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 nine-month periods ended September 30, 2009 compared with the three and nine-month periods ended September 30, 2008. 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. The Company's functional and reporting currency is the United States dollar. This MD&A is current to October 30, 2009 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, 2008 audited consolidated financial statements for disclosure of the Company's significant accounting policies. Refer to Note 3 of the September 30, 2009 interim consolidated financial statements for a discussion of changes in accounting policies and presentation.

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 100% of the 30,325-hectare Salamandra group of concessions located in the state of Sonora in northwest Mexico. The Salamandra group of concessions includes the Mulatos mine (the "Mine") and several other prospective exploration targets throughout the district. The Mine produces gold in dore bars for shipment to a refinery. Gold may be sold in refined form or as dore. The Company achieved commercial production at the Mine on April 1, 2006.

The Salamandra group of concessions contains both advanced and grassroots exploration prospects. There are several advanced exploration projects, including both mineralization extensions and satellite deposits, in close proximity to existing mining operations that have the potential to add resources and reserve ounces to the global Mulatos deposit.

Proven and probable reserves as at December 31, 2008 were 47,654,000 tonnes grading 1.35 grams of gold per tonne of ore ("g/t Au") or approximately 2.05 million contained ounces of gold, providing a mine life of approximately 10 years (at recent production levels).

Third Quarter 2009 Highlights

During the three-month period ended September 30, 2009, the Company:

- Announced that it has entered into a Memorandum of Understanding in relation to the potential acquisition of two advanced-stage gold exploration properties in the Biga mineral district in northwestern Turkey for consideration of $40 million cash and the issuance of four million shares of the Company.
- Recognized record quarterly earnings of $14.1 million ($0.13 per share) compared to earnings of $8.3 million ($0.09 per share) in the third quarter of 2008.
- Produced 42,500 ounces at a record low cash operating cost of $272 per ounce of gold sold (total cash cost inclusive of royalties of $314 per ounce of gold sold).
- Generated record cash flows from operating activities of $22.7 million or $0.21 per share compared to $19.3 million or $0.20 per share in the third quarter of 2008.
- Sold 43,201 ounces of gold at an average realized gold price of $956 per ounce for total revenues of $41.3 million.
- Increased cash and short term investment balances by $13.2 million in the quarter to $154 million at September 30, 2009.

Subsequent to quarter-end, the Company:

- Achieved record monthly production of 19,500 ounces in October 2009.

Results of Operations

Gold production of 42,500 ounces in the third quarter of 2009 increased 7% over gold production of 39,900 ounces in the third quarter of 2008. Gold sales in the third quarter of 2009 increased 5% over the comparable period of 2008 to 43,201 ounces. The table below outlines key quarterly production indicators during the third quarters of 2009 and 2008 and year-to-date:

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

Production summary	Q3 2009	Q3 2008	YTD 2009	YTD 2008
Ounces produced [(1)]	42,500	39,900	130,500	111,653
Ore crushed (tonnes)	1,119,000	1,133,000	3,259,000	3,550,000
Grade (g/t Au)	1.68	1.98	1.77	2.06
Contained ounces stacked	60,439	72,123	185,455	235,113
Ratio of ounces produced to contained ounces stacked	70%	55%	70%	47%
Ore mined (tonnes)	1,155,000	1,168,000	3,228,000	3,599,000
Waste mined (tonnes)	751,000	1,399,000	3,364,000	4,654,000
Total mined (tonnes)	1,906,000	2,567,000	6,592,000	8,253,000
Waste-to-ore ratio	0.65	1.20	1.04	1.29
Ore crushed per day (tonnes)	12,200	12,300	11,900	13,300
Ore mined per day (tonnes)	12,600	12,700	11,800	13,400

(1) Reported gold production for Q3 and YTD 2008 has been adjusted to reflect final refinery settlement. Reported gold production for Q3 and YTD 2009 is subject to final refinery settlement and may be adjusted.

Gold production levels have increased significantly in 2009 compared to 2008, primarily as a result of higher gold recoveries. In the fourth quarter of 2008, the Company implemented a cement drum agglomeration circuit with the expectation that this process would improve leach pad percolation and corresponding gold recoveries. Quarterly gold production reached a record level of 46,000 ounces in the first quarter, while third quarter gold production of 42,500 ounces was a record for the third quarter rainy season. Though throughput and grades were lower in 2009 than in 2008, these declines have been more than offset by recovery improvements.

In 2009, the Company budgeted recovery levels of 60%. Production results to-date continue to indicate that recoveries are exceeding this level. The ratio of the number of ounces produced to the number of contained ounces stacked on the leach pad (hereafter referred to as the "recovery ratio") was 70% in the third quarter and year-to-date in 2009. The twelve-month trailing average recovery ratio has been steadily increasing throughout 2009 as well. Comparing gold production for the period from October 1, 2008 to September 30, 2009 to the number of contained ounces stacked on the leach pad during the same period indicates a twelve-month trailing average recovery ratio at September 30, 2009 of 66%.

The Company attributes the overall trend of higher gold recoveries to improved leach pad percolation resulting from both the ongoing installation of inter-lift liners and better than budgeted results from the drum agglomeration process. The Company has also focused specifically on improving the consistency of the crusher discharge size, which can adversely impact crusher throughput but has greater recovery benefits. In addition, in the third quarter of 2009, the blast hole to block model reconciliation indicated a positive variance for recovery.

The grade of ore mined and stacked in the third quarter of 2009 of 1.68 g/t Au was consistent with budgeted levels, and slightly above the block modeled grade. The reconciliation of mined blocks to the block model continues to reflect both positive tonnes and grade variances. For the third quarter of 2009, the reconciliation of mined blocks to the block model was +8%, +5% and +14% for tonnes, grade and ounces respectively. In addition to a positive grade variance, positive tonnage variances in recent quarters have resulted from modeled waste being identified as ore. Since the start of mining activities in 2005, the project-to-date reconciliation is -3%, +9%, +6% for tonnes, grade and ounces. Positive reconciliation variances indicate that the Company is mining more gold than what was indicated in the reserve model. The result is higher gold production, an extension of mine life, a lower waste-to-ore ratio and corresponding lower cash operating costs.

Positive grade variances do not indicate that future mined grades will be lower than reserve grade. Rather, the higher than modeled grades that the Company has encountered result from the nature of the Mulatos deposit. Recent production has been primarily from vuggy silica, which is often well-fractured, and contains higher grade gold concentrations in friable earthy iron oxides in fractures. The fracture-hosted gold is the primary source of the improved grade and was not possible to adequately quantify from surface drilling due to both the orientation and fracture density and distribution. Historical underground drilling by previous operators traversed more of the fracture zones and resulted in significantly higher grade in bulk rounds. These higher grades approximate the grades that the Company has been recently mining, but were not used in model estimation given their inconsistency with the surface drilling data. Once the Company begins mining in areas outside of vuggy silica, grades are expected to more closely approximate modeled grades. The fact that the Company has realized higher grades while mining in vuggy silica does not imply that grades outside of vuggy silica will be lower than modeled.

Ore mined per day in the third quarter of 2009 averaged 12,600 tonnes, consistent with the the 12,700 tonnes per day reported in the corresponding period of 2008. Daily crusher throughput during the third quarter of 2009 averaged 12,200 tonnes per day, similar to the 12,300 tonnes per day average in the third quarter of 2008. In the third quarter rainy season, the Company was able to report higher crusher throughput than in the prior two quarters of 2009. The rainy season in Mexico this year was slightly below average, with four-month total rainfall being approximately 116 millimetres below the 40-year historical average.

The following table compares costs per tonne for the periods indicated of 2009 and 2008:

Costs per tonne summary	**Q3 2009**	**Q3 2008**	**YTD 2009**	**YTD 2008**
Mining cost per tonne of material (ore and waste)	$2.15	$1.88	$1.81	$1.67
Waste-to-ore ratio	0.65	1.20	1.04	1.29
Mining cost per tonne of ore	$3.54	$4.13	$3.70	$3.84
Crushing/conveying cost per tonne of ore	$1.66	$1.95	$1.70	$2.10
Processing cost per tonne of ore	$2.62	$2.24	$2.54	$2.28
Mine administration cost per tonne of ore	$1.88	$1.84	$1.70	$1.67
Total cost per tonne of ore	$9.70	$10.16	$9.64	$9.89

Total cost per tonne of ore in the third quarter of 2009 was $9.70, approximately 5% lower than $10.16 incurred in the same period of 2008. The marginally lower cost per tonne of ore in the third quarter of 2009 is attributable to a number of factors, including a lower waste-to-ore ratio and the effects of a weaker Mexican peso, offset by higher processing costs. On a year-to-date basis, total cost per tonne of ore of $9.64 is consistent with the comparable period of the prior year, with increases in processing costs per tonne being offset by lower per unit crushing and conveying costs.

Mining cost per tonne of material was $2.15 in the current period, 14% higher than $1.88 in the third quarter of 2008. The higher mining cost per tonne of material in 2009 reflects a 26% decrease in the tonnes of total material mined resulting from the lower waste-to-ore ratio, as well as higher per tonne drilling costs.

Crushing and conveying cost per tonne of ore in the third quarter of 2009 was $1.66. This represented a 15% decrease compared to the prior year period and is primarily attributable to operating efficiencies and an improved preventative maintenance program that has reduced costly unplanned crusher downtime.

Processing cost per tonne of ore in the third quarter of 2009 was $2.62 compared to $2.24 in the same period of 2008. Processing costs include expenditures incurred with respect to the leach pad, gold recovery plant and refining activities. The increase is partly attributable to an increase in the per unit cost of key consumables such as cyanide and lime, while consumption for lime has decreased and cyanide consumption has increased. Another significant increase in processing costs has resulted from the commissioning of the drum agglomeration process, which has resulted in adding cement to the Company's processing cost structure. Although processing costs have trended higher, the benefits associated with the drum agglomeration process are higher recoveries, increased gold production and corresponding revenues. In the third quarter, the Company was able to renegotiate its cyanide purchase contract, resulting in an approximate 35% decrease in per tonne cyanide costs. This contributed to lower processing costs in the third quarter ($2.62) than in the second quarter of 2009 ($2.74).

Mine administration cost per tonne of ore in the three months ended September 30, 2009 was $1.88, consistent with $1.84 incurred in the same period of 2008.

Cash operating costs of $272 per ounce of gold sold in the third quarter of 2009 were 25% lower than the $363 reported in the third quarter of 2008. Cash operating costs per ounce have decreased to record low levels due primarily to higher recoveries. In addition, operating costs have benefited from a weaker Mexican peso and continuous mine improvement projects.

Cash operating costs include total costs incurred in any given period, in addition to inventory adjustments that recognize the allocation of costs to and from the Company's in-process leach pad gold inventory. 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, on an average cost basis. Accordingly, cash operating costs reflect not only the cash spending 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	Q3 2009	YTD 2009
Total cost per tonne of ore	$9.70	$9.64
Ore crushed (tonnes)	1,119,000	3,259,000
Total cost in period (000)	$10,854,000	$31,417,000
Inventory adjustments to reflect decrease in number of ounces In leach pad inventory (000)	$913,000	$5,090,000
Mining and processing costs allocated to ounces sold as reported on income statement (000)	$11,767,000	$36,507,000
Ounces sold	43,201	128,679
Cash operating cost per ounce sold	$272	$284

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 for) 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.

Financial Highlights

A summary of the Company’s financial results for the three and nine-month periods ended September 30, 2009 and 2008 are presented below:

	Q3 2009	Q3 2008	YTD 2009	YTD 2008
Cash provided by operating activities before changes in non-cash working capital (000) [(1)]	$21,247	$13,854	$58,526	$37,882
Changes in non-cash working capital (000)	$1,464	$5,457	$2,302	$11,427
Cash provided by operating activities (000)	$22,711	$19,311	$60,828	$49,309
Earnings before income taxes (000)	$19,389	$11,546	$49,777	$30,341
Earnings (000)	$14,115	$8,346	$35,881	$20,241
Earnings per share				
- basic	$0.13	$0.09	$0.34	$0.21
- diluted	$0.13	$0.09	$0.33	$0.21
Weighted average number of common shares outstanding				
- basic	108,560,000	95,714,000	105,937,000	95,226,000
- diluted	110,229,000	97,183,000	107,904,000	96,862,000

(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.

The Company reported strong financial results in the third quarter of 2009, generating quarterly cash from operating activities before changes in non-cash working capital of $21.2 million, and a record $22.7 million ($0.21 per share) after changes in non-cash working capital. The $22.7 million cash provided by operating activities represents an 18% increase over the $19.3 million ($0.20 per share (basic)) generated in the third quarter of 2008.

The Company recognized earnings before income taxes of $19.4 million in the third quarter of 2009, a 69% increase compared to $11.5 million reported in the same period of 2008.

The Company recorded earnings of $14.1 million or $0.13 per share in the third quarter of 2009 compared to $8.3 million or $0.09 per share in the corresponding period of 2008.

Gold Sales

Details of gold sales are presented below:

	Q3 2009	Q3 2008	YTD 2009	YTD 2008
Gold sales (ounces)	43,201	41,293	128,679	111,384
Gold sales revenues (000)	$41,283	$37,207	$118,781	$100,573
Realized gold price per ounce	$956	$901	$923	$903
Average gold price for period (London PM Fix)	$960	$872	$931	$897

Gold sales revenues of $41.3 million in the third quarter of 2009 represented an 11% increase over the same period of 2008, resulting from a 5% increase in the number of ounces sold and a 6% increase in the average realized gold price. The number of ounces sold increased in the three months ended September 30, 2009 compared to the same period of 2008 as a result of higher gold production, which benefited from continued improved gold recoveries.

The Company realized an average gold price of $956 per ounce in the third quarter of 2009, compared to an average London PM Fix spot gold price of $960 during the period. 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. At the current time, apart from short-term forward gold sales activity, the Company is fully leveraged to changes in the price of gold.

Assessment of Gold Market

On a year-to-date basis, the Company's realized gold price is $923 per ounce, compared to an average market price of $931. The market price of gold continues to exhibit significant volatility. Subsequent to quarter-end, the gold price reached new all-time highs of over $1,060 per ounce. As at October 30, 2009, the average fourth quarter to-date gold price was $1,043. At these levels, the Company realizes an operating cash margin (before taxes and corporate and administrative costs) of over $700 per ounce.

Operating Expenses and Operating Margins

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

	Q3 2009	Q3 2008	YTD 2009	YTD 2008
Gold production (ounces) (1)	42,500	39,900	130,500	111,653
Gold sales (ounces)	43,201	41,293	128,679	111,384
Cash operating costs (000)(2)	**$11,767**	**$14,976**	**$36,507**	**$40,475**
- Per ounce sold	**$272**	**$363**	**$284**	**$363**
Royalties (000)(3)	$1,815	$1,762	$5,946	$4,995
Total cash costs (000)(4)	**$13,582**	**$16,738**	**$42,453**	**$45,470**
- Per ounce sold	**$314**	**$405**	**$330**	**$408**
Amortization (000)	$5,368	$5,438	$16,157	$14,860
Accretion expense (000)	$88	$78	$256	$238
Total production costs (000)(5)	**$19,038**	**$22,254**	**$58,866**	**$60,568**
- Per ounce sold	**$441**	**$538**	**$457**	**$543**
- Realized gold price per ounce	$956	$901	$923	$903
- Operating cash margin per ounce (6)	$642	$496	$594	$495

(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 as reported in the Company's financial statements.

Amortization was $124 per ounce of gold sold in the third quarter of 2009, marginally lower than the $132 per ounce in the comparable period of 2008. A significant portion of the Company's amortization expense is calculated on a units-of-production basis. An updated reserve estimate was prepared as at December 31, 2008 and reported during the first quarter of 2009. The new reserve estimate increased the mine life significantly, resulting in lower per unit amortization in 2009.

Production from the Mine is subject to a sliding scale production royalty. At current 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, the Mine's production to a maximum of two million ounces of gold is subject to royalty. As at September 30, 2009, the royalty was paid or accrued on approximately 458,000 ounces of applicable gold production. Royalty expense for the third quarter of 2009 was $1.8 million, consistent with the same period of 2008. The higher average market price of gold in the third quarter of 2009 than in 2008 was offset by lower production applicable to royalty in the quarter.

Exploration

The Company's accounting policy for exploration costs requires that exploration spending that does not meet the criteria for mine development be expensed as incurred. Total exploration spending in the third quarter of 2009 was $2.4 million compared to $1.5 million in the third quarter of 2008. Of the $2.4 million invested in exploration activities in the third quarter of 2009, $1.8 million was charged to operations related to drilling at the Puerto del Aire extension ($1.1 million), geological modeling at Cerro Pelon ($0.2 million) administration costs ($0.2 million), property taxes ($0.2 million) and various other projects ($0.1 million). Capitalized exploration costs in the third quarter totaled $0.6 million and were composed primarily of costs associated with resource definition drilling at Gap.

Corporate and Administrative

Corporate and administrative expenses of $1.2 million in the third quarter of 2009 were consistent with the comparable period of 2008. Marginally higher Canadian dollar-denominated corporate and administrative costs in the third quarter of 2009 resulting from increased headcount in the corporate head office were largely offset by the effect of a weaker Canadian dollar in the third quarter of 2009 as compared to the same period of 2008. Corporate and administrative costs in 2009 are expected to be approximately $5.0 million, exclusive of unusual items and based on current foreign exchange rates.

Stock-based Compensation

Stock-based compensation expense in the third quarter of 2009 was $1.2 million compared to $1.0 million in the comparable period of 2008. 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 third quarter of 2009 was higher than in the same period of 2008 as a result of a higher number of options granted in the period, as well as a higher amortization charge related to past option grants.

Based on the amortization of the fair value of existing stock option grants only, stock-based compensation expense for 2009 is expected to be approximately $6.0 million. However, any additional stock option grants in the fourth quarter of 2009 will increase this expense.

Accretion

Accretion expense includes accretion of the Company's asset retirement and property acquisition obligation liabilities.

The asset retirement obligation liability on the Company's balance sheet of $4.1 million at September 30, 2009 reflects the discounted value of the amount the Company expects to incur on closure of the mine including reclamation and reforestation activities. The Company's estimate of the expected future costs associated with mine closure and reclamation is based on a mine closure plan presented in a report prepared by an independent third-party consultant adjusted by management to account for expected inflation rates. Accretion represents the increase in the liability due to the passage of time. Accretion of asset retirement obligation expense in the third quarter of 2009 was $71,000 compared to $56,000 in the third quarter of 2008.

Employee Future Benefits

The Company is required to recognize employee future benefit liabilities associated with its Mexican work force. On an annual basis, the Company hires an independent consultant to review and calculate the liability for seniority premiums and termination benefits in accordance with Mexican Labor Law. As at September 30, 2009, the Company had accrued an employee future benefit liability of $0.6 million. Employee future benefits expense of $67,000 in the third quarter of 2009 is a non-cash charge reflecting the increase in the present value of the employee future benefit liability.

Interest Income

Interest income in the three-month period ended September 30, 2009 was $235,000, compared to $120,000 in the same period of 2008. The higher interest income in the current period was attributable to higher average cash balances; partially as a result of the February

2009 bought-deal financing which increased the Company's cash balances by approximately $62 million. The Company expects interest income to increase further in the fourth quarter; however, current interest rates on deposit accounts and short-term investments are at historic lows.

Foreign Exchange Gain

The Company recognized a foreign exchange gain of $1.2 million during the third quarter of 2009 compared to a foreign exchange gain of $0.4 million in the same period of 2008. During the third quarter of 2009, the value of the Mexican peso ("MXN") weakened compared to the United States dollar, while the Canadian dollar ("CAD") strengthened.

During the third quarter, the Company's net MXN-denominated liabilities exceeded its net MXN-denominated asset position, resulting in unrealized foreign exchange gains on revaluation. In addition, the exercise of stock options during the second and third quarters of 2009 resulted in an increase to the Company's CAD-denominated cash balance, creating a net CAD asset exposure that resulted in a foreign exchange gain.

Income Taxes

Tax expense in the third quarter of 2009 was $5.3 million compared to $3.2 million in the same period of 2008. 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 the third quarter of 2009, but may in future periods. The Company is now 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 2009 is 28%. In Canada, the combined federal and provincial statutory income tax rate is approximately 33%. The effective tax rate in the third quarter of 2009 (calculated as a percentage of earnings before income tax) was 27% compared to 28% in the third quarter of 2008. The effective tax rate for the nine-month period ended September, 2009 was 28%. The effective tax rate results from a number of factors, many of which are difficult to forecast.

In October 2009, the Mexican government proposed tax reform that could increase the statutory income tax rate in Mexico from its current level of 28% to 30% for a three year period starting in 2010. The Company estimates that the proposed increase in the tax rate could reduce after-tax earnings in Mexico by up to $1.5 million (at current gold prices) annually in each of the next three years. If the proposed tax reform is adopted, the 2% rate increase will result in a revaluation of the Company's future tax liability to the extent that temporary differences are expected to reverse in the three-year period in which the higher rate is expected to apply.

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.

	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Gold production (ounces)	31,390	33,253	38,500	39,900	39,347	46,000	42,000	42,500
Gold sales (ounces)	27,029	34,609	35,482	41,293	40,176	40,058	45,420	43,201
Gold sales ($000)	20,683	31,030	32,337	37,207	32,400	35,521	41,978	41,283
Earnings from operations ($000)	830	9,423	10,175	11,387	8,708	11,743	17,111	17,984
Earnings (loss) ($000)	(260)	5,703	6,191	8,346	9,140	8,797	12,969	14,115
Earnings (loss) ($ per share) – basic/diluted	(0.00)	0.06	0.07/ 0.06	0.09	0.10	0.09	0.12	0.13

The Company began commercial production at the Mulatos mine in the second quarter of 2006. 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 resulted in improved financial results in each consecutive quarter of 2008. Generally, 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 or Mexican pesos. 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 September 30, 2009, 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.

In addition to United States dollar costs, the Company also incurs operating costs denominated in both the Canadian dollar and the Mexican peso. Accordingly, the Company's operating costs are affected by changes in the foreign exchange rates of those currencies.

The Company has elected not to hedge its exposure to fluctuations in the Canadian dollar by buying fixed rate forward contracts in Canadian dollars. Corporate and administrative costs associated with the Company's head office in Toronto are denominated in Canadian dollars. A 10% increase in the value of the Canadian dollar against the United States dollar could increase the Company's reported corporate and administrative costs by approximately $0.5 million annually.

The Company also maintains Canadian dollar cash balances, which are not entirely offset by Canadian dollar-denominated liabilities. In the third quarter of 2009, the strengthening of the Canadian dollar resulting in the Company recognizing a $0.5 million foreign exchange gain. While the Company realized a foreign exchange gain on its Canadian dollar cash holdings as a result of the strengthening Canadian dollar during the period, a higher Canadian dollar also has the adverse effect of increasing the Company's corporate and administrative costs when converting Canadian dollar expenses into United States dollars.

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

Despite the average value of the Mexican peso compared to the United States dollar remaining relatively constant in the second and third quarters of 2009, the Mexican peso has weakened significantly over the past year. As the Mexican peso weakens against the United States dollar, the Company's operating costs (as reported in equivalent United States dollars) decrease. A 10% decline in the value of the Mexican peso compared to the United States dollar could reduce the Company's mining and processing costs and increase earnings before income taxes by approximately $2.5 million annually. Conversely, a 10% strengthening in the value of the Mexican peso could decrease earnings before income taxes by the same amount.

Investment in Mineral Property, Plant and Equipment

A breakdown of the cash invested in mineral property, plant and equipment for the three and nine-months ended September 30, 2009 is presented below:

	Q3 2009 ($000)	**YTD 2009** ($000)
Operations capital		
Construction	503	2,831
Close crushing circuit project	4,174	5,304
Component changes	495	1,424
Mobile equipment	158	432
Pit design and slope stability	115	525
Other	1,485	2,760
	6,930	13,276
Development		
Escondida development	814	2,395
Acquisitions and Mulatos relocation	116	470
Capitalized exploration costs	620	3,231
	1,550	6,096
Cash invested in mineral property, plant and equipment	**8,480**	**19,371**

Capital spending in the third quarter of 2009 was focused primarily on the closing of the crushing circuit and development of the Escondida zone.

Operations Capital

During the third quarter, the Company invested $4.2 million on consulting, engineering and installation costs associated with closing the existing crushing circuit. The total budget for this project is approximately $9 million, with an anticipated completion date of mid-November 2009. All major components and structures are installed and the electrical work is underway. Closing the crushing circuit will produce a crusher discharge size of 100% passing 3/8 of an inch, which is expected to increase recoveries by between four and seven percentage points.

Other key capital spending in the third quarter of 2009 included $0.4 million in construction costs related to a new exploration sample warehouse and water treatment plant, scheduled component changes of $0.5 million, $0.6 million in new screens for the crushing circuit and $0.4 million in leasehold improvements at the Company's head office in Toronto.

Development

Development of the Mulatos Pit, including the Escondida zone, is progressing according to plan. The mining contractor mobilized in the third quarter and the pioneering stage is complete with all of the main accesses in place. To-date, the mining contractor has been able to meet its waste removal budget. During the quarter, the Company invested $0.8 million in contractor mobilization and contractor camp construction costs.

Exploration

Exploration activities throughout 2009 have continued to focus on near-mine resource expansion and regional exploration targets. In May 2009, the annual exploration budget was increased from $7 million to $10 million to reflect continued exploration success.

Exploration activities at Mulatos in the third quarter of 2009 progressed significantly with up to five drill rigs active throughout the quarter. Exploration expenditures were $2.4 million in the third quarter, of which $1.8 million was expensed and $0.6 million of spending at Gap was capitalized as mine development. To-date in 2009, the Company has completed over 64,000 metres ("m") of drilling in over 324 drill holes. For comparative purposes, the Company drilled 36,800m in 203 drill holes during 2008. Exploration activities were focused on the following mineralized zones during the third quarter of 2009:

Zone	Location	Stage
Puerto del Aire Extension	0.8 kilometres northeast of the Mulatos Pit	Exploratoin and resource definition
Gap	Northeast of the Mulatos Pit	Resource definition
Cerro Pelon	2.5 kilometres southwest of the current leach pad facilities	Resource definition
El Carricito	19 kilometres southwest of the Mulatos Pit	Early stage prospect

Puerto del Aire ("PdA") Extension

Exploration activities in the third quarter were largely focused on continued drilling at the Gap and Puerto del Aire Extension zones. Early in the second quarter of 2009, a step-out core drill hole collared 320 metres northeast from the last mineralized intercept (or approximately 800m from the Mulatos pit) encountered a 99-metre thick zone of intense silica alteration having characteristics similar to both the Escondida high grade and the Puerto del Aire zones. Assay results from five wide-spaced holes confirmed that the zones of intense silica alteration are mineralized with gold. These results established a new mineralized zone that is sub-parallel to the Escondida to El Victor trend, and is an extension of PdA.

This mineralized extension of PdA has complex geology, is open in all directions, and appears to have a minimum drill-indicated strike length of 750m, a width of at least 200m, and ranges in thickness from 40m to 125m. Typically, mineralization begins about 175m to 200m below surface and appears to grade in the range of 1-3 g/t Au, with localized high-grade zones. Combined with the main PdA zone and including a 175m interval that lacks mineralization, the zone strike length identified to-date extends 1.4 kilometres from the Estrella pit margin and remains open.

Drill results received to date indicate grades similar to those in the main Puerto del Aire zone, with numerous intercepts in the 2-3 g/t Au range over significant thicknesses such as 2.80 g/t Au over 28.96m in 09PA159, 3.32 g/t Au over 22.86m in 09PA162, 8.33 g/t Au over 6.10m in 09PA170, 2.49 g/t Au over 16.77m in 09PA174, and 2.48 g/t Au over 13.72m in 09PA180. Drill spacing to-date has been relatively wide, and the potential for the discovery of additional high-grade zones remains. Exploration activities to-date indicate that the mineralization is hosted in sulfide material at depth. Accordingly, the potential for reserve addition will be highly dependent on the recovery characteristics, as well as the discovery of additional high-grade zones that could improve the economics of mining the zone.

Gap

The Gap zone is located between the El Victor and Escondida resource areas and was partially drilled on 50m centres in late 2007. Based on this drilling, the Company included an inferred resource of 190,000 ounces in its 2008 reserve and resource statement. Following a first quarter core drilling program, infill drilling on 25m centres using RC rigs was conducted throughout the third quarter of 2009 and is nearing completion. To-date in 2009, the Company has drilled a total of 21,750m in 105 holes at Gap.

Results from the definition drilling program received to-date confirm the continuity between the Escondida, Gap, El Victor and San Carlos areas, outlining a single 2.1-kilometre, southwest-to-northeast trending mineralized horizon.

Grades reported to date are typical of Mulatos mineralization with values such as 1.50 g/t Au over 41.57m in 09EE098 and 1.40 g/t Au over 59.46m in 09EE165, while the possibility of higher-grade zones is indicated by intercepts such as 4.90 g/t Au over 14.46m in 09EE060, 6.78 g/t Au over 9.14m in 09EE148, and 7.85 g/t Au over 9.15m in 09EE163. These higher-grade zones are geologically similar to the Escondida high-grade zone, and are presently being tested with closer spaced drill holes.

The other significant positive outcome from the 2009 Gap drilling program is that in addition to converting the 2008 inferred resource estimate at Gap to measured and indicated, the Company expects to be able to add new resource ounces.

Cerro Pelon

Cerro Pelon was discovered in 2008 following a program of geological mapping and geochemical sampling, once again demonstrating the potential to find additional deposits in close proximity to the Company's existing mine operations. Cerro Pelon contains oxidized gold-bearing vuggy silica that starts at surface and is geologically similar to the Mulatos deposit.

In the second quarter of 2009, definition and infill drilling on 25m centres was completed. The majority of the results of this program were received in the third quarter.

Gold mineralization at Cerro Pelon starts at surface and is hosted in strongly oxidized structural breccias. Drill results indicate that Cerro Pelon is roughly 250m long, varies in width from 30 m to 80 m and is 70 m to 150 m thick with typical grades between 2-3 g/t Au. Cyanide-extractable gold assays indicate high gold recoveries using the heap leach process currently used at the mine.

New results from oxide mineralization such as 4.11 g/t Au over 21.65m in 09CP131, 3.57 g/t Au over 50.30m in 09CP133, and 2.00 g/t Au over 57.95m in 09CP134 continue to confirm additional potential at Cerro Pelon. Geological modeling was completed in September 2009 that indicated the potential existence of untested extensions, which will be followed up with additional drilling.

The Company expects to have completed a resource estimate at Cerro Pelon by the end of 2009, with the majority of the resource expected to be classified in the measured and indicated category.

El Carricito

Reconnaissance geologic mapping and sampling continues at El Carricito; the objective of the 2009 program being to generate drill targets for testing. El Carricito remains the largest unexplored area of alteration in the district. The known extent of the Carricito alteration zone is 5.5 km along strike and up to 2.7 km wide.

Liquidity and Capital Resources

During the third quarter of 2009, the Company's cash and short-term investments balance increased $13.2 million. At September 30, 2009, the Company had $154 million in cash and cash equivalents and short-term investments compared to $43.8 million at December 31, 2008.

The Company's working capital surplus increased from $63 million at December 31, 2008 to $172.9 million at September 30, 2009.

Cash flows from operating activities in the third quarter of 2009 were $22.7 million or $0.21 per share. The Company reinvested $8.5 million in capital and development in the third quarter, primarily focused on closing the crushing circuit and development of the Escondida zone. Proceeds from stock option exercises added $2.8 million to the Company's cash balances during the quarter.

The Company's cash position has benefited from the reduction in the carrying value of in-process leach pad inventories. These inventories represent costs that are incurred in the process of converting mineralized ores into partially refined precious metals, and are charged to cost of sales when refined metal is sold. Due to the increased speed of recovery associated with finer crushing, reduced throughput and the use of inter-lift liners which minimize solution retention, the estimate of total recoverable ounces remaining to be leached from the pad ore has decreased. In addition, lower operating costs associated with more efficient mining operations and a decrease in the value of the Mexican peso have resulted in the average cost of recoverable ounces in inventory also declining. The net effect is that approximately $5 million has been removed from in-process inventory and converted to cash since December 31, 2008.

In the third quarter of 2009, the Company mobilized a mining contractor to begin waste removal associated with development of the Escondida zone of the Mulatos Pit. Development of the Escondida zone is expected to take up to two years, and to exceed $40 million in development costs. In addition, the Company intends to construct a mill to process high-grade ore from the Escondida deposit. The expected capital cost of constructing the gravity mill is approximately $17.5 million.

In addition to expansion activities at its operations in Mexico, the Company announced in September 2009, that it had entered into a memorandum of understanding to acquire two advanced-stage gold exploration properties in northwestern Turkey for consideration of $40 million in cash and the issuance of four million shares of the Company. Completion of the transaction is subject to a 60-day due diligence period. If the transaction proceeds and the Company acquires these assets in Turkey, the Company would expect to invest significantly in exploration and development activities over the next several years. The amounts and timing of cash out-flows associated with development of these properties in not currently determinable.

With cash and short term investment balances of $154 million, working capital of $172.9 million, no debt, and strong cash flows, the Company believes that it is well positioned to support the further development and expansion of its existing mining operations, aggressive exploration spending at its properties, as well as acquisitions.

Conversion to International Financial Reporting Standards ("IFRS")

Effective Februrary 13, 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 30, 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 includes initial training and education for key finance staff. This phase is ongoing, with key members of the IFRS project team attending external courses, as well as conducting self-study training. It is expected that the majority of this initial training phase will be complete by the end of 2009.

The next phase of the Company's IFRS project is the "impact assessment" phase, whereby the project team reviews each of the significant areas of difference highlighted by the initial diagnostic. In this phase, the project team determines the potential differences between Canadian GAAP and IFRS and assesses the impact of these differences on the Company's accounting policies, information systems, internal controls over financial reporting and other business processes. To-date, the Company has identified the following differences with respect to accounting for:

- Property, plant and equipment – The Company believes that its existing accounting procedures adequately account for componentization as required under IFRS. The Company intends to complete a detailed review of the Company's fixed asset subledger in order to verify that no other significant differences exist.
- Provisions – Differences between Canadian GAAP and IFRS with respect to the discounting calculation applied to future asset retirement costs are expected to result in a change in the Company's asset retirement obligation liability.
- Share-based payments – The Company expects to change its methodology used to calculate stock option forfeitures.
- Income taxes and exploration costs – Due to expected changes in the IFRS standards, the impact assessment for these areas is not yet complete.

The Company has not yet determined the impact of any of the above differences on its information systems, internal controls over financial reporting or other business processes. The Company is in the process of evaluating a decision to implement an enterprise risk management software in order to facilitate financial reporting under IFRS.

The impact assessment phase is expected to be complete by early 2010.

Subsequent to impact assessment, the next project phase consists of developing new IFRS-compliant accounting policies, implementation of these policies, related testing and additional training as required. The Company expects to conduct this phase in the first half of 2010.

Based on the work the Company has completed to-date, the most significant differences between IFRS and Canadian GAAP are expected to be to terminology, financial statement presentation and disclosure. No material quantitative differences have been identified as a result of the limited impact assessments complete to-date, however, this is subject to change based on the Company's ongoing review and continued changes to the IFRS standards.

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.

Changes to Internal Control over Financial Reporting

There have been no significant changes to internal control over financial reporting in the three-month period ended September 30, 2009.

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 September 30, 2009 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 may enter into gold forward and/or gold and foreign currency option contracts which could, in certain circumstances, be classified as off-balance sheet arrangements. Due to the nature of the contracts entered into and in accordance with the Company's current accounting policy not to apply hedge accounting, the mark-to-market value of these contracts is recorded on the balance sheet. At September 30, 2009, the Company had outstanding contracts to deliver up to 13,310 ounces of gold in the fourth quarter of 2009. In addition, the Company had foreign currency option contracts outstanding at September 30, 2009. The net mark-to-market gain associated with these contracts at September 30, 2009 was $10,000 and was recognized in other income and classified within accounts payable and accrued liabilities on the Company's balance sheet.

Commitments Table

The following table summarizes the Company's contractual obligations at September 30, 2009:

Payments due by period ($000)

Contractual Obligations	Total	Less than 1 year	2 – 3 years	4 – 5 years	More than 5 years
Escondida development [1]	40,000	20,000	20,000	-	-
Operating lease	1,210	242	484	484	-
Employee future benefits [2]	1,266	-	-	-	1,266
Asset retirement obligations	7,804	-	-	-	7,804
Property acquisition obligations	900	363	509	28	-
	51,180	**20,605**	**993**	**512**	**9,070**

[1] During the third quarter of 2009, the Company signed a contract with an international mining contractor to develop the Escondida zone of the Mulatos deposit. Total expected costs associated with this contract are approximately $40 million over a two-year period.

(2) Certain termination benefits are provided to Mexican employees on involuntary termination at the end of the life of the mine, as mandated by Mexican Labor Law. In certain circumstances, the Company must also pay other contractual termination or severance benefits, the timing and amount of which are contingent on factors outside of the Company's control.

Contractual obligations also 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, quarterly royalty expense is expected to be in the range of $1.8 to $2.2 million per quarter.

The Company has signed relocation contracts with certain property owners and possessors in the town of Mulatos. The amount and timing of expected future relocation benefit and property acquisition payments to the residents of Mulatos who had signed contracts with the Company as at September 30, 2009 are presented in the table above. 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:

	October 30, 2009
Common shares - Common shares outstanding	108,833,408
Stock options - Average exercise price CDN$7.58; Approximately 62% vested and 65% in-the-money.	6,437,500
Total	**115,270,908**

Outlook

In the second quarter of 2009, the Company raised its 2009 production guidance from 145,000 to 160,000 ounces to 160,000 to 170,000 ounces. At the same time, the Company lowered its 2009 total cash cost forecast from $350 to $335 per ounce. With continuing record results from mine operations, including record monthly gold production of over 19,500 ounces in October, the Company is now confident that it will achieve the top end of its production guidance of 170,000 ounces.

The Company reported record low cash operating costs per ounce of $272 in the third quarter of 2009. Total cash costs (including the 5% royalty) were $314 in the third quarter, $21 lower than the Company's guidance. Higher-than-budgeted gold recoveries combined with operational efficiencies and weakness in the Mexican peso are contributing to the Company's ability to generate record cash flows.

While mining operations are producing record results, projects are ongoing to potentially further increase production rates. The project to close the existing crushing circuit to ensure that 100% of the material stacked on the leach pad meets the optimal size for gold recovery is expected to be complete in November. The Company expects to realize additional recovery increases from this project, starting in 2010.

A scoping study was completed in late October evaluating the potential capital costs and related benefits of increasing crusher throughput up to 33% from the current level of approximately 750 tonnes per hour to up to 1,000 tonnes per hour. The Company is in the process of evaluating the results of this study.

Ongoing expansion activities at current operations include the development of the Escondida zone of the Mulatos Pit. The mining contractor is on schedule. Mining and the related production from the high grade mill is expected late in 2011.

Exploration activities in the fourth quarter will include continued step out and infill drilling at the Puerto del Aire extension, resource determination at Cerro Pelon and Gap, and the identification of drill targets at El Carricito.

The Company is currently in the process of completing due diligence related to its potential acquisition of the Agi Dagi and Kirazli advanced gold exploration projects in northwestern Turkey. These projects have the potential to significantly increase the Company's resource base and future production profile. While the proposed acquisition of Agi Dagi and Kirazli could significantly improve the Company's growth profile, the Company continues to pursue additional accretive acquisition opportunities.

The Company continues to strengthen its financial position: debt-free with $154 million in cash and short-term investments at the end of the third quarter and strong cash flows from operations. This financial strength will continue to 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.

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.