Corp. ("Mala Noche") relating to Mala Noche's proposed acquisition of the San Dimas mine. In consideration for relinquishing any claim by the Company to the San Dimas mine, Mala Noche agreed to pay the Company $1.0 million cash and issue 2 million units (with each unit consisting of one post-consolidation common share and 0.4 of one warrant) relating to the financing which Mala Noche raised in July 2010. The settlement is conditional on Mala Noche completing the acquisition of the San Dimas mine, and receipt of TSX-Venture Exchange acceptance with respect to the issuance of the post-consolidation shares. The acquisition by Mala Noche was not completed at June 30, 2010. The Company will record the gain arising from the settlement agreement on closing of the acquisition of the San Dimas mine by Mala Noche.

Outstanding Share Data

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

	August 3, 2010
Common shares - Common shares outstanding	115,779,108
Stock options - Average exercise price CDN$11.70; approximately 44% vested and 65% in-the-money.	7,411,600
Total	**123,190,708**

Outlook

Year-to-date gold production of 80,000 ounces is in-line with the Company's full year 2010 production guidance of 160,000 to 175,000 ounces, while total cash cost per ounce of $328 remains below budgeted levels. Gold production in the second half of 2010 is expected to benefit from the expansion of the leach pad as well as the addition of a second train of carbon columns for the ADR plant. Additional screening to be installed in the fourth quarter is expected to increase crusher throughput to the leach pad. The Company is maintaining its production guidance of 160,000 to 175,000 ounces at a cash operating cost of $288 plus a 5% royalty.

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. Construction of the Mulatos Mill to process high-grade ore from Escondida, and potentially other deposits, is expected to begin in the first quarter of 2011, 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 in the process of negotiating for surface access rights at the La Yaqui and Cerro Pelon satellite deposits, which have the potential to add 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 Ağı Dağı 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 Dağı in the first quarter of 2014.

The Company believes that there is potential for mineral resource expansion at the Ağı Dağı 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 $170 million in cash and short-term investments as at August 3, 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.

The Company has made projections of its annual production and operating costs based on annual budget which incorporates assumptions based on mining in sequence its mineral reserves at projected rates of tonnes and grade, assessing probable costs for mining and processing activities, projecting reasonable foreign exchange rates and achieving indicated rates of gold recovery derived from laboratory testing and historical experience. These assumptions are considered reasonable in the circumstances, but may be subject to change as additional information becomes available.

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.