



TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019

This management's discussion and analysis of the financial condition and results of operations ("MD&A") for Torex Gold Resources Inc. ("Torex" or the "Company") was prepared as at February 18, 2020 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2019. This MD&A contains forward-looking statements that are subject to risks and uncertainties, as discussed under "Cautionary Notes". All dollar figures included therein and in the following MD&A are stated in United States dollars ("U.S. dollar") unless otherwise stated.

HIGHLIGHTS

Operational results

- **Safety milestone** of 5 million hours worked with no lost time injury reached in February 2020.
- **Record annual gold production** of 454,811 oz. Gold production in the quarter totalled 125,151 oz.
- **Mine production** in the quarter totalled 12,368 kt, averaged 134,435 tpd. Mine production for the year totalled 52,401 kt, averaged 143,564 tpd.
- **Mine ore production** in the quarter totalled 1,573 kt, averaged 17,098 tpd. Mine ore production for the year totalled 5,952 kt, averaged 16,307 tpd.
- **Grade mined** averaged 3.06 gpt for the quarter, and 2.92 gpt for the year.
- **Plant throughput** in the quarter averaged 12,130 tpd. Plant throughput in the year averaged 12,036 tpd.
- **Grade processed** averaged 3.87 gpt in the quarter, and 3.64 gpt for the year.
- **Gold recovery** averaged 89% for the quarter, and 88% for the year.

Financial results

- **Gold sold** for the quarter was 126,910 oz for proceeds of \$188.0 million at an **average realized gold price**¹ of \$1,481 per oz. **Record gold sold** for the year ended December 31, 2019 was 449,337 oz for proceeds of \$632.5 million at an **average realized gold price**¹ of \$1,408 per oz.
- **Revenue** for the quarter was \$190.0 million. **Cost of sales** was \$149.0 million, or \$1,174 per oz of gold sold for the quarter. **Revenue** for the year was \$640.8 million. **Cost of sales** was \$479.9 million, or \$1,068 per oz for the year.
- **Earnings from mine operations** were \$41.0 million for the quarter, and \$160.9 million for the year.
- **Income before income tax** was \$31.4 million for the quarter, and \$118.0 million for the year.
- **Net income** was \$35.1 million, or \$0.41 per share on a basic and diluted basis for the quarter and \$71.2 million, or \$0.84 and \$0.83 per share on a basic and diluted basis for the year.
- **Adjusted net earnings**¹, which excludes, amongst other items, certain impairment provisions and foreign exchange gains and losses, totalled \$34.0 million, or \$0.40 per share on a basic and diluted basis for the quarter, and \$67.8 million, or \$0.80 and \$0.79 per share on a basic and diluted basis for the year.
- **Cash flow from operations** totalled \$97.9 million for the quarter (\$101.4 million prior to changes in non-cash working capital), and \$301.3 million for the year (\$327.3 million prior to changes in non-cash working capital).
- **Cash balances** as at December 31, 2019 totalled \$161.8 million, all unrestricted.
- **Total cash costs**¹ per ounce of gold sold of \$617 for the quarter, and \$619 for the year.
- **All-in sustaining costs**¹ per ounce of gold sold of \$767 for the quarter, and \$805 for the year.

¹ Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

- **EBITDA**¹ totalled \$102.2 million for the quarter, and \$330.3 million for the year.
- **Adjusted EBITDA**¹, which excludes those items used to determine adjusted net earnings, totalled \$105.1 million for the quarter, and \$332.9 million for the year.
- **Free cash flow**¹, defined as net cash generated from operating activities less additions to property, plant and equipment and interest paid, totalled \$71.6 million for the quarter, and \$181.2 million for the year.
- **Net debt**¹ as at December 31, 2019 totalled \$21.7 million.
- **Debt refinancing** completed in July 2019, provides greater flexibility with a revised repayment schedule, a lower interest rate, and permits the development of existing and future projects.
- **Principal debt payments** of \$82.5 million in the quarter and \$164.4 million in the year were made to reduce the Company's debt to \$174.9 million. Payments during the fourth quarter of 2019 include \$70.0 million on the Company's Debt Facility (defined herein), \$11.2 million on the early extinguishment of the Parilease SAS equipment lease and the remainder towards the equipment loan and other finance leases.

Muckahi²

- In the fourth quarter of 2019, the first long hole open stope in El Limón Deep ("ELD") was blasted and mucked out. Results indicate that 'conveyable' ore fragmentation of 95% passing 400mm can be achieved and that the stope can be completed mucked out with an electric slusher.
- The drilling of the second stope commenced early in the first quarter of 2020. This stope is expected to further validate the fragmentation results and further demonstrate the mucking rates with a slusher.
- The development of the 30-degree decline ramp to access the ELD deposit is underway. Installation of the 30-degree fixed conveyor is anticipated to commence in the second quarter of 2020.
- The tramming conveyor will be delivered upon completion of the first Muckahi production level. This is where the tramming conveyor will be loaded at an open stope, allowing Muckahi to be tested as an integrated system.

Extended mineralization in both the ELD underground and Sub-Sill deposit³

- The ELD drill program successfully intersected mineralization 150 metres down-dip from current reserves as well as along strike to the south. Highlights from the latest round of drill results include 15.6 g/t Au over 38.0 metres in LDUG-039, 28.5 g/t Au over 5.8 metres in drill-hole LDUG-049, 20.9 g/t Au over 12.0 metres in LDUG-056, and 15.7 g/t Au over 16.8 metres in LDUG-036. Mineralization at ELD remains open in multiple directions.
- The 2019 drill program at the Sub-Sill deposit intersected mineralization 300 metres below existing reserves. Highlights from the latest round of drill results include 35.1 g/t Au over 6.1 metres in SST-156, 21.6 g/t Au over 3.5 metres in SST-135, 19.5 g/t Au over 5.9 metres in SST-139, 15.7 g/t Au over 5.2 metres in SST-132, and 13.8 g/t Au over 12.8 metres in LDUG-047. Mineralization at Sub-Sill remains open at depth and along strike.

Updated Media Luna resource estimate

- An updated Mineral Resource estimate for the Media Luna project was announced by press release dated January 13, 2020, which includes an Indicated Mineral Resource of 2.24 million gold equivalent ounces at a gold equivalent grade of 5.55 g/t and an Inferred Mineral Resource of 4.56 million gold equivalent ounces at a gold equivalent grade of 4.23 g/t.
- Of the gold equivalent metal inventory (comprising the Indicated and Inferred resource categories), 58% of the contained metal value is attributable to gold, 34% to copper, and 8% to silver.

¹ Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

² The Media Luna PEA (as defined in this MD&A) is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. The Media Luna PEA includes information on the Muckahi Mining System ("Muckahi"). The PEA economics for the Media Luna Project in the Technical Report (as defined in this MD&A) are based on conventional mining methods. In addition, Muckahi, a Torex proprietary mining method, is introduced and described in the Technical Report. The Technical Report uses the Media Luna Project as a platform for comparison to demonstrate the potential benefits that could be possible if the Muckahi method is proven and ultimately applied to the Media Luna Project, or any other deposit that does not employ caving methods. It is important to note that Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the systems are conceptual, and proof of concept has not been demonstrated.

³ For more information on drill results, see the news releases titled "Torex Gold Extends Mineralization 150 Metres Below Current Reserves at ELD Underground" and "Torex Gold Extends Mineralization Down-Dip at Sub-Sill" issued on November 5, 2019, and November 21, 2019, filed on SEDAR at www.sedar.com and on the Company's website at www.torexgold.com.

Table 1. The following table summarizes key operating and financial highlights:

		Three Months Ended				Year Ended		
		Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Dec 31, 2018	
<i>In millions of U.S. dollars, unless otherwise noted</i>								
Operating Data								
Mining								
Ore tonnes mined	kt	1,573	1,416	1,810	1,153	1,234	5,952	4,329
Waste tonnes mined	kt	10,795	11,923	11,450	12,281	10,065	46,449	28,296
Total tonnes mined	kt	12,368	13,339	13,260	13,434	11,299	52,401	32,625
Strip ratio ²	waste:ore	7.3	9.1	6.8	11.5	8.6	8.4	6.7
Average gold grade of ore mined ⁴	gpt	3.06	3.19	2.91	2.45	2.76	2.92	2.69
Ore in stockpile ⁵	mt	2.4	1.9	1.7	0.9	0.8	2.4	0.8
Processing								
Total tonnes processed	kt	1,116	1,139	1,062	1,076	1,197	4,393	4,152
Average plant throughput	tpd	12,130	12,380	11,670	11,956	13,011	12,036	11,863
Average gold recovery	%	89	89	88	88	85	88	87
Average gold grade of ore processed	gpt	3.87	4.11	3.92	2.62	2.93	3.64	2.97
Production and sales								
Gold produced	oz	125,151	138,145	113,645	77,870	96,316	454,811	353,947
Gold sold	oz	126,910	132,535	113,419	76,473	104,169	449,337	347,640
Financial Data								
Revenue	\$	190.0	198.2	150.7	101.9	130.7	640.8	442.9
Cost of sales	\$	149.0	130.1	115.7	85.1	96.5	479.9	334.7
Earnings from mine operations	\$	41.0	68.1	35.0	16.8	34.2	160.9	108.2
Net income (loss)	\$	35.1	27.4	10.0	(1.3)	1.4	71.2	23.2
Per share - Basic	\$/share	0.41	0.32	0.12	(0.02)	0.02	0.84	0.27
Per share - Diluted	\$/share	0.41	0.32	0.12	(0.02)	0.02	0.83	0.27
Adjusted net earnings (loss) ¹	\$	34.0	30.8	8.8	(5.7)	13.9	67.8	19.7
Per share - Basic ¹	\$/share	0.40	0.36	0.10	(0.07)	0.16	0.80	0.23
Per share - Diluted ¹	\$/share	0.40	0.36	0.10	(0.07)	0.16	0.79	0.23
EBITDA ¹	\$	102.2	116.6	74.3	37.2	56.1	330.3	185.7
Adjusted EBITDA ¹	\$	105.1	115.1	76.5	36.2	57.5	332.9	181.9
Cost of sales	\$/oz	1,174	982	1,020	1,113	926	1,068	963
Total cash costs ¹	\$/oz	617	561	606	745	627	619	646
All-in sustaining costs ¹	\$/oz	767	675	760	1,161	926	805	964
Average realized gold price ¹	\$/oz	1,481	1,478	1,314	1,302	1,235	1,408	1,261
Cash from operating activities	\$	97.9	122.5	48.6	32.3	59.3	301.3	226.8
Cash from operating activities before changes in non-cash working capital ⁶	\$	101.4	116.9	72.6	36.4	61.2	327.3	185.5
Free cash flow ¹	\$	71.6	96.4	20.6	(7.4)	18.8	181.2	85.9
Net debt ¹	\$	21.7	97.2	221.2	234.4	220.3	21.7	220.3
Cash and cash equivalents	\$	161.8	168.0	83.5	91.6	122.2	161.8	122.2
Restricted cash	\$	-	-	32.3	26.9	26.8	-	26.8
Working capital (deficiency) ³	\$	96.5	116.7	(27.4)	18.1	41.6	96.5	41.6
Total debt	\$	174.9	255.7	298.2	318.3	333.5	174.9	333.5
Total assets	\$	1,229.6	1,263.1	1,230.2	1,251.7	1,271.4	1,229.6	1,271.4
Total liabilities	\$	394.8	464.6	461.0	493.8	511.8	394.8	511.8

- Adjusted net earnings (loss), total cash costs, all-in sustaining costs, average realized gold price, EBITDA, adjusted EBITDA, free cash flow and net debt are financial performance measures with no standard meaning under International Financial Reporting Standards ("IFRS"). Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.
- Ore mined from the ELG Underground (defined herein) of 98 kt and 400 kt is included in ore tonnes mined and excluded from the strip ratio in the three and twelve months ended December 31, 2019, respectively. For the three months ended September 30, 2019, June 30, 2019, March 31, 2019 and December 31, 2018, ore mined from the ELG Underground was 102 kt, 117 kt, 83 kt and 67 kt, respectively.
- Current liabilities at June 30, 2019 included a scheduled repayment of \$75.0 million in June 2020 under the 2017 Revolving Facility (defined herein). As a result of the refinancing, the \$75.0 million due under the 2017 Revolving Facility was deferred.
- Included within average gold grade of ore mined is the mined long term, low grade inventory. Excluding the long term, low grade inventory, the average gold grade of ore mined is 3.23 gpt and 3.18 gpt for the three and twelve months ended December 31, 2019. For the three months ended September 30, 2019, June 30, 2019, March 31, 2019 and December 31, 2018, the average gold grade of ore mined is 3.37 gpt, 3.33 gpt, 2.66 gpt and 2.92 gpt, respectively.
- Included within ore in stockpile is 0.8 mt of long term, low grade inventory, with a carrying value of nil at December 31, 2019. As at September 30, 2019, June 30, 2019, March 31, 2019, and December 31, 2018, the long term, low grade inventory was 0.6 mt, 0.5 mt, 0.2 mt and 0.1 mt, respectively, with nil carrying value. As at December 31, 2019 the long term, low grade inventory has an average grade of 0.87 gpt.
- Cash generated from operating activities before changes in non-cash working capital was amended to exclude current income tax expense in order to align with changes in presentation of the Company's Statement of Cash Flows.
- Sum of quarters may not add to the year to date amounts due to rounding. 2018 represents 350 operation days due to the 'Blockade' (defined herein).

2019 REPORT

The following abbreviations are used throughout this document: \$ (United States dollar), C\$ (Canadian dollar), AISC (all-in sustaining costs), Au (gold), Ag (silver), Cu (copper), oz (ounce), gpt (grams per tonne), kt (thousand tonnes), mt (million tonnes), m (metres), km (kilometres), and tpd (tonnes per day).

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COMPANY OVERVIEW AND STRATEGY

The Company is an intermediate gold producer based in Canada engaged in the exploration, development, and operation of the Morelos Gold property (the “Morelos Gold Property”). The Morelos Gold Property is located in the prolific Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and consists of 7 mineral concessions covering a total area of approximately 29,000 hectares.

The Company’s principal assets are the El Limón Guajes mining complex (the “ELG Mine Complex”) and the Media Luna deposit (the “Media Luna Project”). The ELG Mine Complex is comprised of the El Limón, Guajes and El Limón Sur open pits (the “ELG Open Pits”), the El Limón Guajes underground mine including zones referred to as Sub-Sill and El Limón Deep (collectively, the “ELG Underground”) and the processing plant and related infrastructure. The Media Luna Project is an early stage development project (for which the Company issued a Preliminary Economic Assessment (the “PEA”) on September 4, 2018).

The Company’s strategy is to grow production from high quality conventional mining assets, or those with the potential to achieve high value through the deployment of our Muckahi technology. The Morelos Gold Property provides significant opportunity to implement this strategy. The Media Luna Project provides mid-term growth potential. The developing ELG Underground provides near-term growth opportunity in both the Sub-Sill and the El Limón Deep deposits. The many untested exploration targets on this prolific property provide long-term growth opportunities.

In addition to realizing the full potential of the Morelos Gold Property, the Company is seeking opportunities to acquire assets in the Americas that enable profitable and effective geographic diversification.

OBJECTIVES FOR 2020

Production within constraints:

- Safety – no fatalities, lost time injury frequency of <1 per million hours worked
- Environmental protection – zero reportable spills of 1,000 litres or more, that report to the river or reservoir
- Production – 420,000 to 480,000 oz of gold produced
- Cost control:
 - Total cash costs of \$640 to \$670 per oz of gold sold
 - All-in sustaining costs of \$900 to \$960 per oz of gold sold
 - Sustaining capital expenditure of < \$85 million
 - Non-sustaining capital expenditure of < \$82 million

Prepare for 2021:

- Strip 42 million tonnes of waste in the open pits

Set up for growth:

- Complete the \$13m infill drilling program for Media Luna
- Substantially complete a Media Luna feasibility study
- Start the tunnel from ELG to Media Luna before mid Q3 2020
- Test Muckahi
 - Successfully demonstrate the ability to load a conveyor on a 30-degree ramp and to convey up that ramp
 - Successfully demonstrate the functionality of the tramming conveyor
 - Across multiple long hole open stopes, demonstrate the ability to achieve fragmentation of 95% passing 400mm
 - Across multiple long hole open stopes, demonstrate the ability to ‘remote muck’ with a slusher

FINANCIAL RESULTS

The following table summarizes the financial results of the Company:

Table 2.

	Three Months Ended		Year Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018 ¹
<i>In millions of U.S. dollars, unless otherwise noted</i>				
Revenue	190.0	130.7	640.8	442.9
Gold	188.0	128.6	632.5	438.3
Silver	0.5	1.0	2.7	3.0
Copper	1.5	1.1	5.6	1.6
Cost of sales	149.0	96.5	479.9	334.7
Production costs	74.6	63.7	267.4	216.1
Depreciation and amortization	68.7	29.1	193.3	105.4
Royalties	5.7	3.7	19.2	13.2
Earnings from mine operations	41.0	34.2	160.9	108.2
Exploration and evaluation expenses	1.7	2.5	3.7	6.2
General and administrative expenses	5.1	4.9	20.1	21.1
Blockade and other charges	-	-	-	4.1
Loss (gain) on derivative contracts	1.2	0.3	2.2	(1.6)
Finance costs, net	1.9	6.5	18.3	19.6
Foreign exchange gain	(0.3)	(0.4)	(1.4)	(1.6)
Current income tax expense	24.1	4.0	64.5	12.8
Deferred income tax (recovery) expense	(27.8)	15.0	(17.7)	24.4
Net income	35.1	1.4	71.2	23.2
Per share - Basic (\$/share)	0.41	0.02	0.84	0.27
Per share - Diluted (\$/share)	0.41	0.02	0.83	0.27
Adjusted net earnings ²	34.0	13.9	67.8	19.7
Per share - Basic (\$/share) ²	0.40	0.16	0.80	0.23
Per share - Diluted (\$/share) ²	0.40	0.16	0.79	0.23
Cost of sales (\$/oz)	1,174	926	1,068	963
Total cash costs (\$/oz) ²	617	627	619	646
All-in sustaining costs (\$/oz) ²	767	926	805	964
Average realized gold price (\$/oz) ²	1,481	1,235	1,408	1,261
Average realized margin (\$/oz) ²	864	608	789	615

1. Due to the illegal Blockade (the "Blockade"), the year of 2018 represents 350 days of operations, including the first quarter when operations were partial. Please see the "2019 Full Year Financial Results" section of this MD&A for further details with respect to the Blockade.
2. Adjusted net earnings, total cash costs, AISC, average realized gold price and average realized margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

2019 FULL YEAR FINANCIAL RESULTS

Processed gold grade was 3.64 gpt

The mine produced more ounces than the process plant processed, allowing for preferential feeding of higher grades to the process plant. The net result is an average processed grade of 3.64 gpt, versus an average mined grade of 2.92 gpt. Excluding long term, low grade inventory, the mined grade is 3.18 gpt.

Processed average daily tonnage of 12,036 tpd

Throughput rates averaged 12,036 tpd in the year. Throughput rates were 11,956 tpd in Q1, 11,670 tpd in Q2, 12,380 tpd in Q3 and 12,130 in Q4.

Revenue totalled \$640.8 million

During 2019, the Company earned \$640.8 million in revenue compared to \$442.9 million in 2018. The Company sold 449,337 oz of gold at an average realized price of \$1,408 in 2019, compared to 347,640 oz of gold at an average realized price¹ of \$1,261 per oz in 2018. The increase in revenue is primarily due to higher grades processed, higher total throughput, higher average realized prices and reflects the fact that in 2018 the ELG Mine Complex operated for only 350 days, and under partially constrained arrangements with a subsequent ramp-up period, because of the Blockade that began in November 2017.

Cost of sales was \$479.9 million or \$1,068 per oz sold

Cost of sales for the year ended December 31, 2019 was \$479.9 million compared to \$334.7 million for the year ended December 31, 2018. This increase reflects higher tonnage mined and processed, greater Sub-Sill mining activity, a reduction in deferred stripping costs capitalized and an increase in depreciation and amortization.

Depreciation and amortization expense amounted to \$193.3 million for the year ended December 31, 2019 compared to \$105.4 million for the year ended December 31, 2018. The increase in depreciation is driven by a combination of an increase in gold ounces recovered which forms the basis for the depreciation for most of the Company's property, plant and equipment, a greater portion of depreciation related to previously capitalized deferred stripping being amortized as the associated ore is processed, as well as impairment write-downs on long term, low grade and ore inventory stockpiles, as described below. For 2020, depreciation is expected to range between \$250 to \$300 million, reflecting in part an increase in the depreciation of previously capitalized deferred stripping. Capitalized deferred stripping is generally depreciated over 12 to 24 months.

Included in cost of sales in 2019 is a charge of \$29.5 million to adjust long term, low grade stockpile inventory to net realizable value, \$12.8 million and \$16.7 million through production costs and depreciation, respectively. For the year ended December 31, 2019, a total charge of \$10.1 million was recorded to adjust normal stockpile inventory to net realizable value, \$0.8 million and \$9.3 million through production costs and depreciation and amortization, respectively.

Royalties were \$19.2 million for the year ended December 31, 2019 compared to \$13.2 million for the year ended December 31, 2018, representing 3% of proceeds from gold and silver sales. The increase correlates with the increase in ounces sold and higher average realized price. Of the 3% royalty expense, 2.5% is payable to the Mexican Geological Survey agency quarterly and 0.5% is payable annually to the Ministry of Finance.

¹ The average realized gold price per ounce sold does not have any standardized meaning prescribed by IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

Total cash costs were \$619 per oz sold

Total cash costs¹ (net of by-product sales) for the year ended December 31, 2019 were \$619 per oz of gold sold, a decrease of \$27 per oz of gold sold from the year ended December 31, 2018 of \$646 per oz of gold sold.

In the year ended December 31, 2019, the Company mined 52.4 million tonnes (6.0 million tonnes of ore) and processed 4.4 million tonnes of ore, compared to 32.6 million tonnes mined (4.3 million tonnes of ore) and 4.2 million tonnes of ore processed in the year ended December 31, 2018. Total cash costs per ounce of gold sold were lower primarily due to the processing of higher-grade ore.

As the Blockade led to partial operations in 2018, total cash costs exclude \$2.8 million of costs during the 15 days of the Blockade, during which time no operating activity could take place.

All-in sustaining costs were \$805 per oz sold

All-in sustaining costs⁴ for the year ended December 31, 2019 were \$805 per oz of gold sold compared to \$964 per oz of gold sold for the year ended December 31, 2018. Sustaining capital expenditures in the year ended December 31, 2019 amounted to \$58.0 million, compared to \$86.1 million in the year ended December 31, 2018. Sustaining capital expenditures were \$37.9 million for capitalized stripping activities, and \$20.1 million for sustaining equipment and infrastructure.

General and administrative expenses of \$20.1 million

General and administrative expenses totalled \$20.1 million in 2019 compared to \$21.1 million in 2018.

Finance costs, net of finance income, of \$18.3 million

Finance costs, net of finance income, amounted to \$18.3 million in the year ended December 31, 2019 compared to \$19.6 million in the year ended December 31, 2018. Finance costs largely reflect the interest expense on the Debt Facility, equipment loan and leases and are net of finance income relating to interest on the VAT receivables and cash on hand, as well as a non-cash gain of \$2.8 million on the modification of debt. Included in the \$5.0 million of interest earned is \$1.5 million of interest income on the VAT receivables which was received in February 2020.

Derivative loss of \$2.2 million

For the year ended December 31, 2019, the Company recognized a loss of \$2.2 million relating to the interest rate swaps, gold zero-cost collars and currency derivative contracts, compared to a gain of \$1.6 million in the year ended December 31, 2018 in relation to currency derivative contracts. The Company settled the remaining currency derivative contracts and entered into the interest rate swap and gold zero-cost collars during 2019. The gold zero-cost collars deliver 8,000 oz of gold a month over a 12-month period commencing in September 2019. In the fourth quarter of 2019, the Company extended the gold hedging arrangements to December 2020. The Company intends to continue with gold hedging arrangements beyond the current hedge given the ongoing capital plans for growth projects as well as the outstanding debt.

Foreign exchange gain of \$1.4 million

The Company recognized a foreign exchange gain of \$1.4 million for the year ended December 31, 2019 compared to a foreign exchange gain of \$1.6 million for the year ended December 31, 2018. Based on closing exchange rates, the Mexico peso appreciated by 4.6% in the year ended December 31, 2019.

Current income and mining tax expense of \$64.5 million

The Company recognized a current income tax expense of \$64.5 million in the year ended December 31, 2019 related to corporate income tax in Mexico and the 7.5% Mexican mining royalty, compared to a current tax expense of \$12.8 million in the year ended December 31, 2018. The 7.5% Mexican mining royalty is considered an income tax for

¹ Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

IFRS purposes. During 2019, the remaining Mexican tax loss carryforwards were fully utilized as expected, and as a result the Company is subject to Mexican federal income tax for 2019. Instalment payments commenced in December 2019 (in respect of November) with the remaining balance payable in March 2020.

Deferred income tax recovery of \$17.7 million

The Company recognized a deferred income tax recovery of \$17.7 million in the year ended December 31, 2019, compared to a deferred income tax expense of \$24.4 million in the year ended December 31, 2018. The increase in the deferred income tax recovery in 2019 is primarily due to the strengthening of the Mexican peso, driving an increase in the tax effect of currency translation on the tax base, higher provisions and a decrease in the fixed asset balance, partially offset by higher taxable earnings.

The Company's deferred tax expense is sensitive to the foreign exchange fluctuations of the Mexican peso relative to the U.S. dollar because the tax reporting currency of its Mexican subsidiaries is the Mexican peso while the accounting functional currency is the U.S. dollar. Therefore, the U.S. dollar value of Mexican tax attributes available for future deduction will change as the value of the Mexican peso changes relative to the U.S. dollar. Generally, a decline in the value of the Mexican peso relative to the U.S. dollar will increase deferred tax expense (or decrease deferred tax recovery), while an increase in the value of the Mexican peso relative to the U.S. dollar will reduce deferred tax expense (or increase deferred tax recovery). The closing value of property, plant and equipment and inventory for tax purposes at December 31, 2019 was \$14.5 billion Mexican pesos.

For the year ended December 31, 2019, the Mexican peso appreciated by 4.6% to 18.8 relative to the U.S. dollar resulting in an estimated recovery of \$8.1 million of foreign exchange included in deferred tax recovery. For the year ended December 31, 2018, the Mexican peso appreciated by 0.5% to 19.7 relative to the U.S. dollar leading to an estimated recovery of \$0.8 million of foreign exchange included in deferred tax expense.

Total tax expense of \$46.8 million

The effective tax rate for the year ended December 31, 2019 decreased to 40% from 62% for the year ended December 31, 2018. This decrease reflects the deduction of the cash costs of long term, low grade inventory for tax purposes, the utilization of previously unrecognized Canadian tax losses, and the benefit of the diesel tax credit in Mexico. For 2020, the diesel credit is not expected to be available and the effective tax rate is expected to be 45% to 50%.

Net income of \$71.2 million

Net income for the year ended December 31, 2019 was \$71.2 million, or \$0.84 and \$0.83 per share on a basic and diluted basis, while adjusted net earnings¹ amounted to \$67.8 million, or \$0.80 and \$0.79 per share on a basic and diluted basis. In the year ended December 31, 2018, the Company had net income of \$23.2 million, or \$0.27 per share on a basic and diluted basis while the adjusted net earnings amounted to \$19.7 million, or \$0.23 per share on a basic and diluted basis. Net income is higher in the year ended December 31, 2019 compared to the prior year, largely due to higher earnings from mine operations stemming from a higher average realized price and processed grades, despite the significant increase in current income tax expense resulting from higher taxable income and the fact that the tax loss carryforwards were fully utilized during the third quarter of 2019.

FOURTH QUARTER FINANCIAL RESULTS

Processed gold grade was 3.87 gpt

The processed grade was greater than the mined grade due to preferential feeding of higher grades to the process plant and stockpiling of lower grades. The net result is a processed gold grade of 3.87 gpt, versus a mined grade of 3.06 gpt. Excluding long term, low grade inventory, the mined grade is 3.23 gpt.

Processed average daily tonnage of 12,130 tpd

Throughput rates averaged 12,130 tpd in the quarter.

¹ Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net income to adjusted net earnings.

Revenue totalled \$190.0 million

During the fourth quarter of 2019, the Company earned \$190.0 million in revenue compared to \$130.7 million for the fourth quarter of 2018. The Company sold 126,910 oz of gold at an average realized price of \$1,481 per oz in the fourth quarter of 2019, compared to 104,169 oz of gold at an average realized price of \$1,235 in the fourth quarter of 2018.

Cost of sales was \$149.0 million or \$1,174 per oz sold

Cost of sales for the fourth quarter of 2019 was \$149.0 million compared to \$96.5 million in the fourth quarter of 2018. The increase reflects higher tonnage mined and processed and increase in depreciation and amortization.

Depreciation and amortization expense amounted to \$68.7 million for the fourth quarter of 2019 compared to \$29.1 million for the same period in 2018. The increase in depreciation is driven by a combination of an increase in gold ounces recovered which forms the basis for the depreciation for most of the Company's property, plant and equipment, greater portion of depreciation related to previously capitalized deferred stripping being amortized as the associated ore is processed, and impairment write-downs on long term, low grade and ore inventory stockpiles, as described below.

Included in cost of sales in the fourth quarter of 2019 is a charge of \$8.0 million to adjust long term, low grade stockpile inventory to net realizable value, \$3.4 million and \$4.6 million through production costs and depreciation, respectively. For the year ended December 31, 2019, a total charge of \$10.1 million was recorded to adjust normal stockpile inventory to net realizable value, \$0.8 million and \$9.3 million through production costs and depreciation and amortization, respectively.

Royalties were \$5.7 million for the three months ended December 31, 2019 compared to \$3.7 million for the three months ended December 31, 2018, representing 3% of proceeds from gold and silver sales.

Total cash costs were \$617 per oz sold

Total cash costs¹ (net of by-product sales) for the fourth quarter of 2019 were \$617 per oz of gold sold, a decrease of \$10 per oz of gold sold compared to the fourth quarter of 2018 at \$627 per oz of gold sold.

In the fourth quarter of 2019, the Company mined 12.4 million tonnes (1.6 million tonnes of ore) and processed 1.1 million tonnes of ore, compared to 11.3 million tonnes mined (1.2 million tonnes of ore) and 1.2 million tonnes of ore processed in the fourth quarter of 2018. Total cash costs per ounce of gold sold in the fourth quarter of 2019 were slightly lower largely due to the processing of higher-grade ore.

All-in sustaining costs were \$767 per oz sold

All-in sustaining costs¹ for the fourth quarter of 2019 were \$767 per oz of gold sold compared to \$926 per oz of gold sold for the fourth quarter of 2018. Sustaining capital expenditures in the fourth quarter of 2019 amounted to \$12.2 million, compared to \$25.5 million in the fourth quarter of 2018. Sustaining capital expenditures were \$6.3 million for capitalized stripping activities, and \$5.9 million for sustaining equipment and infrastructure.

General and administrative expenses of \$5.1 million

General and administrative expenses totalled \$5.1 million in the fourth quarter of 2019 compared to \$4.9 million in the fourth quarter of 2018.

Finance cost, net of finance income, of \$1.9 million

Finance cost, net of finance income, amounted to \$1.9 million in the three months ended December 31, 2019 compared to net finance costs of \$6.5 million in the three months ended December 31, 2018. Net finance cost in the fourth quarter of 2019 relates to interest expense on the Debt Facility, equipment loan and leases, net of interest income earned of \$5.0 million and \$0.8 million on the VAT receivables and cash on hand, respectively, as well as a non-cash gain of \$1.0 million on the modification of debt in the fourth quarter of 2019. Included in the \$2.3 million of interest earned is \$1.5 million of interest income on the VAT receivables which was received in February 2020.

¹ Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

Derivative loss of \$1.2 million

In the three months ended December 31, 2019, the Company recognized a loss of \$1.2 million relating to the interest rate swaps and gold zero-cost collars, compared to a loss of \$0.3 million in the three months ended December 31, 2018 primarily in relation to currency derivative contracts.

Foreign exchange gain of \$0.3 million

The Company recognized a foreign exchange gain of \$0.3 million in the quarter ended December 31, 2019 compared to a gain of \$0.4 million in the quarter ended December 31, 2018. Based on closing exchange rates, the Mexican peso appreciated by 4.1% in the fourth quarter of 2019.

Current income and mining tax expense of \$24.1 million

The Company recognized a current income tax expense of \$24.1 million in the fourth quarter of 2019 related to Mexican corporate income tax and the 7.5% Mexican mining royalty, compared to a current tax expense of \$4.0 million in the three months ended December 31, 2018. The 7.5% Mexican mining royalty is considered an income tax for IFRS purposes. The remaining Mexican tax loss carryforwards were fully utilized prior to the fourth quarter of 2019, and as a result the Company is now subjected to income tax for 2019. Instalment payments commenced in December 2019 with the remaining balance payable in the first quarter of 2020.

Deferred income tax recovery of \$27.8 million

The Company recognized a deferred income tax recovery of \$27.8 million three months ended December 31, 2019, compared to a deferred income tax expense of \$15.0 million for the three months ended December 31, 2018. For the three months ended December 31, 2019 compared to the three months ended December 31, 2018, the deferred income tax recovery is primarily driven by a decrease in the tax effect of currency translation on tax base, higher provisions and a decrease in the fixed asset balance, partially offset by higher taxable earnings.

The Company's deferred tax expense is sensitive to the foreign exchange fluctuations of the Mexican peso relative to the U.S. dollar because the tax reporting currency of its Mexican subsidiaries is the Mexican peso while the accounting functional currency is the U.S. dollar. Therefore, the U.S. dollar value of Mexican tax attributes available for future deduction will change as the value of the Mexican peso changes relative to the U.S. dollar. Generally, a decline in the value of the Mexican peso relative to the U.S. dollar will increase deferred tax expense (or decrease deferred tax recovery), while an increase in the value of the Mexican peso relative to the U.S. dollar will reduce deferred tax expense (or increase deferred tax recovery).

For the three months ended December 31, 2019, the Mexican peso appreciated by 4.1% to 18.8 relative to the U.S. dollar resulting in an estimated recovery of \$7.7 million of foreign exchange included in deferred tax expense, while for the fourth quarter of 2018, the Mexican peso depreciated by 4.6% to 19.7 relative to the U.S. dollar, which created an expense of \$11.6 million of foreign exchange included in deferred tax expense.

Net income of \$35.1 million

Net income for the fourth quarter of 2019 was \$35.1 million, or \$0.41 per share on a basic and diluted basis, while adjusted net earnings¹ amounted to \$34.0 million, or \$0.40 per share on a basic and diluted basis. In the fourth quarter of 2018, the Company had net income of \$1.4 million, or \$0.02 per share on a basic and diluted basis while adjusted net earnings¹ amounted to \$13.9 million, or \$0.16 per share on a basic and diluted basis. Net income is higher in the fourth quarter of 2019 compared to the fourth quarter of 2018, largely due to higher earnings from mine operations stemming from a higher average realized price, higher processed grades and the deferred tax recovery, partly offset by higher current income tax.

¹ Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net income to adjusted net earnings.

RESULTS OF OPERATIONS

Mining

A total of 12,368 kt were mined in the fourth quarter of 2019, including 12,270 kt from ELG open pits at an average waste to ore strip ratio of 7.3, and 98 kt from the ELG Underground. Approximately 65% of the material mined in the fourth quarter were from El Limón and 34% from Guajes; the remaining 1% was mined from the ELG Underground.

A total of 52,401 kt were mined in the year ended December 31, 2019, including 52,001 kt from ELG open pits at an average waste to ore strip ratio of 8.4, and 400 kt from the ELG Underground. Approximately 67% of the tonnes mined in 2019 were from El Limón and 32% from Guajes; the remaining 1% was mined from the ELG Underground.

At December 31, 2019, there were 2.4 mt of ore in stockpiles at an average grade of 1.47 gpt. Excluding 0.8 mt of long term, low grade stockpiles at an average grade of 0.87 gpt, the remaining 1.6 mt of ore in stockpiles are at an average grade of 1.75 gpt.

The following table summarizes the mining activities for the Company's ELG Mine Complex:

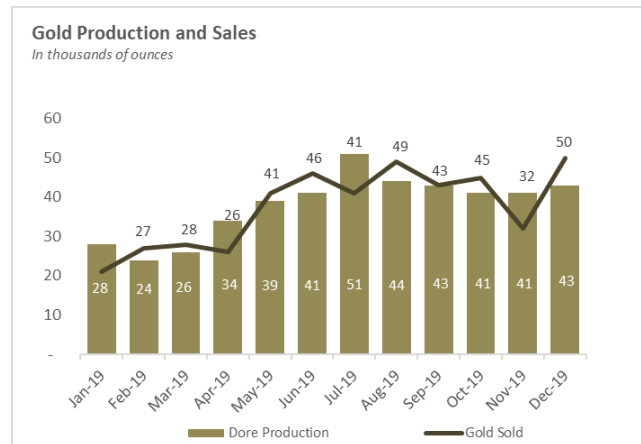
Table 3.

		Three Months Ended				Year Ended		
		Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Dec 31, 2018	
Mining								
Guajes								
Ore tonnes mined	kt	445	412	92	28	-	977	524
Waste tonnes mined	kt	3,799	5,483	3,506	3,142	2,063	15,930	8,140
Total tonnes mined	kt	4,244	5,895	3,598	3,170	2,063	16,907	8,664
Strip ratio ¹	w:o	8.5	13.3	38.1	112.2	-	16.3	15.5
Average gold grade of ore mined	gpt	2.85	2.16	1.34	1.10	-	2.37	3.43
El Limón								
Ore tonnes mined	kt	1,030	902	1,601	1,042	1,167	4,575	3,691
Waste tonnes mined	kt	6,996	6,440	7,944	9,139	8,002	30,519	20,156
Total tonnes mined	kt	8,026	7,342	9,545	10,181	9,169	35,094	23,847
Strip ratio	w:o	6.8	7.1	5.0	8.8	6.9	6.7	5.5
Average gold grade of ore mined	gpt	2.70	3.20	2.61	2.06	2.50	2.62	2.41
Total ELG Open Pits								
Ore tonnes mined	kt	1,475	1,314	1,693	1,070	1,167	5,552	4,215
Waste tonnes mined	kt	10,795	11,923	11,450	12,281	10,065	46,449	28,296
Total tonnes mined	kt	12,270	13,237	13,143	13,351	11,232	52,001	32,511
Strip ratio	w:o	7.3	9.1	6.8	11.5	8.6	8.4	6.7
Average gold grade of ore mined	gpt	2.75	2.87	2.54	2.03	2.50	2.58	2.54
ELG Underground								
Ore tonnes mined	kt	98	102	117	83	67	400	114
Average gold grade of ore mined	gpt	7.65	7.26	8.23	7.86	7.37	7.76	8.36

1. The strip ratio for Guajes is high for the three months ended June 30, 2019 and March 31, 2019 because the activities within Guajes were focused on stripping activities without significant ore being mined.

Gold Production and Sales

In the fourth quarter of 2019, 125,151 oz of gold were produced and 126,910 oz of gold were sold, for a total of 454,811 oz of gold produced and 449,337 oz of gold sold in 2019. Record gold production and sales were achieved in the year.



Safety

The Company achieved an important milestone in February 2020; more than 5 million hours have been worked since the last lost time injury. There were no fatalities (including on site contractor employees) in 2019 and 2018.

Collective Bargaining Agreement

The Company's non-staff employees at its operations in Mexico are represented by a union. The Company and the union negotiated and signed a one-year agreement regarding wages for 2020. This agreement was ratified before the Mexican Labour Board on January 8, 2020. The Company and the union previously negotiated and signed an agreement regarding benefits for 2019 and 2020. This agreement was signed and ratified before the Mexican Labour Board on November 22, 2018. The cycle of negotiating wages each year and benefits every two years, is customary in Mexico.

Environmental

There were no reportable environmental incidents in the fourth quarter of 2019. Environmental initiatives to monitor water quality, air quality and biodiversity are undertaken by the Company. Maximum permissible limits for water and air quality have not been exceeded. The Company continued with the ongoing reforestation program where a total of 75,000 trees were planted across 120 hectares during 2019.

Community

Various infrastructure projects in the communities were completed in the quarter, including rehabilitation, patching and cleaning on the Cocula-Nuevo Balsas road and rehabilitation of water storage in San Nicolas.

Continued support has been provided for livestock management as a result of the rabies outbreak in cattle. Services for cattle vaccination and training on best practices for prevention and treatment of diseases has been provided. To support local fishermen, consulting services and training have been provided to promote aquaculture in the local communities.

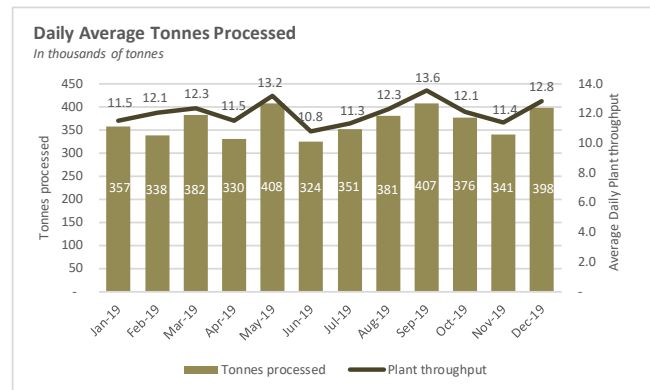
Plant Performance

Throughput performance remained relatively flat across Q3 and Q4, with modest gains in throughput rate, as measured by tonnes per hour, offset by losses in SAG availability. The key driver for unplanned downtime in the quarter was the SAG mill drive coupling failure in late December, which has been attributed to alignment issues in the drive system. A new pinion and coupling were installed in late December. Reliability in all areas of the processing plant outside the SAG circuit improved materially in the second half of the year.

The SART plant reached steady-state operation in the fourth quarter of 2019, meeting or exceeding design levels on all parameters:

- Average flow was 452 m³/hour in the quarter compared to design of 400 m³/hour;
- Copper recovery was 91% in the quarter, consistent with design expectation;
- Cyanide recovery was 0.49 kg/t of ore milled for the quarter compared to plant design of 0.47 kg/t of ore milled.

The combination of SART optimization together with the plant trial of oxidation in the leach circuit resulted in average cyanide consumption in the fourth quarter of 2019 of 3.52 kg/t vs. 4.05 kg/t consumed in the third quarter of 2019, notwithstanding similar levels of copper and higher levels of iron in head grade from Q3 to Q4. Gold recovery also remained above design in the fourth quarter at 89% vs. design of 87%.



EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

The Company's plan for the Media Luna Project is to advance the project from early stage development to production in 2024. In 2019, the infill drilling program at Media Luna was completed with successfully upgrading 25% of the previous Inferred resource to the Indicated confidence resource category, suitable for use in the estimation of a Mineral Reserve, required for the feasibility study. The objective of the infill drill program was to upgrade enough tonnes to have a mine life that would pay back the initial capital investment. A subsequent infill drill program is planned in 2020, with the intent to upgrade a greater portion of resources to the Indicated category in time to be incorporated into the feasibility study. Only the Indicated portion of the resource estimate will be included in the feasibility study. As such, the mineable tonnes will be significantly lower than the 2018 PEA, since all of the Inferred tonnes considered in the PEA will not have been upgraded to Indicated for inclusion in the feasibility study. Future infill drill programs will target the remaining Inferred tonnes for upgrading to the Indicated confidence class.

As at December 31, 2019, the Company capitalized \$38.4 million since the commencement of development, including \$5.0 million in the quarter ended December 31, 2019 in relation to development activities for the Media Luna Project.

Key trade-off studies are nearing completion and early field survey and technical study work in support of the permitting/approval process has commenced. A feasibility study with a budget of \$11.0 million is planned to start in early 2020 and is expected to be completed early in 2021. During 2020, an early works program will start excavating the access tunnel to Media Luna, thereby de-risking this component of the development schedule.

Before the commencement of commercial production, the Company is required to secure environmental, exploration, land use, water and infrastructure construction permits.

Pre-commercial capital expenditures, net of pre-commercial revenues, are estimated at \$411.4 million per the Technical Report (as defined below). The Company intends to fund these expenditures from cash flows generated from the existing ELG Open Pits and ELG Underground operations.

An updated PEA for the Media Luna Project was included as part of the updated technical report (the “Technical Report”) released on September 4, 2018, entitled “NI 43-101 Technical Report ELG Mine Complex Life of Mine Plan and Media Luna Preliminary Economic Assessment”, which has an effective date of March 31, 2018 and is available on the Company’s website at www.torexgold.com and filed on SEDAR at www.sedar.com.

Muckahi Mining System Update

In the fourth quarter of 2019, the first long hole open stope in ELD was blasted and mucked out. Results indicate that ‘conveyable’ ore fragmentation of 95% passing 400mm can be achieved and that the stope can be completely mucked with an electric slusher. The drilling of the second stope commenced in the first quarter of 2020. The stope is expected to further validate the fragmentation results and further demonstrate the mucking rates with a slusher. Development of the 30-degree decline ramp to access the ELD deposit is underway. Installation of the 30-degree fixed conveyor is anticipated to commence in the second quarter of 2020. The tramming conveyor will be delivered upon completion of the first Muckahi production level. This is where the tramming conveyor will be loaded at an open stope, allowing Muckahi to be tested as an integrated system. A patent application for the Muckahi Mining System was submitted in 2019 and status remains ‘patent pending’.

Morelos Gold Property Exploration Update

The Morelos property has many highly prospective targets that are untested. From amongst the targets that have been tested, large zones of mineralization and resources have been discovered. At this time, the exploration teams are primarily focused on advancing known mineralization and resources towards production. This takes the form of infill diamond drilling programs in Sub-Sill, El Limón Deep, and Media Luna with a purpose of upgrading the resource confidence class. Some step-out drilling was completed during the fourth quarter of 2019, intersecting mineralization 150 metres down-dip from current reserves of El Limón Deep and 300 metres below existing reserves at Sub-Sill. At Media Luna, the infill drill program upgraded 25% of the previous Inferred resource estimate dated July 23, 2015 to the Indicated confidence class. Results will be released as they come available and are analyzed.

FINANCIAL CONDITION REVIEW

The Company’s Debt Facility (defined below and discussed in the “Debt Financing” section of this MD&A) has financial covenants, which, if not met, could result in an event of default with the Parilease SAS equipment lease and the equipment loan, however both the Parilease SAS equipment lease and the equipment loan were repaid in full during the fourth quarter of 2019. As at December 31, 2019, the Company is in compliance with all financial and other covenants.

Summary Balance Sheet

The following table summarizes key balance sheet items at December 31, 2019:

Table 4.

<i>In millions of U.S. dollars</i>	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 161.8	\$ 122.2
Restricted cash	-	26.8
Value-added tax receivables	37.7	49.5
Inventory	129.2	58.3
Property, plant and equipment	874.4	984.2
Other assets	26.5	30.4
Total assets	\$ 1,229.6	\$ 1,271.4
Accounts payable and accrued liabilities	\$ 90.6	\$ 93.4
Income tax payable	68.7	18.0
Debt	174.9	333.5
Deferred income tax liabilities	33.7	51.4
Other liabilities	26.9	15.5
Total liabilities	\$ 394.8	\$ 511.8
Total shareholders' equity	\$ 834.8	\$ 759.6

Cash and cash equivalents and restricted cash

The Company ended the fourth quarter of 2019 with cash on hand of \$161.8 million. The Company holds cash balances in both Canadian dollars and Mexican pesos, as well as U.S. dollar holdings.

Pursuant to the 2017 Debt Facility, the Company was required to maintain restricted cash in respect of reserve funds for estimated reclamation obligations. As part of the refinancing completed in July 2019, the Company is no longer required to maintain a restricted cash account for estimated reclamation obligations. As such, all funds within the restricted cash account were transferred to cash and cash equivalents upon completion of the refinancing in the third quarter of 2019.

Value-added tax ("VAT") receivables

The Company has VAT receivables primarily denominated in Mexican pesos. The VAT receivables balance fluctuates as additional VAT is paid and refunds are received, as well as with the movement of the Mexican peso exchange rate relative to the U.S. dollar and any provisions. During the year ended December 31, 2019, the Company collected \$66.8 million in VAT receivables, and interest of \$0.9 million. The Company recorded a provision for \$3.1 million related to VAT claims that are considered to be uncollectible, of which \$2.0 million was recorded in cost of sales and \$1.1 million increased property, plant and equipment.

Inventory

The increase in inventory of \$71.4 million is largely due to an increase in the quantity of ore in stockpiles as ore tonnes mined continue to outpace tonnes processed, less deferred stripping activity, an increase in depreciation and amortization leading to higher depreciation capitalized to inventory, and the timing of gold sales.

Property, plant and equipment

Property, plant and equipment increased by \$127.0 million for infrastructure, equipment, capitalized stripping costs and closure and rehabilitation, offset by depreciation and amortization of \$240.7 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were \$90.6 million at December 31, 2019 compared to \$93.4 million at December 31, 2018. The decrease is primarily due to the timing of payments, partly offset by higher royalties and employee profit sharing costs accrued and to be paid in the first half of 2020.

Income tax payable

Income tax payable increased from \$18.0 million at December 31, 2018 to \$68.7 million at December 31, 2019. Income tax payable in 2018 was primarily related to the 7.5% mining royalty. Income tax payable at December 31, 2019 includes both \$35.3 million related to the 7.5% mining royalty and \$33.4 million current income tax payable on taxable income in 2019. The remaining tax loss carryforwards available to offset current income tax payable were fully utilized in the third quarter of 2019 and the Company commenced accruing current income taxes payable. The Company commenced paying income tax instalments in December 2019. The remaining income tax payable for 2019 will be paid in March 2020, net of the instalment made in January 2020.

DEBT FINANCING

2017 Debt Facility

On July 21, 2017, the Company, through its subsidiary Minera Media Luna, S.A. DE C.V. (“MML”), signed an Amended and Restated Credit Agreement (“ARCA”) with BNP Paribas, Commonwealth Bank of Australia, ING Capital LLC., and SG Americas Securities, LLC, as joint bookrunners and BMO Harris Bank N.A. and The Bank of Nova Scotia (the “2017 Banks”) in connection with a secured \$400.0 million debt facility (the “2017 Debt Facility”). The 2017 Debt Facility comprised a \$300.0 million term loan (the “2017 Term Facility”) and a \$100.0 million revolving loan facility (the “2017 Revolving Facility”). On July 25, 2017, the Company drew the full amount of the 2017 Term Facility and \$75.0 million of the 2017 Revolving Facility to repay the loan facility that was previously entered into with the 2017 Banks. The Company was permitted to use the 2017 Revolving Facility for MML’s general corporate purposes, including development expenditures, subject to the conditions of the 2017 Debt Facility.

The 2017 Debt Facility bore interest at a rate of LIBOR plus 4.00% for the first two years, LIBOR plus 4.25% for years three and four, and LIBOR plus 4.50% thereafter and included standard and customary finance terms and conditions. The 2017 Debt Facility was secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries. The 2017 Revolving Facility and the 2017 Term Facility were to mature June 30, 2020 and June 30, 2022, respectively. The first scheduled repayment of the 2017 Term Facility of \$9.3 million was made on March 31, 2018, and varying repayments would continue in quarterly instalments until maturity. The 2017 Revolving Facility and the 2017 Term Facility could be repaid in full at any time without penalty or premium. On July 30, 2019, the 2017 Debt Facility was amended and restated as described below. Immediately prior to the refinancing, the principal amount outstanding under the 2017 Revolving Facility and the 2017 Term Loan was \$75.0 million and \$212.4 million, respectively.

2019 Debt Facility

On July 30, 2019, the Company through its subsidiary MML (as borrower) signed a Second Amended and Restated Credit Agreement (“SARCA”) with the Bank of Montreal, BNP Paribas, ING Bank N.V., Dublin Branch, Société Générale and the Bank of Nova Scotia (the “Banks”) in connection with a secured \$335.0 million debt facility (the “Debt Facility”). The Debt Facility is comprised of a \$185.0 million term loan (the “Term Facility”) and a \$150.0 million revolving loan facility (the “Revolving Facility”). As of July 30, 2019, the full amount of the Term Facility and \$100.0 million of the Revolving Facility was outstanding. On the date of the refinancing, the Company repaid \$2.4 million in relation to the 2017 Term Facility. Proceeds of the Revolving Facility may be used for general corporate purposes, including certain development expenditures and acquisitions, in all cases subject to the conditions of the Debt Facility. The Debt Facility contained cross-default provisions with certain of the Company’s equipment lease and equipment loan, however the equipment lease and equipment loan were fully repaid in the fourth quarter of 2019. The Debt Facility restricts the Company from making distributions, except that the Company may distribute the Muckahi Subsidiaries (as defined below) or the Muckahi System Rights (as defined below, including by way of a “spin out” transaction) if there is no default or event

of default. A Muckahi Subsidiary is a direct or indirect subsidiary of the Company whose assets are primarily comprised of the rights to and interest in the design of the Muckahi Mining System or assets related thereto (the “Muckahi System Rights”).

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

The Debt Facility permits, including by use of the Revolving Facility, potential spending to facilitate the development of the Media Luna Project, the Muckahi Mining System, and other existing and future projects of the Company, subject to the conditions of the Debt Facility, including compliance with (i) financial covenants related to maintaining a net leverage ratio of 3.0, a debt service coverage ratio of 1.15 and minimum liquidity of \$50.0 and (ii) certain thresholds with respect to the quantum of development expenditures and the amount spent on the Muckahi Mining System. The Debt Facility also includes a Reserve Tail Test that replaces the Reserve Tail Ratio (as it was in the 2017 Debt Facility). Non-compliance with the Reserve Tail Test is not an event of default, but instead restricts the amount that can be drawn under the Revolving Facility, and depending on the amount drawn, may also require prepayments of the Debt Facility. At December 31, 2019, \$140.0 million of the Revolving Facility is available based on the Reserve Tail Test, of which \$50.0 million is drawn.

As at December 31, 2019, the Company is in compliance with the financial and other covenants under the Debt Facility.

The SARCA is available on SEDAR at www.sedar.com.

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

During the year ended December 31, 2019, the Company made principal repayments of \$145.5 million, including \$40.5 million under the 2017 Debt Facility (year ended December 31, 2018 - \$49.5 million), \$55.0 million under the 2019 Debt Facility and prepayments of \$50.0 million under the Revolving Facility.

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at December 31, 2019 were \$1,229.6 million (December 31, 2018 - \$1,271.4 million), which includes \$161.8 million in cash and cash equivalents (December 31, 2018 - \$122.2 million, excluding restricted cash of \$26.8 million).

Cash flow generated from operating activities, excluding changes in non-cash working capital, for the year ended December 31, 2019 was \$327.3 million compared to \$198.3 million for the year ended December 31, 2018. Cash flow generated from operating activities after non-cash working capital for the year ended December 31, 2019 was \$301.3 million compared to \$226.8 million for the year ended December 31, 2018. The increase in cash generated from operating activities is largely due to the increase in net income.

Investing activities resulted in net cash outflows of \$77.4 million in the year ended December 31, 2019, compared with net cash outflows of \$116.6 million in 2018. The decrease in cash outflows is largely due to the transfer of restricted cash of \$26.8 million to cash and cash equivalents, compared to a \$12.9 million transfer into restricted cash in 2018, and decrease in additions to property, plant and equipment, primarily related to the decrease in deferred stripping activity. Restricted cash is no longer a requirement under the Debt Facility. This is partially offset by lower net VAT receipts related to capital expenditures in 2019.

Financing activities resulted in net cash outflows of \$184.4 million for the year ended December 31, 2019 compared with cash outflows of \$32.5 million in 2018. Net cash flows used in financing activities for the year ended

December 31, 2019 relate primarily to scheduled repayments and voluntary prepayments under the Debt Facility, leases, and equipment loan totalling \$164.4 million, interest paid of \$19.6 million and transaction costs of \$2.6 million, partially offset by cash flow from the exercise of stock options of \$2.2 million. In comparison, for the year ended December 31, 2018 net cash flows used in financing activities relate primarily to proceeds from the Offering of \$48.1 million (net of share issuance costs), less interest paid of \$24.4 million, and repayments under the Debt Facility, leases, and the equipment loan totaling \$56.3 million.

As at December 31, 2019, the Company's contractual obligations included office lease agreements, office equipment leases, long-term land lease agreements with the Rio Balsas, the Real del Limón, Atzcala and the Puente Sur Balsas Ejidos and the individual owners of land parcels within certain of those Ejido boundaries, and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine Complex and the Media Luna Project. All of the long-term land lease agreements can be terminated within a year at the Company's discretion at any time without penalty.

In addition, production revenue from concessions are subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and payable on a quarterly basis. In the year ended December 31, 2019, the Company paid \$14.5 million relating to the 2.5% royalty relating to the four quarters ending September 30, 2019. In January 2020, the Company paid \$4.8 million relating to the 2.5% royalty for the fourth quarter of 2019.

The Company is subject to a mining tax of 7.5% on earnings before the deduction of taxes, interest, depreciation and amortization, and a royalty of 0.5% on sales of gold, silver and platinum. Both the mining tax and 0.5% royalty are payable on an annual basis. In April 2019, the Company paid \$8.0 million in respect of the 7.5% and 0.5% royalties for 2018.

The trends that affect the Company's liquidity are further described in the "Economic Trends" section of this MD&A. The liquidity risks associated with the Company's financial instruments are set out in the "Financial Risk Management" section of this MD&A.

Contractual Commitments

Table 5.

In millions U.S. dollars	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	Greater than 5 years
ELG Mine Complex operating commitments	27.9	27.9	-	-	-
ELG Mine Complex capital commitments	7.5	7.5	-	-	-
Debt	184.1	87.0	95.8	0.5	0.8
Total	\$ 219.5	\$ 122.4	\$ 95.8	\$ 0.5	\$ 0.8

OUTSTANDING SHARE DATA

Table 6.

Outstanding Share Data at February 18, 2020	Number
Common shares	85,439,101
Share purchase options ¹	228,145
Restricted share units ^{2, 3}	568,747
Performance share units ⁴	608,197

1. Each share purchase option is exercisable into one common share of the Company.
2. Each restricted share unit is redeemable for one common share of the Company.
3. The balance includes both Restricted Share Units ("RSUs") and Employee Restricted Share Units ("ERSUs") issued under the Restricted Share Unit Plan ("RSU Plan") and the Employee Share Unit ("ESU Plan"), respectively.

4. *The number of performance share units that vest is determined by multiplying the number of units granted to the participant by an adjustment factor, which ranges from 0 to 2.0. Therefore, the number of units that will vest and be settled may be higher or lower than the number of units originally granted to a participant. The adjustment factor is based on the Company's total shareholder return relative to a group of comparable companies over the applicable period. Under the terms of the plan, the Board of Directors is authorized to determine the adjustment factor.*

NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Company has presented certain non-IFRS measures in this document. The Company believes that these measures, while not a substitute for measures of performance prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

Total cash costs

Total cash costs is a common financial performance measure in the gold mining industry; however, it has no standard meaning under IFRS. The Company reports total cash costs on a per ounce sold basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as costs of sales, certain investors use this information to evaluate the Company's performance and ability to generate operating income and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating costs. Total cash costs are calculated in accordance with the standard developed by the Gold Institute. Adoption of the standard is voluntary and other companies may quantify this measure differently as a result of different underlying principles and policies applied.

All-In Sustaining Costs

AISC is a common financial performance measure in the gold mining industry; however, it has no standard meaning under IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as cost of sales and cash flows from operations, certain investors use this information to evaluate the Company's operating performance and its ability to generate free cash flow from current operations. Management uses this metric as an important tool to monitor operating and capital costs.

Torex reports AISC in accordance with the guidance issued by the World Gold Council ("WGC"). The WGC definition of AISC seeks to extend the definition of total cash costs by adding corporate general and administrative costs, reclamation and remediation costs (including accretion and amortization), exploration and study costs (capitalized and expensed), capitalized stripping costs, sustaining capital expenditures and sustaining leases and represents the total costs of producing gold from current operations. AISC excludes income tax payments, interest costs, costs related to business acquisitions and certain items needed to normalize earnings. Consequently, these measures are not representative of all of the Company's cash expenditures. In addition, the calculation of AISC does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability. Other companies may quantify these measures differently because of different underlying principles and policies applied. Differences may also occur due to different definitions of sustaining versus non-sustaining capital. In November 2018, the WGC updated its guidance for all-in-sustaining costs. The Company adopted the updated guidance beginning January 1, 2019.

Reconciliation of Total Cash Costs and All-in Sustaining Costs to Cost of Sales

Table 7.

		Three Months Ended		Year Ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Gold sold	oz	126,910	104,169	449,337	347,640
Total cash costs per ounce sold					
Production costs and royalties ¹	\$	80.3	67.4	286.6	229.3
Less: Silver sales	\$	(0.5)	(1.0)	(2.7)	(3.0)
Less: Copper sales	\$	(1.5)	(1.1)	(5.6)	(1.6)
Total cash costs	\$	78.3	65.3	278.3	224.7
Total cash costs per ounce sold	\$/oz	617	627	619	646
All-in sustaining costs per ounce sold					
Total cash costs	\$	78.3	65.3	278.3	224.7
General and administrative costs ²	\$	5.0	4.9	19.7	21.0
Reclamation and remediation costs	\$	0.8	0.5	3.0	1.9
Sustaining exploration costs	\$	1.1	0.3	2.9	1.3
Sustaining capital expenditure ³	\$	12.2	25.5	58.0	86.1
Total all-in sustaining costs	\$	97.4	96.5	361.9	335.0
Total all-in sustaining costs per ounce sold	\$/oz	767	926	805	964

1. Included within production costs and royalties is the cash component of an inventory impairment charge for long-term, low-grade stockpiles planned for processing at the end of the Company's life of mine of \$3.4 million, or \$27/oz, and \$12.8 million, or \$28/oz for the three and twelve months ended December 31, 2019, respectively. Included within production costs and royalties is the cash component of an inventory impairment charge for stockpile ore inventory of \$0.8 million, or \$6/oz, and \$0.8 million, or \$2/oz for the three and twelve months ended December 31, 2019.
2. This amount excludes the corporate depreciation and amortization expenses recorded within general and administrative costs. Included in general and administrative costs are share-based compensation expense in the amount of \$1.4 million, or \$11/oz, and \$5.3 million, or \$12/oz for the three and twelve months ended December 31, 2019, respectively.
3. Based on additions to property, plant and equipment per the Statement of Cash Flows for the three and twelve months ended December 31, 2019 of \$21.1 million and \$106.9 million, respectively. Before changes in net working capital, capital expenditures for the three and twelve months ended December 31, 2019 totalled \$23.1 million and \$100.5 million, respectively. Sustaining capital expenditures of \$12.2 million in the three months ended December 31, 2019 are related to \$6.3 million for the cash component of capitalized stripping activities, and \$5.9 million for sustaining equipment and infrastructure expenditures. Sustaining capital expenditures of \$58.0 million in the twelve months ended December 31, 2019 are related to \$37.9 million for the cash component of capitalized stripping activities, and \$20.1 million for sustaining equipment and infrastructure expenditures. Non-sustaining capital expenditures of \$10.9 million and \$42.5 million in the three and twelve months ended December 31, 2019 relating to Muckahi, El Limón Deep, the Sub-Sill, and the Media Luna Project, have been excluded from AISC.

Average Realized Price and Average Realized Margin

Average realized price and average realized margin per ounce of gold sold are non-IFRS financial measures that do not have a standard meaning under IFRS. Management and certain investors use these measures to better understand the gold price and margin realized throughout a period.

Average realized price is quantified as revenue per the Statement of Operations and Comprehensive Income less silver and copper sales. Average realized margin reflects average realized price per ounce of gold sold less total cash costs per ounce of gold sold.

The average realized price for the fourth quarter of 2019 was \$1,481 per oz of gold sold compared to \$1,235 per oz of gold sold for the fourth quarter of 2018. The average realized price for the year ended December 31, 2019 was \$1,408 compared to \$1,261 in the year ended December 31, 2018. The increase is a result of higher average spot prices in 2019 compared to 2018.

The average realized margin for the fourth quarter of 2019 was \$864 per oz of gold sold compared to \$608 per oz of gold sold for the fourth quarter of 2018. The average realized margin for the year ended December 31, 2019 was \$789 compared to \$615 for the year ended December 31, 2018. The increase primarily reflects lower total cash costs and higher average spot prices.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

Table 8.

		Three Months Ended		Year Ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Gold sold	oz	126,910	104,169	449,337	347,640
Revenue	\$	190.0	130.7	640.8	442.9
Less: Silver sales	\$	(0.5)	(1.0)	(2.7)	(3.0)
Less: Copper sales	\$	(1.5)	(1.1)	(5.6)	(1.6)
Total proceeds	\$	188.0	128.6	632.5	438.3
Total average realized price per ounce	\$/oz	1,481	1,235	1,408	1,261
Less: Total cash costs per ounce	\$/oz	617	627	619	646
Total average realized margin per ounce	\$/oz	864	608	789	615

Adjusted Net Earnings

Adjusted net earnings and adjusted net earnings per share (basic and diluted) are non-IFRS financial measures with no standard meaning under IFRS. Management and certain investors use these metrics to measure the underlying operating performance of the Company. Presenting these measures from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods.

Adjusted net earnings is defined as net earnings adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as: the impact of unrealized foreign exchange gains and losses, non-cash unrealized gains and losses on derivative contracts, impairment provisions, and the tax effect of currency translation on tax base, net of tax.

Adjusted net earnings per share amounts are calculated using the weighted average number of shares outstanding on a basic and diluted basis as determined under IFRS.

Adjusted net earnings for the fourth quarter of 2019 were \$34.0 million, compared to the adjusted net earnings of \$13.9 million for the fourth quarter of 2018. Adjusted net earnings for 2019 were 67.8 million, compared to \$19.7 million for 2018. In both cases, the increase in adjusted net earnings is largely due to a higher net income, partly offset by a higher tax effect of currency translation on tax base.

Reconciliation of Adjusted Net Earnings to Net Income

Table 9.

		Three Months Ended		Year Ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Basic weighted average shares outstanding	shares	85,388,310	84,915,976	85,262,388	84,365,072
Diluted weighted average shares outstanding	shares	86,057,998	85,275,388	85,785,991	84,519,275
Net income	\$	35.1	1.4	71.2	23.2
Adjustments, after-tax:					
Unrealized foreign exchange (gain) loss	\$	(0.5)	1.3	(1.8)	(1.9)
Unrealized loss (gain) on derivative contracts	\$	1.4	0.1	2.4	(1.9)
Impairment provisions ¹	\$	12.1	-	12.1	-
Modification of debt	\$	(1.0)	-	(2.8)	-
Tax effect of adjustments	\$	(3.6)	(0.5)	(3.0)	1.1
Tax effect of currency translation on tax base	\$	(9.5)	11.6	(10.3)	(0.8)
Adjusted net earnings	\$	34.0	13.9	67.8	19.7
Per share - Basic	\$/share	0.40	0.16	0.80	0.23
Per share - Diluted	\$/share	0.40	0.16	0.79	0.23

1. Included in impairment provisions in the fourth quarter of 2019 is \$10.1 million related to a write-down of the ore stockpiles (non long term, low grade stockpile) to net realizable value and a provision of \$2.0 million related to VAT receivables that are no longer deemed collectible.

Earnings before Interest, Taxes, Depreciation and Amortization "EBITDA" and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-IFRS measures with no standard meaning under IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use these measures to evaluate the operating performance of the Company. Presenting these measures from period to period helps identify and evaluate earnings trends more readily in comparison with results from prior periods.

EBITDA is defined as net income adjusted to exclude depreciation and amortization, net finance costs (income) and income tax expense (recovery). Adjusted EBITDA is defined as EBITDA adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as the impact of unrealized foreign exchange gains and losses, non-cash unrealized gains and losses on derivative contracts, and impairment provisions.

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

Table 10.

	Three Months Ended					Year Ended	
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
<i>In millions of U.S. dollars, unless otherwise noted</i>							
Net income	\$ 35.1	27.4	10.0	(1.3)	1.4	71.2	23.2
Finance costs, net	\$ 1.9	3.8	6.2	6.4	6.5	18.3	19.6
Depreciation and amortization ¹	\$ 68.9	53.7	45.5	25.9	29.2	194.0	105.7
Current income tax expense	\$ 24.1	32.8	5.5	2.1	4.0	64.5	12.8
Deferred income tax (recovery) expense	\$ (27.8)	(1.1)	7.1	4.1	15.0	(17.7)	24.4
EBITDA	\$ 102.2	116.6	74.3	37.2	56.1	330.3	185.7
Adjustments:							
Unrealized foreign exchange (gain) loss	\$ (0.5)	(1.2)	1.2	(1.3)	1.3	(1.8)	(1.9)
Unrealized loss (gain) on derivative contracts	\$ 1.4	(0.3)	1.0	0.3	0.1	2.4	(1.9)
Impairment provisions ²	\$ 2.0	-	-	-	-	2.0	-
Adjusted EBITDA	\$ 105.1	115.1	76.5	36.2	57.5	332.9	181.9

1. Includes depreciation and amortization included in cost of sales, general and administrative, and exploration and evaluation expenses.
2. Included in impairment provisions for the fourth quarter of 2019 is \$0.8 million related to the write-down of ore stockpiles to net realizable value and a provision of \$1.2 million related to VAT receivables that are no longer deemed collectible. Both amounts of which are recorded in production costs.

Free cash flow

Free cash flow is a non-IFRS measure with no standardized meaning under IFRS. The Company defines free cash flow as free cash flow before non-sustaining capital expenditures less cash outlays for non-sustaining capital expenditures. Free cash flow before non-sustaining capital expenditures is defined as net cash generated from operating activities less cash outlays for sustaining capital expenditure and interest payments. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's operating performance and its ability to fund operating and capital expenditures without reliance on additional borrowing.

Table 11.

	Three Months Ended					Year Ended	
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
<i>In millions of U.S. dollars, unless otherwise noted</i>							
Net cash generated from operating activities	\$ 97.9	122.5	48.6	32.3	59.3	301.3	226.8
Less:							
Sustaining capital expenditures	\$ (12.2)	(8.9)	(11.8)	(25.1)	(25.5)	(58.0)	(86.1)
Interest paid	\$ (3.2)	(4.8)	(5.8)	(5.8)	(5.6)	(19.6)	(24.4)
Free cash flow before non-sustaining capital expenditures	\$ 82.5	108.8	31.0	1.4	28.2	223.7	116.3
Less:							
Non-sustaining capital expenditures	\$ (10.9)	(12.4)	(10.4)	(8.8)	(9.4)	(42.5)	(30.4)
Free cash flow	\$ 71.6	96.4	20.6	(7.4)	18.8	181.2	85.9

Net debt

Net debt is a non-IFRS measure with no standardized meaning under IFRS. Net debt is defined as total debt adjusted for unamortized deferred financing charges less cash and cash equivalents at the end of the period. These measures are used by management, and may be used by certain investors, to measure the Company's debt leverage.

Net debt at December 31, 2019 was \$21.7 million, compared to \$220.3 million at December 31, 2018. The significant decrease is largely due to principal repayments of \$164.4 million in 2019 as well as cash flow generated from operating activities in 2019.

Table 12.

	Dec 31, 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019	Dec 31, 2018
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Debt	\$ 174.9	255.7	298.2	318.3	333.5
Add: Deferred financing charges	\$ 8.6	9.5	6.5	7.7	9.0
Less: Cash and cash equivalents	\$ (161.8)	(168.0)	(83.5)	(91.6)	(122.2)
Net Debt	\$ 21.7	97.2	221.2	234.4	220.3

ADDITIONAL IFRS FINANCIAL MEASURES

The Company has included the additional IFRS measures "Earnings from mine operations" and "Cash generated from operating activities before change in non-cash working capital balances" in its financial statements.

"Earnings from mine operations" provides useful information to management and investors as an indication of the Company's principal business activities before consideration of how those activities are financed, and expended in respect of sustaining capital expenditures, corporate general and administrative expenses, exploration and evaluation expenses, foreign exchange gains, derivative gains and losses, finance costs and income, and taxation.

"Cash generated from operating activities before change in non-cash working capital balances" provides useful information to management and investors as an indication of the cash flows from operations before consideration of the impact of changes in working capital balances in the period.

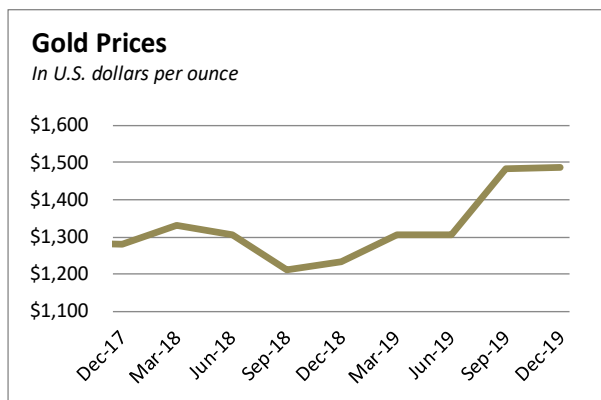
ECONOMIC TRENDS

The Company's results from operations, financial condition, and cash flows are affected by various business conditions and economic trends that are beyond the Company's control. The market price for gold and foreign currency exchange rates are the most significant external factors that affect the Company's financial performance.

Table 13.

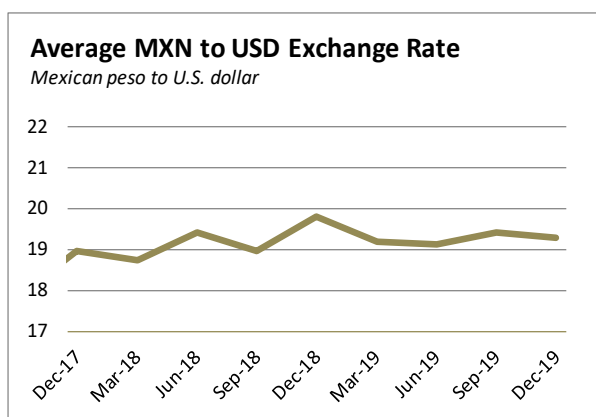
		Three Months Ended December 31,		Year Ended December 31,	
		2019	2018	2019	2018
Average market spot prices					
Gold	\$/oz	1,488	1,233	1,395	1,269
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : \$	19.3	19.8	19.3	19.2
Canadian dollar : U.S. dollar	C\$: \$	1.32	1.32	1.33	1.30

Metal prices



The Company's profitability and operating cash flows are significantly impacted by the price of gold. The market price of gold continued to exhibit volatility during the twelve months ended December 31, 2019, and averaged \$1,395 per oz of gold, up 10% over the average price for the twelve months ended December 31, 2018. Since the beginning of the year, gold prices increased 19%.

Foreign exchange rates



The functional currency of the Company and its subsidiaries is the U.S. dollar and it is therefore exposed to financial risk related to foreign exchange rates. In particular, approximately 47% of the Company's costs for twelve months ended December 31, 2019 were incurred in Mexican pesos. Although the Company had previously entered into Mexican Peso contracts ("Peso Contracts") to fix a portion of its Mexican peso-denominated costs and operating expenditures, the remaining Peso Contracts were settled in the first quarter of 2019 and the Company does not intend to enter into new Peso Contracts. Changes in exchange rates are expected to have an impact on the Company's results. In addition, the Company is exposed to foreign exchange risk on its non-U.S. dollar denominated monetary assets and liabilities. The average exchange rate of the Mexican peso relative to the U.S. dollar was 19.3 and 19.2 pesos during the years ended December 31, 2019 and 2018, representing a depreciation of less than 1% in the Mexican peso.

SUMMARY OF ANNUAL INFORMATION

Selected Annual Information

Table 14.

In millions, except per share amounts of U.S. dollars	December 31, 2019	December 31, 2018	December 31, 2017
Revenues	\$ 640.8	\$ 442.9	\$ 314.9
Net income (loss)	71.2	23.2	(12.6)
Income (loss) per share - basic	0.84	0.27	(0.16)
Income (loss) per share - diluted	0.83	0.27	(0.16)
Total assets	1,229.6	1,271.4	1,168.1
Long-term liabilities	152.2	317.3	370.1
Dividends	\$ -	\$ -	\$ -

The consolidated annual financial statements for each of the three years' most recently completed financial years were prepared in accordance with IFRS. The presentation currency and functional currency are U.S. dollars. The Company adopted IFRS 16, Leases in the annual period beginning January 1, 2019. The Company elected to apply IFRS 16 using a modified retrospective approach and therefore, comparative amounts were not restated. The impact of the adoption of the new standard was not material to the Company's consolidated financial statements.

Revenue for the year ended December 31, 2019 represents a full year of operations. Revenue for the year ended December 31, 2018 represents approximately eleven and a half months of operations, including approximately three months of partial operations during the Blockade, and revenue for the year ended December 31, 2017 represents approximately ten months of operations due to the Blockade which commenced in November 2017 and lifted January 16, 2018. Revenue increased year-over-year due to higher gold ounces sold and higher gold prices.

In 2019, despite the increase in cash flow from operating activities due to more ounces sold, total assets decreased due to higher depreciation and amortization on property, plant and equipment. In 2018, total assets increased due to the Offering and higher operating cash flow from operating activities from 2017.

Long-term liabilities decreased year over year due to schedule repayments and voluntary prepayments made on the Company's debt facilities, finance leases and equipment loan.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

Table 15.

In millions of U.S. dollars, unless otherwise noted	2019				2018			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Financial Results								
Revenue	\$ 190.0	198.2	150.7	101.9	130.7	126.4	101.8	84.0
Net income (loss)	\$ 35.1	27.4	10.0	(1.3)	1.4	23.9	(12.3)	10.2
Per share - Basic	\$/share 0.41	0.32	0.12	(0.02)	0.02	0.28	(0.14)	0.12
Per share - Diluted	\$/share 0.41	0.32	0.12	(0.02)	0.02	0.28	(0.14)	0.12

For each of the eight most recent completed quarters, the financial data was prepared in accordance with IFRS. The presentation and functional currency is in U.S. dollars. The quarterly results are unaudited. Sum of all the quarters may not add up to annual or year to date totals due to rounding. The Company adopted IFRS 16, Leases in the annual period beginning January 1, 2019. The Company elected to apply IFRS 16 using a modified retrospective approach and therefore, comparative amounts were not restated. The impact of the adoption of the new standard was not material to the Company's consolidated financial statements.

Net income (loss) has fluctuated based on, among other factors, the quantity and grade of ore mined and processed, gold prices, foreign exchange rates, current and deferred income tax expenses, interest income on VAT receivables, cost of reagents consumed, impairment provisions, and the Blockade. Gold prices affect the Company's realized sales prices of its gold production. Fluctuations in the value of the Mexican peso and Canadian dollar relative to the U.S. dollar affect the Company's operating and corporate expenses, income taxes, and the value of non-U.S. dollar denominated monetary assets and liabilities such as cash, amounts receivable, accounts payable and debt. Changes in the value of the Mexican peso also impact the tax basis of non-monetary assets and liabilities considered in the Company's deferred tax liability.

TRANSACTIONS WITH RELATED PARTIES

In June 2018, Fred Stanford, the Company's President and Chief Executive Officer ("CEO") sold, assigned and transferred to the Company (the "Assignment"), with the exception of trademarks, his entire right, title and interest in a proprietary mining system (the "Mining System" which is sometimes referred to as "Muckahi") for use in underground mines for nominal consideration. The transaction was accounted for at the exchange amount based on the consideration. All subsequent improvements to this system will be owned by the Company. The Company has granted an irrevocable license (the "License" and together with the Assignment, the "IP Agreements"), in any intellectual property associated with the Mining System, including any improvements, to Muckahi Inc., an entity controlled by Fred Stanford, the Company's CEO. During Fred Stanford's tenure as CEO, Muckahi Inc. will not be permitted to make use of the License. The Mining System is currently in the development stage, and if determined viable, the Company may use the system

in current or future underground mining operations or for commercial purposes. The board of directors of the Company (the “Board”) appointed a committee of independent directors (the “Independent Committee”) to negotiate the terms of the IP Agreements and make a recommendation to the Board thereon. The Board approved the IP Agreements, taking into consideration, among other matters, the Independent Committee’s determination that the terms of the IP Agreements are fair, reasonable and in the best interests of the Company and their recommendation to approve the IP Agreements. In August 2018, the Company and Muckahi Inc. entered into an agreement that grants to the Company the right to use the name “Muckahi” on a royalty-free basis. The term of the agreement is perpetual, however, Muckahi Inc. may terminate the agreement at any time by giving the Company 60 days prior notice.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to Note 4 in the Company’s audited consolidated financial statements for the year ended December 31, 2019.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 3 in the Company’s audited consolidated financial statements for the year ended December 31, 2019.

FINANCIAL RISK MANAGEMENT

The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include liquidity risk, foreign currency risk, commodity price risk and interest rate risk, and are detailed in Note 16 of the Company’s audited consolidated financial statements for the years ended December 31, 2019 and 2018.

Liquidity risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2019, the Company had cash balances of \$161.8 million (December 31, 2018 – cash balance of \$122.2 million, excluding restricted cash of \$26.8 million). The Company maintains its cash in fully liquid business accounts. At December 31, 2019, the cash balance held by MML was \$101.4 million (December 31, 2018 - \$87.4 million).

As at December 31, 2019, the amount outstanding under the Debt Facility, excluding unamortized deferred financing fees, totalled \$180.0 million. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Foreign Currency Risk

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada and Mexico and has foreign currency exposure to non-U.S dollar denominated transactions. The Company expects a significant amount of exploration, capital development, operating and decommissioning expenditures associated with the Morelos Gold Property to be paid in Mexican pesos and U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar and Mexican peso compared to the U.S. dollar is expected to influence the Company’s results of operations in the future periods. The remaining Peso Contracts used to hedge the Company’s risk against the Mexican peso matured prior in the first quarter of 2019.

As at December 31, 2019, based on ending spot rates compared to the year ended December 31, 2018, the Mexican peso appreciated by 4.6%. This led to a decrease in the U.S. dollar equivalent tax value of the Company’s property, plant and equipment, which for tax purposes is denominated in Mexican pesos. This decrease in value for tax purposes,

without a change in the value of the property, plant and equipment for IFRS purposes (as it is denominated in U.S. dollars) increased the temporary difference between the values. The difference in these values at December 31, 2019, multiplied by the applicable Mexican tax rate, derives an associated deferred tax liability. This value was lower than the equivalent deferred tax liability value calculated for the prior year. The difference in these liabilities resulted in a deferred tax recovery for the year.

Commodity Price Risk

Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. In the third quarter of 2019, the Company entered into zero-cost collar hedges to deliver 8,000 oz of gold per month over a 12-month period commencing in September 2019. During the fourth quarter of 2019, the Company entered into additional contracts on similar terms extending to December 31, 2020. The floor price of the monthly gold collars has been set at \$1,400 per oz with the ceiling price of the collars ranging from \$1,666 per oz to \$1,768 per oz.

As at December 31, 2019, a 10% change in the gold price would result in a decrease or increase of \$0.1 million (using the spot rate as at December 31, 2019 of \$1,523) in the Company's net income for the year relating to the zero-cost collar hedges.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument or its fair value will fluctuate because of changes in market interest rates. The Debt Facility bears interest at a rate of LIBOR +3%.

In the first quarter of 2019, the Company entered into interest rate swap contracts for a fixed LIBOR of 2.492% on interest payments related to \$150.0 million of the Debt Facility to hedge against unfavourable changes in interest rates. As at December 31, 2019, a 100 basis points change in the LIBOR would result in a decrease or increase of \$0.5 million (using the LIBOR rate as at December 31, 2019 of 1.81%) in the Company's net income for the year relating to the interest rate swap contracts.

RISKS AND UNCERTAINTIES

There are various claims and litigation, with which the Company is involved. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty. For a comprehensive discussion of litigation risk and other risks faced by the Company, which may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by forward-looking information or forward-looking statements, please refer to the Company's latest Annual Information Form ("AIF"), filed on www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control framework was designed based on the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on a review of the internal controls over financial reporting at December 31, 2019 conducted by the President and Chief Executive Officer and Chief Financial Officer, the Company's internal controls and procedures are appropriately designed and operating effectively to provide reasonable assurance that the financial information is recorded, processed, summarized and reported in a timely manner.

There was no change in the Company's internal controls over financial reporting that occurred during the fourth quarter of 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design and operating effectiveness of the disclosure controls and procedures, that as of December 31, 2019, the Company's disclosure controls and procedures have been designed and operate effectively to provide reasonable assurance that material information is made known to them by others within the Company.

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

QUALIFIED PERSONS

Scientific and technical information contained in this MD&A has been reviewed and approved by Clifford Lafleur, P.Eng., Director, Resource Management and Mine Engineering of Torex Gold Resources Inc. and a Qualified Person under NI 43-101.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's most recent annual information form, is available under the Company's profile on SEDAR at www.sedar.com, and is available upon request from the Company.

CAUTIONARY NOTES

Preliminary Economic Assessment

A preliminary economic assessment should not be considered a prefeasibility study or feasibility study, as the economics and technical viability of the Media Luna Project have not been demonstrated at this time. The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. It cannot be assumed that all or any part of the inferred mineral resources will ever be upgraded to a higher category. Furthermore, there is no certainty that the conclusions or results as reported in the Media Luna PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Media Luna PEA includes information on Muckahi. It is important to note that Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the system are conceptual, and proof of concept has not been demonstrated. Drill and blast fundamentals, standards and best practices for underground hard rock mining are applied in the Muckahi, where applicable. The proposed application of a monorail system for underground transportation for mine development and production mining is unique to underground hard rock mining. There are existing underground hard rock mines that use a monorail system for transportation of materials and equipment, however not in the capacity described in the Technical Report. Aspects of Muckahi mining equipment are currently in the design stage. The mine design, equipment performance and cost estimations are conceptual in nature, and do not

demonstrate technical or economic viability. The Company has completed the development and the first phase of testing the concept for the mine development and production activities and will move to optimization in 2020 to further verify the viability of Muckahi.

The ability to develop and test Muckahi is dependent on available funding from Torex's resources including distributions from MML. The SARCA places restrictions on the amount that Torex may spend on Muckahi from distributions from MML. There is no assurance that the Company will be able to complete the development and testing of Muckahi as planned.

Forward-Looking Statements

This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future exploration, development and exploitation plans concerning the Morelos Gold Property; the adequacy of the Company's financial resources; the Company's business plans and strategy, including without limitation, the strategy to grow production from high quality conventional mining assets, or those with the potential to achieve high value through the deployment of Muckahi, if proven, and other events or conditions that may occur in the future; the results set out in the Technical Report including the PEA including with respect to mineral resource and mineral reserve estimates, the ability to exploit estimated mineral reserves, the Company's expectation that the ELG Mine Complex will be profitable with positive economics from mining, expected recoveries, grades, annual production, receipt of all necessary approvals and permits, the parameters and assumptions underlying the mineral resource and mineral reserve estimates and the financial analysis, and expected gold prices; the expectation that the Company will be able to generate sufficient cash flow to satisfy the financial covenants under the Debt Facility and service its indebtedness on a timely basis; the expected successful completion of the ramp-up of the processing plant and achieving a steady state throughput rate of 13,000 tpd; near term growth opportunities in both the Sub-Sill and El Limón Deep zone and mid-term growth potential of Media Luna; plans to seek opportunities to acquire assets in the Americas that enable profitable and effective geographic diversification; achieving guidance and other objectives for 2020; expected metal recoveries; expected gold production, total cash costs per ounce of gold sold, AISC per ounce of gold sold and revenues from operations, and capital costs; goals of the Muckahi test program to successfully demonstrate the ability to load a conveyor on a 30-degree ramp and convey up that ramp, demonstrate the functionality of the tramming conveyor, demonstrate the ability to achieve the required fragmentation across multiple long hole open stopes, and demonstrate ability to remove muck completely with a slusher across multiple long hole open stopes; expectation the second stope to test Muckahi will further validate the fragmentation results of the blasting and the mucking rates of the slusher; expected timing of installing the 30-degree conveyor and the delivery of the tramming conveyor; the ability to mine and process estimated mineral reserves; expectation that depreciation in 2020 will range between \$250 to \$300 million reflecting in part an increase in depreciation of previously capitalized deferred stripping; the expectation for 2020 that the diesel credit in Mexico will no longer be available and the effective tax rate for the Company will be 45% to 50%; plans to continue with gold hedging arrangements beyond the current 12-month hedge; expected recovery and timing of receipt of value-added tax; further advances of funds if required, pursuant to the Debt Facility (which is subject to certain customary conditions precedent); continued unimpeded operations; expectation that the Debt Facility will provide greater flexibility and permit the development of Media Luna, the Muckahi mining system and other existing and future projects of the Company; plans to continue testing the Muckahi mining system, including without limitation, the testing of the tramming conveyor, fragmentation and mucking with a slusher; expected continued mining of the ELD using Muckahi; expectation of achieving goal of demonstrating the effectiveness of the Muckahi mining system; plan to advance the Media Luna Project from early stage development to production; plans to complete the infill drilling programs on Media Luna and related budgets; expectation that the infill drill program in 2020 at Media Luna will upgrade a greater proportion of mineral resources to indicated confidence category and in time to incorporate into the feasibility study; expectation that additional infill drill programs will be completed at Media Luna and that the programs will be successful in upgrading inferred tonnes to indicated confidence category; plans to complete key trade off studies; plans to complete early field survey and technical study work in support of the permitting and approval process for Media Luna; plans to start the tunnel from the ELG to Media Luna in Q3 2020 and expectation that this early start to

the tunnel will de-risk this component of the development schedule; expectation that the Company will be able to secure required permits in order to commence commercial production; plan and timeline to complete a feasibility study and subject to the outcome of the feasibility study, among other things, projected timeline for commencement of production; plans to fund expenditures to construct Media Luna from cash flows from the ELG Open Pits and ELG Underground; the estimate of Media Luna's precommercial expenditures, net of precommercial revenues; plans to diversify the Company's single asset risk; the focus of exploration programs on advancing known mineralization and mineral resources to production, and remediation plans and estimated associated costs; status of the patent application for Muckahi as patent pending; and plans to advance known mineralization and resources to production, including, infill drilling programs on Sub-Sill and El Limon Deep to with a purpose of upgrading resource confidence class. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," "believes" or "potential" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "occur," or "be achieved." Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the ramp-up of the processing plant to steady state production of 13,000 tpd; predictability of the grade; ability to achieve design gold recovery levels; fluctuation in gold and other metal prices; commodity price risk; currency exchange rate fluctuations; capital and operational cost estimates; satisfying financial covenants under the Debt Facility; illegal blockades; dependence on good relationships with employees and contractors and labour unions; dependence on key executives and employees; limited operating history; generating positive cash flow; the ability of the Company to secure additional financing if required; the safety and security of the Company properties; servicing of the indebtedness of the Company; the ability to secure necessary permits and licenses, title to the land on which the Company operates, including surface and access rights; foreign operations and political and country risk; the uncertainty of diversifying the Company's single asset risk; government policies and practices in respect of the administration of recovery of VAT funds and recovery of VAT funds; exploration, development, exploitation and the mining industry generally; environmental risks and hazards; decommissioning and reclamation costs; parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect; actual results of current exploration, development and exploitation activities not being consistent with expectation; risks associated with skarn deposits; potential litigation; hiring the required personnel and maintaining personnel relations; future commodity prices; infrastructure; single property focus; use and reliance of experts outside Canada; competition; hedging contracts; interest rate risk; price and volatility of public stock; conflicts of interest of certain personnel; credit and liquidity risk; compliance with anti-corruption laws; enforcement of legal rights; accounting policies and internal controls as well as those risk factors included herein and elsewhere in the Company's public disclosure.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A and in the Company's annual information form ("AIF") and Technical Report, assumptions have been made regarding, among other things: the Company's ability to carry on its exploration, development and exploitation activities planned for the Morelos Gold Property; the continued ramp-up to steady state production of 13,000 tpd; grade as predicted in the reserve model; ability to achieve design gold recovery levels; timely access to the high grade material; the benefit expected from the operation of the SART plant; ability to successfully manage the soluble iron in the mill feed; the price of gold; sufficient cash flow to satisfy its financial covenants under the Debt Facility and service its indebtedness; the ability of the Company to satisfy other covenants under the Debt Facility; the ability of the Company to access the ELG Mine Complex and the Media Luna Project without disruption; the ability of the Company to obtain qualified personnel, equipment, goods, consumables and services in a timely and cost-efficient manner; the

timing and receipt of any required approvals and permits; the equivalency of the Muckahi mining systems under applicable regulations; the ability of the Company to operate in a safe, efficient and effective manner; the ability of the Company to fund the development and testing of Muckahi; the ability of the Company to obtain additional financing on acceptable terms if required; the ability to conclude the land access agreements for the additional target areas on the Morelos Property, if needed; the accuracy of the Company's mineral resource and mineral reserve estimates, annual production, the financial analysis contained in the Technical Report including the PEA, and geological, operational and price assumptions on which these are based, and the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

February 18, 2020