Torex Gold
RESOURCES INC.

Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2013

TSX: TXG

TOREX GOLD RESOURCES INC.
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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 August 7, 2013 and is intended to supplement and complement the Company's unaudited interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2013. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in the following MD&A are stated in Canadian dollars unless otherwise stated. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements and management's discussion and analysis for the fourteen months ended December 31, 2012 and the Company's Annual Information Form for the fourteen month period ended December 31, 2012 available on SEDAR at www.sedar.com. Additional information, including other Company's filings, can also be viewed on SEDAR at www.sedar.com. For further details regarding the El Limón and Guajes Project (as defined herein) and the Morelos Gold Property (the "Morelos Gold Property"), please refer to the feasibility study dated effective September 4, 2012 and entitled "Morelos Gold Project 43-101 Technical Report Feasibility Study, Guerrero, Mexico" (the "Feasibility Study") available on SEDAR at www.sedar.com.

In October 2012, the Company announced its intention to change its fiscal year from October 31 to December 31, effective as of December 31, 2012. Accordingly, for the 2012 fiscal period, the Company reported its audited consolidated financial statements for the fourteen month period ended December 31, 2012, compared with the twelve month period ended October 31, 2011.

SECOND QUARTER 2013 REPORT HIGHLIGHTS

Advancement of the El Limón and Guajes Project

- The Company has received final acceptance of the Environmental Impact Assessment ("MIA") and The Change of Land Use ("ETJ") permits for its El Limón and Guajes Project;
- The environmental management programs and plans have been submitted and, pending their approval, construction of the processing plant and mine will commence;
- Engineering for the process plant and procurement of long lead time equipment continues to progress as per the Feasibility Study schedule. To date, costs and delivery times for those items are in line with the estimates contained in the Feasibility Study;
- Mine site environmental rescue works, including counting and marking flora and fauna to be relocated from the site, have been completed for the first mining stage (dozer trails);
- A collective bargaining agreement ("CBA") for the construction stage has been signed with a national union;
- A new general manager for the El Limón and Guajes Project has been hired;
- Acquisition of the land needed for the relocation of the villages has been completed;
- Construction of the east service road continued with widening and upgrading portions of the existing roads that will be incorporated into the east service road.

Continued evaluation of the Media Luna Project

- The maiden inferred resource estimate is expected to be completed by early in the fourth quarter of 2013 instead of the first quarter of 2014, as previously reported; and
- During the quarter the Company continued to intersect high-grade gold mineralization over significant thickness at the Media Luna Project (as defined herein).

COMPANY OVERVIEW AND STRATEGY

The Company is a Canadian-based resource company engaged in the exploration and development of the Morelos Gold Property. The Company's principal assets are the El Limón and Guajes mineral deposits (the "El Limón and Guajes Project") and the Media Luna prospecting area (the "Media Luna Project") that form parts of its 100% owned Morelos Gold Property, which it acquired during the fiscal year ended October 31, 2010. The Morelos Gold Property includes a large land package of approximately 29,000 hectares.

The Company's strategy is to significantly add ounces to the mineral resources and mineral reserves of the Morelos Gold Property, while building the mine at the El Limón and Guajes Project and transitioning the Company into a mid-tier gold producer in the near term. The Company is well-funded to carry out its current proposed exploration, mine development and planned corporate activities for 2013.

Objectives for 2013

1. **Develop the El Limón and Guajes Project by:**
   - obtaining the required permits and licenses to enable construction and mining;
   - establishing the strategy for the remainder of financing required for construction of the project;
   - beginning construction activities, including the development of the mine access roads and east service road;
   - initiating site preparation for the process plant and other ancillary facilities including the camp and water well field;
   - ordering long-lead time equipment;
   - obtaining the required relocation permits to allow village construction to begin; and
   - commencing relocation construction activities.

2. **Expand and upgrade the Morelos Gold Property's resource base by:**
   - completing a 100,000 metre resource drill program, in preparation for the release in the first quarter of 2014, of an inferred mineral resource estimate for a portion of the Media Luna Project; and
   - completing the engineering required for underground access and drill stations for an underground measured and indicated drill program to start in 2014 at the Media Luna Project.

3. **Evaluate the Media Luna Project, beyond the resource estimate area, by:**
   - drill testing the strike length of the Media Luna and Media Luna West targets;
   - drill testing the magnetic anomaly at the Todos Santos target; and
   - drill testing one of the less intense magnetic anomalies to the west of the Media Luna target.

4. **Prepare for 2014 exploration activities by:**
   - completing the fieldwork necessary to shift from an inferred resource drill program to a greenfield exploration program in 2014, to better understand the other magnetic and structural anomalies within the Morelos Gold Property.

OVERVIEW OF THE SECOND QUARTER 2013 FINANCIAL RESULTS

The net loss for the three and six months ended June 30, 2013 decreased to $9.0 million and $27.2 million respectively, compared with a net loss of $15.1 million for the three months ended July 31, 2012 and $30.6 million for six months ended July 31, 2012. Exploration and evaluation expenditures totalled $17.4 million and $30.9 million during the three and six months ended June 30, 2013, respectively, compared to $13.2 million and $26.3 million for the three and six months ended July 31, 2012. The Company's cash position decreased by $68.1 million during the first six months of 2013 compared with a decrease of $22.5 million for the six months ended July 31, 2012. At June 30, 2013, the Company had $619.2 million in assets, including $333.0 million of cash, and had a working capital balance of $330.0 million compared with $626.4 million in assets, including $401.1 million of cash, and a working capital balance of $400.4 million as at December 31, 2012. Total expenditures incurred on the development of El Limón and Guajes Project to the end of June 30, 2013 amounted to $43.8 million.

For the discussion of trends which may impact the Company, please see "Economic Trends and Liquidity and Capital Resources Outlook" below.

MORELOS GOLD PROPERTY

Overview

The Morelos Gold Property is located in the Guerrero Gold Belt in southern Mexico, 180 kilometres to the southwest of Mexico City and approximately 50 kilometres southwest of Iguala. The Guerrero Gold Belt contains a number of gold deposits and showings, including the Los Filos Mine, located approximately 14 kilometres southeast of the El Limón and Guajes Project of the Morelos Gold Property.

The Morelos Gold Property consists of seven mineral concessions covering a total area of approximately 29,000 hectares. The 29,000 hectare land package is bisected by the Balsas River and the drilling areas that the Company has defined are generally referenced as "North" or "South" of the Balsas River. Drilling areas located north of the Balsas River include the El Limón and Guajes Project, El Limón Sur, Guajes South and Pacifico. Additional prospective areas in the north include Todos Santos (north portion), Corona, Tecate, Azcala, Querenque and El Limón Deep. Drilling areas located south of the Balsas River include the Media Luna Project, El Cristo, Naranjo and La Fe.

The Company's principal assets, the El Limón and Guajes Project and the Media Luna Project, are at different stages in their lifecycle. The El Limón and Guajes Project is currently being developed, whereas the Media Luna Project is in the exploration stage. Although the projects are located on the same mineral lease, for project evaluation purposes the Company considers the Media Luna Project to be a standalone operation.

Analytical Work

At the Morelos Gold Property, all of the analytical work is performed by SGS de Mexico S.A. de C.V. ("SGS") and Acme Analytical Laboratories Mexico S.A. de C.V. ("ACME"). Sample preparation is done at a dedicated sample preparation laboratory operated by SGS at the Morelos Gold Property site in Nuevo Balsas, Guerrero, Mexico. The gold analyses (fire assay with an atomic absorption or gravimetric finish) and multi-element geochemical analyses are completed by SGS at the Company's analytical laboratory in Nuevo Balsas, Guerrero, Mexico, and SGS's analytical facilities in Durango, Durango, Mexico or by ACME at their analytical facilities in Vancouver, British Columbia, Canada. The Company has a Quality Assurance/Quality Control ("QA/QC") program in place that includes 5% of each of the certified reference materials, blanks, field duplicates and preparation duplicates for the resource drilling program. Samples generated from greenfield exploration programs are subject to a 2% control sample insertion frequency, with the objective of the QA/QC program to ensure the batch to batch relative bias remains constant and that absolute accuracy at anomalous to near cut-off grades is measured and acceptable. The QA/QC program as designed has been approved by AMEC and is currently overseen by Cristian Puentes, Chief Geologist for the Morelos Gold Property.

EL LIMÓN AND GUAJES PROJECT

Engineering, procurement, and construction management ("EPCM") activities completed during the second quarter of 2013 included continued development of the project schedule, communication for the power distribution design and scope, basic engineering for the plant and detailed engineering for the permanent camp and village relocation, procurement of long lead time items, tendering of early construction contracts and construction planning.

On-site activities performed during the quarter ended June 30, 2013 include plant marking for environmental rescue, surveying of the permanent camp, village access road and water wells, and the widening and upgrading of existing roads that will be incorporated into the East Service Road.

During the quarter, four parcels of land, which will be used for the resettlement of the two villages, were acquired. An Ejido assembly to legally formalize the new site for the urban settlement, as required by the domestic Agrarian legislation, is scheduled for the third quarter. Preparations for construction are underway with the surveying of the new site and the related access road.

The Company recently signed a CBA with a national union. The purpose of signing a CBA at this point is to have one central organization working with various local contractors and stakeholders to manage the distribution of work. The CBA aims to ensure that the operations are not interrupted during the construction phase of the El Limón and Guajes Project and to protect the Company against potential labour unrest.

The Company has hired a new general manager responsible for the development of the El Limón and Guajes Project. The new general manager has 18 years of mining experience with Barrick Gold Corporation in Peru and Argentina at three world class open pit mines and brings a balance of technical, people and operational skills, which will contribute greatly to getting the project up and running on scope, on schedule and on budget.

The Company continued to commit to long lead time items during the quarter, with purchase orders being signed for a shovel, the primary crusher and camp trailers. Options for additional long-lead time items including cyclones, a pebble crusher, thickeners and a gold package plant are being evaluated and will be ordered shortly. In total, US$93.1 million of items have been ordered representing 37% of the total equipment cost for the El Limón and Guajes Project. The total budgeted amount for these items included in the Feasibility Study was US$98 million, representing a positive variance of US$4.9 million. Most of the mobile equipment fleet, including dozers, excavators, dump trucks, water trucks and drills, has been delivered to site. Onsite construction activities will begin following approval of the environmental management plans which have been submitted.

MEDIA LUNA PROJECT

2013 Activity

The primary purpose of the 2013 exploration program has been to complete sufficient resource drilling, the results of which will be used to complete a maiden inferred resource estimate for a portion of the Media Luna target. The timing for completion of this estimate has been moved forward to early in the fourth quarter of 2013 compared with a previously reported estimate of the first quarter of 2014.

In addition, the Company reported that AMEC Mining & Metals Services Inc. completed a study to determine the borehole spacing required for a mineral resource estimate for the Media Luna Project. The report concluded that spacing of 100 metres by 100 metres is sufficient for an inferred resource classification, 30 metres by 30 metres for an indicated classification, and 15 metres by 15 metres is required for a measured classification. The Company has been drilling on a 100 metre by 100 metre grid and completed the resource drilling program at the end of July, 2013. Results from approximately 90,000 metres of drilling at the Media Luna target will be used in completing the maiden inferred resource estimate. The resource estimate will represent an area of approximately 120 hectares or about 40% of the Media Luna target. If the area of the Media Luna West and Todos Santos targets were included in the total area calculation, then the resource estimate will represent approximately 25% of the total area of these magnetic anomalies.

During the six months of 2013, ongoing exploration included approximately 76,000 metres of core drilling as the Company continued to focus on in-fill drilling at the Media Luna Project. On June 18, 2013, the Company announced that it continued to intersect high grade gold, copper and silver mineralization over significant widths at the Media Luna target. Highlights from the press release include the following results. Borehole WZML-28, which is located outside the magnetic anomaly in the west zone, included 27.02 grams per tonne gold equivalent over 5.2 meters. Also in the west zone borehole WZML-24 included 17.54 grams per tonne gold equivalent over 5.2 metres. Highlighted intercepts in the North East Zone include 7.68 grams per tonne gold equivalent over 16.7 metres in borehole NEZML-04A, 3.91 grams per tonne gold equivalent over 49.5 metres in borehole NEZML-20 and 13.61 grams per tonne gold equivalent over 8.4 metres in borehole NEZML-27.

Also during the second quarter of 2013, an airborne Z-axis Tipper Electromagnetics (“ZTEM”) survey was completed to help highlight significant structural zones that may have been critical mineralizing fluid conduits. The combination of electromagnetic and magnetic data received from this survey is expected to assist in identification of key feeders for mineralizing fluids, including areas where higher grade mineralization might occur. Interpretation of this survey is underway.

In addition to the inferred resource program, the focus of on-going exploration is to continue to drill test the length and width of the Media Luna and Media Luna West targets and advance testing of additional highly prospective targets in the area such as Todos Santos. Additional target generation work is planned for areas both south and north of the Balsas River when the ZTEM-magnetic survey interpretations are received. At June 30, 2013, 128 drill holes had been completed at the Media Luna Project. Gold, copper and silver mineralization at the Media Luna target extends over a strike length of approximately 1.85 kilometres and a width of one kilometre.

At the end of the quarter, exploration drilling was significantly reduced in line with nearing completion of the resource drilling program at the Media Luna Project. Three drill rigs remain on site and will continue to test the Media Luna West and Todos Santos targets in the short term. Total drilling during 2013 is expected to be 100,000 metres.

Media Luna Project Geology

The Media Luna Project is characterized by a structurally complex sequence of Morelos formation (marble and limestone) and Mezcala formation (shale and sandstone) within a geological setting broadly similar to the El Limón and Guajes Project. The El Limón stock borders the sedimentary package at the north end of the Media Luna Project and dips to the south-southwest beneath the sedimentary rocks.

The Media Luna target mineralization exhibits a higher iron and sulfide content than is observed at the El Limón and Guajes Project, with significant copper.

Gold, copper and silver are hosted in retrograde altered pyroxene-garnet-magnetite skarn developed at the contact between granodiorite and marble. Sulfidation of skarn assemblages is closely related to retrograde alteration and is extensively developed at the Media Luna Project. Dominant sulfides are pyrrhotite and chalcopyrite with lesser arsenopyrite and pyrite.

In-fill drilling at the Media Luna target has been divided into three sectors including the west zone, the central zone and the northeast zone for logistical reasons. The granodiorite-marble contact in these sectors dips at roughly 35 degrees to the southwest and is locally disrupted by apparent structural zones. The skarn is thicker and the grade and thickness of gold-copper-silver mineralization appears to increase in proximity to these irregular contact zones, especially where the contact steepens or forms a trough.

RESULTS OF OPERATIONS

For the three months ended June 30, 2013 compared to the three months ended July 31, 2012

The Company is in the exploration stage at its Media Luna Project and in the development stage at the El Limón and Guajes Project. The Company has not generated operating revenue to date and will continue to incur operating expenses related to its exploration activities in 2013. In addition, the development of the El Limón and Guajes Project will require substantial funding, which will increase future assets.

The net loss for the quarter ended June 30, 2013 decreased to $9.0 million or $0.01 per common share compared with a net loss of $15.1 million or $0.04 per common share for the quarter ended July 31, 2012. Total costs have increased over these two periods; however a favourable exchange rate has reduced the net loss in the period ended June 30, 2013.

In the current quarter, the Company's exploration program has been focused on infill drilling at the Media Luna Project, compared to the quarter ended July 31, 2012 when the Company was focused on the El Limón and Guajes Project and the completion of the Feasibility Study. In November 2012, as the project moved into development stage, all costs directly related to the development of the El Limón and Guajes Project have been capitalized.

Exploration expenditures totalled $17.4 million in the second quarter of 2013 compared to $13.2 million for the three months ended July 31, 2012. In the three months ended June 30, 2013, 40,500 meters were drilled at the Media Luna Project, compared with 15,400 meters drilled in the three months ended July 31, 2012 at the El Limón and Guajes Project. The Feasibility Study for the El Limón and Guajes Project, which was completed in the fourth quarter of the fourteen month period ended December 31, 2012, accounted for the higher costs in the third quarter of 2012. In the second quarter of 2013, the Company capitalized $37.2 million of costs related to the El Limón and Guajes Project.

General and administrative costs include share based compensation and depreciation. Share based compensation expense totalled $0.8 million in the second quarter of 2013, compared with $0.8 million in the comparable quarter of 2012. The Company did not issue share purchase options or restricted share units in either of the respective quarters. Corporate general and administrative costs increased to $2.3 million for the second quarter of 2013 compared with $1.9 million for the three months ending July

31, 2012. The increase in expenditures is related to an increase in the number of employees, higher compensation paid to these employees and an increase in consulting fees.

The Company recognized an $11.3 million foreign exchange gain in the second quarter of 2013, compared to a $0.1 million foreign exchange loss in the quarter ended July 31, 2012. Throughout the second quarter of 2013, the Mexican peso (“MXN”) strengthened relative to the US dollar (“USD”), while the Canadian dollar (“CAD”) weakened relative to the USD. The Company held 82% of its cash balances in USD as of June 30, 2013 compared to 2% as of July 31, 2012.

For the six months ended June 30, 2013 compared to the six months ended July 31, 2012

The net loss for the six months ended June 30, 2013 decreased to $26.6 million or $0.04 per common share compared with a net loss of $30.6 million or $0.07 per common share for the six months ended July 31, 2012.

For the six months ended June 30, 2013, expenditures on the Company’s exploration program at the Media Luna Project totalled $30.9 million, compared to $26.3 million on the exploration and evaluation programs at the El Limón and Guajes Project for the six months ended July 31, 2012. The Company drilled 76,000 meters in the six month period ended June 30, 2013 at the Media Luna Project compared with 35,600 meters in the six months ended July 31, 2012 at the El Limón and Guajes Project. Expenditures related to the completion of the Feasibility Study for the El Limón and Guajes Project, accounted for the higher costs in the six months ended July 31, 2012. In the six months ended June 30, 2013, the Company capitalized $41.7 million of costs related to the El Limón and Guajes Project.

General and administrative costs totalled $7.5 million for the six months ended June 30, 2013, compared to $4.5 million for the six months ended July 31, 2012. Share based compensation expense totalled $2.7 million for the first six months of 2013, compared with $2.0 million for the six months ended July 31, 2012. The Company issued 792,000 share purchase options in the six months ended June 30, 2013, compared with no share purchase options issued in the six months ended July 31, 2012. Corporate general and administrative costs increased to $4.4 million for the six months ended June 30, 2013 compared with $2.2 million for the six months ending July 31, 2012. This is a result of an increase in the number of employees, and higher consulting and legal fees.

The Company recognized a $10.4 million foreign exchange gain in the first six months of 2013, compared to a $0.2 million foreign exchange loss for the six months ended July 31, 2012. Throughout 2013, the Mexican peso (“MXN”) strengthened relative to the USD, while the Canadian dollar (“CAD”) weakened relative to the USD. The Company held 82% of its cash balances in USD as of June 30, 2013 compared to 2% as of July 31, 2012.

SUMMARY OF QUARTERLY RESULTS

Table 1: Quarterly Results for the Eight Quarters Ending June 30, 2013

in millions, except per share amounts	**2013**		2012					2011
	Jun 30	Mar 31	Dec 31	Oct 31	Jul 31	Apr 30	Jan 31	Oct 31
Operating Revenues	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Loss	**$ (9.0)**	$ (18.2)	$ (15.0)	(17.2)	$ (15.1)	$ (15.5)	$ (13.4)	$ (9.5)
Basic and Diluted Loss per Share	**$(0.01)**	$ (0.03)	$ (0.03)	$(0.04)	$ (0.04)	$ (0.04)	$ (0.03)	$ (0.03)

Net loss includes costs for exploration, evaluation, corporate general and administrative cost and foreign exchange gains and losses. The Company's policy is to expense all mineral property exploration and evaluation costs when incurred and to capitalize its development expenditures.

Exploration expenditures, including drilling, sample processing, road maintenance, water consumption, security, and personnel costs, all increased quarter over quarter as the Company increased the number of drills being used to complete the drilling program at the Media Luna Project.

Corporate general and administrative and depreciation costs remained relatively consistent during the period, however share based compensation expense fluctuated during that time. In general, share purchase options vest over a two-year term with one-third of the options vesting immediately and one-third vesting on each of the two subsequent anniversary dates. The related expense is based on the vesting dates, with one-third of the expense recorded immediately, one-third of the expense amortized equally over the first year, and one-third of the expense amortized equally over two years. Restricted share units are expensed from the issue date over the vesting period. As a result, quarterly share based compensation expense was the greatest during the quarters in which options were granted.

The Company transferred the majority of its Canadian cash balances into USD at the beginning of 2013 in anticipation of its planned construction activities. With the USD appreciating throughout the second quarter of 2013, the resulting foreign exchange gain reduced the overall loss for quarter ended June 30, 2013.

LIQUIDITY AND CAPITAL RESOURCES

As noted in "Results of Operations" above, the Company does not generate cash from operations. The Company's sole source of funding has been through the issuance of equity for cash. The total assets of the Company at June 30, 2013 were $619.2 million (December 31, 2012 -$626.4 million), which includes $333.0 million (December 31, 2012 – $401.1 million) in cash.

Cash used in operating activities, including working capital, during the first two quarters of 2013 was $26.2 million, compared with $21.1 million in the six months ended July 31, 2012. The increase in cash used related to operating activities is primarily due to the expansion of exploration activities at the Media Luna Project. Accounts payable increased during first six months of 2013, while amounts receivable increased. Amounts receivable relate to value-added taxes paid to the Mexican government which are not immediately collectible.

Investing activities resulted in cash outflows of $40.9 million for the six month period ended June 30, 2013, compared with cash outflows of $0.7 million in the six months ended July 31, 2012. Investing activities in 2013 include the purchase of equipment and the capitalization of expenditures directly related to the development of the El Limón and Guajes Project. In 2012, investing activities were limited to the purchase of equipment for exploration and the corporate office.

The Company had working capital of $330.0 million at June 30, 2013, compared to $400.4 million at December 31, 2012. The Company has sufficient funds to carry out its current proposed exploration, development and planned corporate activities for 2013.

As at June 30, 2013, the Company's contractual obligations included a head office lease agreement, an office equipment lease, long-term land lease agreements with the Rio Balsas, the Real del Limón, and the Valerio Trujano Ejidos and the individual owners of land parcels within certain of those Ejido boundaries. Also, a five-year exploration access agreement with the Puente Sur Balsas Ejido. All of the long term land lease agreements can be terminated at the Company's discretion at any time without penalty. The five-year exploration access agreement includes access to the new discoveries at the Media Luna Project. This agreement can also be terminated at the Company's discretion at any time without penalty. In addition, the Company has entered into several exploration related agreements, none of which are expected to extend beyond a one-year term. The Company has entered into development related agreements for the El Limón and Guajes Project that extend beyond 2013.

Table 2: Contractual Commitments (in 000's)

	Total	Less than 1 year	1-3 years	4-5 years	Greater than 5 years
Long-term leases	$ 436	$ 126	$ 306	$ 4	$ -
Long-term contracts	59,952	18,374	41,578	-	-
Long-lead equipment	93,108	71,069	22,039	-	-
Total	$ 153,496	$ 89,569	$ 63,923	$ 4	$ -

ECONOMIC TRENDS AND LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

In February 2013, the Company signed an engagement letter ("Engagement Letter") with a group of financial institutions (the "Banks") in connection with a planned project finance facility for the development of the El Limón and Guajes Project. The Engagement Letter establishes the terms under which the Banks have been appointed to deliver on a club basis a project finance facility of US$250 million and is subject to due diligence, the completion of definitive loan documentation, credit and certain other approvals and the terms and conditions all as set out in the indicative term sheet (the "Term Sheet") attached to the Engagement Letter. The execution of a commitment letter and definitive documentation is expected in 2013. The Term Sheet includes standard and customary project finance terms and conditions with respect to fees, interest rate margins and conditions precedent to closing. There is no requirement for mandatory gold hedging. The proposed project finance facility is not yet a commitment and therefore other sources of financing may be sought to finance the construction of the mine.

The average trading price of a troy ounce of gold for the six months ended June 30, 2013 was $1,523 compared with $1,640 for the six months ending July 31, 2012, representing a 7% decrease period over period. The average price of gold over the twenty eight day period ending July 28, 2013 decreased to

$1,281. The market price of gold continues to exhibit significant volatility. Although Torex does not yet have a producing mine, the average historical price of gold will impact the valuation and financial models of the El Limón and Guajes Project as well as the Company's common share price.

OFF-BALANCE SHEET ARRANGEMENTS

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

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 credit risk, liquidity risk, foreign currency risk and interest rate risk.

Credit risk

Credit risk is the risk of a loss associated with counterparty's inability to fulfill its contractual payment obligations. The Company's financial assets are primarily composed of cash and cash equivalents. To mitigate exposure to credit risk, the Company has adopted strict investment policies, which prohibit any equity or money market investments. Approximately 97.4% of the Company's cash and cash equivalents are held with major Canadian financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a history of operating losses and has traditionally obtained cash from its financing activities and as a result the Company's liquidity may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. In the opinion of management, the Company's working capital balance of $330.0 million at June 30, 2013 is sufficient to support the Company's current proposed exploration, development and normal corporate activities for the remainder of 2013. 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 operates in Canada and Mexico and has foreign currency exposure with respect to items not denominated in CDN. Management expects the majority of exploration on the Media Luna Project and development expenditures associated with the El Limón and Guajes Project to be paid in USD and MXN. A significant change in the currency exchange rates between CDN and MXN or USD is expected to have an effect on the Company's results of operations in the future periods.

At August 7, 2013, the Company has net monetary assets denominated in USD of US$253.3 million. Any fluctuation in the foreign exchange rates in the USD against the CDN will have a material impact on the Company's operating results.

Interest Rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company deposits the majority of its cash in fully liquid Schedule A bank business investment savings accounts. The Company does not have any interest bearing liabilities as at June 30, 2013.

TRANSACTIONS WITH RELATED PARTIES

The Company does not have any transactions with related parties.

OUTSTANDING SHARE DATA

Table 3: Outstanding Share Data at August 7, 2013

	Number
Common shares	606,500,126
Common share purchase options	26,166,965
Common share purchase warrants	47,500,000
Restricted share units	1,500,000

During the six months ended June 30, 2013, the Company granted 792,000 share purchase options and 105,000 share purchase options were cancelled. Also during the same period, 2,000,000 restricted share units and 30,795 share purchase options were exercised, resulting in an equal number of common shares being issued.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual results could differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

The areas which require management to make significant judgements in applying the Company's accounting policies to determine carrying values include, but are not limited to:

Depreciation and Amortization

Significant judgement is involved in the determination of useful life and residual values for the computation of depreciation and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Plant Construction

In the construction of plant and equipment, the Company capitalizes costs that can be directly attributed to bringing the asset into working condition for its intended use, including costs during a commissioning period, before the asset is able to operate at expected levels.

The Company uses several criteria to determine when an asset is able to operate at expected levels. These are complex, and depend on each development property's plan and its economic, political and environmental condition. Criteria can include:

- Producing saleable material
- Completion of a reasonable period of testing of the plan and equipment in the mine and/or mill
- Achieving certain level of recoveries from the ore mined and processed
- Sustaining ongoing production and reaching a certain level of production.

Taxes

The Company is subject to income tax in several jurisdictions. Significant judgement is required in determining the provision for income taxes, due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

Asset retirement obligations

The provision for asset retirement obligations represents management's best estimate of the present value of the future costs of mine closure, and involves a significant number of technical issues, estimates and assumptions, with many uncertainties, including changes to the relevant legal and regulatory environment and the timing and cost of the required restoration activities.

Impairment of assets

The carrying value of property, plant and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carry amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the consolidated statement of operations and comprehensive loss. The assessment of fair values require the use of estimates and assumptions about future production and sales volumes, future commodity prices, recoverable mineral reserves, discount rates, foreign exchange rates, and future operating and capital costs.

Deferred income taxes

The Company recognizes the deferred tax benefit related to deferred income to the extent recovery is probable. Assessing the recoverability of deferred income tax assets require management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded on the balance sheet date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income tax assets.

ACCOUNTING POLICIES IN EFFECT JANUARY 1, 2013

The following IFRS standards have been recently issued by the International Financial Reporting Interpretations Committee ("IASB"): IFRS 10 *Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 13 *Fair Value Measurement*, and the International Financial Reporting Interpretations Committee ("IFRIC") 20 *Stripping Costs in the Production Phase of a Surface Mine*. The Company is assessing the impact of these new standards, if any, on the consolidated financial statements.

IFRS 10 *Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). This standard is required to be applied for accounting periods beginning on or before January 1, 2013. The amendments did not have an impact on the Company's financial position or disclosures.

IFRS 11 *Joint Arrangements* ("IFRS 11") replaces the guidance in IAS 31 *Interests in Joint Ventures.* Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method. The amendments did not have an impact on the Company's financial position or disclosures.

IFRS 13, *Fair Value Measurement* was issued by the IASB on May 12, 2011. The new standard converges IFRS and US generally accepted accounting principles on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The amendments did not have an impact on the Company's financial position or disclosures.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20") provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 is applicable for annual periods beginning on or after January 1, 2013. The amendments did not have an impact on the Company's financial position or disclosures.

Recent accounting pronouncements issued but not yet adopted

The following IFRS standard has been recently issued by the IASB: IFRS 9 *Financial Instruments*. The Company is assessing the impact of this new standard, if any, on the consolidated financial statements.

IFRS 9 *Financial Instruments* ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted.

IFRIC 21 Levies ("IFRIC 21") was issued in May 2013 and is an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

RISKS AND UNCERTAINTIES

The most significant risks and uncertainties the Company faces are: the Company's reliance on its principal assets, the El Limón and Guajes Project and the Media Luna Project that form part of its 100% owned Morelos Gold Property; key issues relating to the development of the El Limón and Guajes Project, including matters pertaining to the substantial capital requirements to complete the project and conduct further exploration of other properties, safety and security of operations. Risks inherent in mineral exploration, mine development and mining operations, the negative operating cash flow of the Company, risks associated with the potential construction and start-up of a new mine, political and country risk, recent increases in demand for and cost of mining contract services and equipment, availability of all applicable permits and licenses and adequate infrastructure, risks associated with land title, reliability of mineral resource and reserve estimates, environmental risks and hazards, the absence of history of mineral production by the Company, dependence on key executives and employees, competition within the industry, exchange rate fluctuations, the absence of any hedging policy by the Company, litigation and insurance risks, volatility on of the market price of the common shares of the Company, potential conflicts of interest with directors and officers, dilution risk, risks associated with compliance with anti-corruption laws and enforcement of legal rights under the laws of Mexico, no certainty of economically viable mining operations, and volatility and fluctuations in gold prices which affect ongoing economic evaluations connected with project development and financing, and the volatility of global markets, the impact of which is to cause volatility in the Company's stock price and may have a resulting effect on the Company's ability to obtain and secure financing for project advancement. For a detailed description of risks and uncertainties refer to the Company's annual information form dated March 27, 2013 for fiscal 2012, which is available on SEDAR at www.sedar.com. See also "Cautionary Note Regarding Forward-Looking Statements."

CONTROLS AND PROCEDURES

The Company's management is responsible for establishing and maintaining adequate disclosure controls and internal control over financial reporting. The Company's internal control framework was designed based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO", 1992).

In accordance with the requirements of National Instrument 52-109, management, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the design of the Company's disclosure controls and procedures and internal control over financial reporting

("ICFR") at June 30, 2013. Based on this review, management believes that its disclosure controls and procedures and internal controls are appropriately designed as at June 30, 2013.

During the first quarter of 2013, the Company implemented an enterprise resource planning software, SAP, at its operations in Mexico and corporate head office in Toronto. Data conversion was completed as December 31, 2012 and the Company went live with SAP effective January 1, 2013. As a result of this system change, a number of access controls, application controls and financial closing controls and procedures have changed. The Company believes that the internal control changes resulting from the SAP implementation have improved the overall control environment and no material weaknesses were noted in the design of any new internal controls over financial reporting implemented during the first six months of 2013.

The Company continually reviews and enhances its systems of controls and procedures. However, because of the inherent limitations in all control systems, management acknowledges that ICFR cannot prevent or detect all misstatements due to error or fraud.

QUALIFIED PERSON

Unless otherwise stated, Jerry Eugene Snider, BSc Mining Engineer, Masters of Business Administration of Torex, has reviewed and approved the technical and scientific information contained in the MD&A and is a qualified person within the meaning of National Instrument 43-101.

CAUTIONARY NOTE REGARDING 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 and development plans concerning the Morelos Gold Property, the adequacy of the Company's financial resources, business plans and strategy and other events or conditions that may occur in the future, and the Company's Feasibility Study (including with respect to mineral resource and mineral reserve estimates, the ability to realize estimated mineral reserves, the Company's expectation that the El Limón and Guajes Project will be profitable with positive economics from mining, 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 gold prices). 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", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or state 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 exploration, development and mining industry generally such as economic factors as they effect exploration, future commodity prices, obtaining financing, market conditions, changes in interest rates, safety and security, access to the Morelos Gold Property, actual results of current exploration activities, government regulation, political, social or economic developments, environmental risks, insurance risks, capital expenditures, operating or technical difficulties in connection with development activities, personnel relations, ability to realize estimated mineral reserves, recoveries, grades, receipt of all necessary approvals and permits, the speculative nature of gold exploration and development, including the risks of diminishing quantities of grades of mineral resources, contests over property title, and changes in project parameters as plans for the Morelos Gold Property continue to be refined 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, assumptions have been made regarding, among other things: the Company's ability to carry on its exploration and development activities planned for the Morelos Gold Property, the receipt of any required approvals and permits, the price of gold, the ability of the Company to obtain qualified personnel, equipment and services in a timely and cost-efficient manner, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to obtain financing on acceptable terms, the ability of the Company to access the Morelos Gold Property, the accuracy of the Company's mineral resource and mineral reserve estimates, annual production, the financial analysis contained in the Company's Feasibility Study, 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.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

This MD&A has been prepared in accordance with the requirements of Canadian securities laws in effect, which differ from the disclosure requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") – CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in the disclosure requirements of the Securities and Exchange Commission (the "SEC") and contained in Industry Guide 7 ("Industry Guide 7"). Under Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report mineral reserves, the three-year historical average price is used in any mineral reserve or cash flow analysis to designate mineral reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority. In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101. However, these terms are not defined terms under Industry Guide 7 and are not permitted to be used in reports and registration statements of United States companies filed with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in limited circumstances. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a mineral resource is permitted disclosure under Canadian regulations. In contrast, the SEC only permits U.S. companies to report mineralization that does not constitute “mineral reserves” by SEC standards as in place tonnage and grade without reference to unit measures. Accordingly, information contained in this MD&A may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under United States securities laws and the rules and regulations of the SEC.

August 7, 2013