TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2016

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 22, 2017 and is intended to supplement and complement the Company's audited consolidated financial statements and related notes for the year ended December 31, 2016. All dollar figures included therein and in the following MD&A are stated in United States dollars ("U.S. dollar") unless otherwise stated.

HIGHLIGHTS

- **Commercial production** announced on March 30, 2016, ahead of schedule and under budget, reaching an average of more than 60% of plant design throughput of 14,000 tpd for 30 days. For accounting purposes, the transition to production was reflected commencing April 1, 2016.
- **Net income** of $41.0 million since the commencement of commercial production, and $3.2 million for the year. Net income for the fourth quarter of 2016 totalled $10.7 million.
- **Adjusted net earnings**[1]**,** which excludes, amongst other items, unrealized derivative and foreign exchange losses, totalled $51.1 million, or $0.65 per share on a basic and $0.64 per share on a diluted basis since the commencement of commercial production, and $4.3 million for the fourth quarter of 2016.
- **Earnings from mine operations** of $119.9 million since the commencement of commercial production and $33.8 million for the fourth quarter of 2016.
- **Cash flow from operations** totalled $167.4 million and $51.7 million for the year and the quarter, respectively.
- **Revenue** of $312.5 million and **cost of sales** of $192.6 million, or $789 per ounce of gold sold, since the commencement of commercial production. For the fourth quarter of 2016, revenues were $102.3 million and cost of sales were $68.6 million, or $823 per ounce of gold sold.
- **Gold sold** totalled 275,613 ounces in 2016 for total proceeds of $347.2 million. The average realized gold price[1] was $1,263 per ounce since the commencement of commercial production. Gold sold in the fourth quarter of 2016 totalled 83,259 ounces for total proceeds of $102.6 million. The average realized gold price in the fourth quarter of 2016 was $1,232 per ounce.
- **Cash balances** as at December 31, 2016 totalled $127.4 million (including restricted cash of $23.4 million).
- **Gold production** totalled 279,937 ounces in 2016, and 80,955 in the fourth quarter of 2016.
- **Total cash costs**[1] of $543 per ounce of gold sold since the commencement of commercial production, and $539 per ounce of gold sold in the fourth quarter of 2016.
- **All-in sustaining costs**[1] of $733 per ounce of gold sold since the commencement of commercial production, and $746 per ounce of gold sold in the fourth quarter of 2016.

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

- **Plant throughput** averaged 9,877 tpd since the commencement of commercial production or 71% of design capacity of 14,000 tpd, and 9,233 tpd in the fourth quarter of 2016 or 66% of design capacity of 14,000 tpd.
- **Average gold grade processed** was 3.25 gpt since the commencement of commercial production, and 3.49 gpt in the fourth quarter of 2016.
- **Average gold recovery rate** was 86% since the commencement of commercial production, and 89% in the fourth quarter of 2016.
- **Grade reconciliation**, from start of mining at the Guajes Pit, shows 4% less ounces produced than was predicted by the reserve model (2% more tonnes and 6% less grade).
- **Ore in stockpile** as at December 31, 2016 was 0.8 million tonnes at an average estimated grade of 2.05 gpt.

The following table summarizes key operating and financial highlights on a quarterly basis for 2016:

In thousands of U.S. dollars, unless otherwise noted		Three months ended December 31, 2016	Three months ended September 30, 2016	Three months ended June 30, 2016	Three months ended March 30, 2016	Year ended December 31, 2016
Operating Data [1]						
Mining						
Ore tonnes mined	kt	853	869	684	516	2,922
Waste tonnes mined	kt	5,982	5,648	3,933	3,418	18,981
Total tonnes mined	kt	6,835	6,517	4,617	3,934	21,903
Strip ratio	waste:ore	7.0	6.5	5.8	6.6	6.5
Average gold grade of ore mined	gpt	3.03	3.08	3.18	2.60	3.01
Ore in stockpile	mt	0.8	0.8	0.8	1.1	0.8
Processing						
Average plant throughput	tpd	9,233	10,134	10,168	7,361	9,226
Average gold recovery	%	89	89	82	76	85
Average gold grade of ore processed	gpt	3.49	3.13	3.15	2.73	3.15
Production and sales						
Gold produced	oz	80,955	77,915	83,256	37,811	279,937
Gold sold	oz	83,259	80,064	80,772	31,518	275,613
Financial Data [1]						
Revenue [2]	$	102,312	108,061	102,132	-	312,505
Cost of sales	$	68,557	63,657	60,396	-	192,610
Earnings from mining operations	$	33,755	44,404	41,736	-	119,895
Net income (loss)	$	10,708	23,615	6,666	(37,831)	3,158
Per share - Basic [3]	$/share	0.13	0.30	0.08	(0.48)	0.04
Per share - Diluted [3]	$/share	0.13	0.30	0.08	(0.48)	0.04
Adjusted net earnings [4]	$	4,266	24,763	22,115	-	51,144
Per share - Basic [3, 4]	$/share	0.05	0.31	0.28	-	0.65
Per share - Diluted [3, 4]	$/share	0.05	0.31	0.28	-	0.64
Cost of sales	$/oz	823	795	748	-	789
Total cash costs [4]	$/oz	539	517	571	-	543
All-in sustaining costs [4]	$/oz	746	699	754	-	733
Average realized gold price [2, 4, 5]	$/oz	1,232	1,308	1,252	-	1,263
Cash and cash equivalents	$	104,019	93,658	74,079	30,481	104,019
Restricted cash	$	23,428	18,250	27,896	34,619	23,428
Working capital	$	124,523	120,245	82,442	3,715	124,523
Total debt	$	406,700	405,900	401,887	376,690	406,700
Total assets	$	1,206,389	1,167,132	1,154,256	1,106,246	1,206,389
Total liabilities	$	522,493	495,394	511,473	473,359	522,493

1. For accounting purposes, the transition to the production phase commenced on April 1, 2016. As such, comparative figures for certain measures or data are not available or are not meaningful and data related to the pre-production period may not be representative. Further, sum of the quarter results may not add up to the annual due to rounding.
2. Proceeds from sales of gold and silver prior to achieving commercial production of $38.9 million were offset against the construction costs for the ELG Mine (as defined herein).
3. Effective June 30, 2016, the Company implemented a consolidation of its outstanding common shares on the basis of one post-consolidation share for every ten pre-consolidation shares (the "Consolidation"). Per share data reflects the Consolidation. Comparatives were restated.
4. Adjusted net earnings, total cash costs, all-in sustaining costs, and average realized gold price 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. As transition to the production phase commenced April 1, 2016, year-to-date amounts for these measures only include data starting April 1, 2016.
5. Average realized gold price includes realized gains from gold derivative contracts of $12.1 per ounce for the three months ended December 31, 2016 and realized losses from gold derivative contracts of $9.3 per ounce for the period from April 1, 2016 to December 31, 2016. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date. Year-to-date amounts for these measures only include data starting April 1, 2016.

2016 REPORT

This MD&A contains forward-looking statements that are subject to risks and uncertainties, as discussed under "Cautionary Note Regarding Forward – Looking Statements". The following abbreviations are used throughout this document: $ (United States dollar), C$ (Canadian dollar), AISC (all-in sustaining costs), Au (gold), Ag (silver), oz (ounce), gpt (grams per tonne), kt (thousand tonnes), mt (million tonnes), m (metres), km (kilometre), and tpd (tonnes per day).

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COMPANY OVERVIEW AND STRATEGY

The Company is a growth-oriented Canadian-based resource company engaged in the exploration, development and operation of the Morelos Gold property (the "Morelos Gold Property"). The Morelos Gold Property is located in the Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and 50 kilometres southwest of Iguala, and consists of seven mineral concessions covering a total area of approximately 29,000 hectares. The Company's principal assets are the El Limón Guajes ("ELG") mine (the "ELG Mine") and the Media Luna project (the "Media Luna Project"). The ELG Mine is an open pit operation with two main pits (the El Limón and Guajes pits), while the Media Luna Project is an early stage development project, for which the Company issued a Preliminary Economic Assessment (the "PEA") effective August 17, 2015, and titled "NI 43-101 Technical Report – El Limón Guajes Mine Plan and Media Luna Preliminary Economic Assessment, Guerrero State, Mexico" (the "Technical Report").

The Company's strategy is to grow production from high quality assets. The Morelos Gold Property provides significant opportunity to implement this strategy, with the established Media Luna Project, the recently expanded Sub-Sill zone, the El Limon Deep zone, and the many untested exploration targets.

Exploration activities to advance this strategy continued in the fourth quarter of 2016. Drill testing of the Sub-Sill target returned impressive intercepts and a step out drill program for this target is being planned for the first quarter of 2017. In the fourth quarter of 2016, to access the Sub-Sill area and the El Limon Deep target area, a 5 metre wide by 5 metre high ramp was collared from the El Limon access road. This ramp has advanced more than 300 metres, or more than half of the 600 metres required to reach the Sub-Sill target area. For mid-term growth prospects, an exploration tunnel into Media Luna is expected to commence in the fourth quarter of 2017.

The Company recognizes the current exposure to 'single asset' risks to cash flow. To manage that risk, the Company will opportunistically seek to acquire high quality assets in the Americas.

OBJECTIVES FOR 2017

Achieve the 2017 production target, within constraints:

- Production target:
  - 350,000 to 380,000 gold ounces sold.

- Constraints:
  - Zero fatalities and an employee and contractor Lost Time Injury frequency of less than 2.
  - Zero reportable spills of 1,000 litres, or more, that report to the river or reservoir.
  - Cash costs within the range of \$525 – \$575 and AISC within the range of \$775 – \$825.

Set up for the achievement of the 2018 production target, within constraints:

- Strip 32 million tonnes of waste.
- Commission the SART Plant.
- Achieve a steady state run rate of 14,000 tpd through the filters by the end of Q3 2017.
- Complete the ramp into ELG Deep and the Sub-Sill.

Set up for growth:

- Start the access ramp into Media Luna.
- Extend the exploration program in the Sub-Sill and other regional targets.

FINANCIAL RESULTS

The following table summarizes the financial results of the Company:

	Three Months Ended December 31,		Year Ended December 31,	
In thousands of U.S. dollars, unless otherwise noted	**2016**	**2015**	**2016**	**2015**
Revenue [1]	102,312	-	312,505	-
Gold	101,562	-	310,651	-
Silver	750	-	1,854	-
Cost of sales	68,557	-	192,610	-
Earnings from mine operations	33,755	-	119,895	-
Exploration and evaluation expenses	1,946	1,619	3,708	9,672
General and administrative expenses	3,844	3,874	15,381	12,246
Loss (gain) on derivative contracts	(15,316)	(10,760)	40,854	(16,008)
Financing costs (income), net	7,013	282	20,574	(507)
Foreign exchange loss	8,820	2,766	13,623	13,698
Income tax expense, net	16,740	2,020	22,597	5,473
Net income (loss)	10,708	199	3,158	(24,574)
Per share - Basic ($/share) [2]	0.13	0.00	0.04	(0.31)
Per share - Diluted ($/share) [2]	0.13	0.00	0.04	(0.31)
Adjusted net earnings [3]	4,266	-	51,144	-
Per share - Basic ($/share) [2, 3]	0.05	-	0.65	-
Per share - Diluted ($/share) [2, 3]	0.05	-	0.64	-
Cost of sales ($/oz)	823	-	789	-
Total cash costs ($/oz) [3]	539	-	543	-
All-in sustaining costs ($/oz) [3]	746	-	733	-
Average realized gold price ($/oz) [3, 4]	1,232	-	1,263	-
Average realized margin ($/oz) [3, 4]	693	-	720	-

1. Proceeds from sales of gold and silver prior to achieving commercial production are offset against the construction costs for the ELG Mine.
2. Earnings per share reflect the Consolidation. Comparatives were restated.
3. Adjusted net earnings, total cash costs, all-in sustaining costs, 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. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date. Year-to-date amounts for these measures only include data starting April 1, 2016.
4. Average realized gold price and average realized margin include realized gains from gold derivative contracts of $12.10 per ounce for the three months ended December 31, 2016 and realized losses from gold derivative contracts of $9.32 per ounce for the period from April 1, 2016 to December 31, 2016. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date. Year-to-date amounts for these measures only include data starting April 1, 2016.

Commencement of commercial production

The ELG Mine achieved commercial production in late March 2016, ahead of schedule and under budget, reaching an average of more than 60% of design throughput of 14,000 tpd for 30 days. For accounting purposes, the transition to the production phase commenced April 1, 2016. As this is the first year of commercial production for the ELG Mine, comparative figures for certain measures or data are not available or are not meaningful.

2016 FULL YEAR FINANCIAL RESULTS

Revenue totalled $312.5 million for the year

From commercial production declared on April 1, 2016 to December 31, 2016, the Company recognized $312.5 million in revenue on 244,095 ounces of gold sold at an average realized price of $1,263 per ounce. The Company did not sell any gold, nor recognize any revenue, in 2015.

Realized losses on gold derivative contracts totalled $2.1 million for the twelve months ended December 31, 2016 compared to $1.0 million in realized gains on gold derivative contracts for the twelve months ended December 31, 2015. Realized losses and gains on gold derivative contracts are recognized separately from revenue but are included in the calculation of average realized gold price.

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.

Proceeds from sales of gold and silver for the twelve months ended December 31, 2016 totalled $349.1 million, net of realized losses on gold derivative contracts of $2.1 million. Proceeds from gold and silver sold during the first quarter of 2016, totalling $38.9 million, were not recognized as revenue, but instead offset the costs capitalized for the construction of the ELG Mine as commercial production had not yet been reached.

Revenue from the sale of gold is recognized based on the actual price received on the sale unless the gold is used to settle the Company's commitments under derivative contracts. Where gold is delivered to settle outstanding derivative contracts, revenues are recorded based on the spot market price at the time of settlement, and any difference between the spot price and the sales price received under the contract is recognized as a realized gain or loss on derivative contracts. Of the total 275,613 ounces of gold sold in 2016, 77,350 ounces were delivered into the derivative contracts.

Cost of sales was $192.6 million or $789 per ounce sold in 2016

Cost of sales for the year ended December 31, 2016, and since entering commercial production, totalled $192.6 million. The Company had no gold sales or cost of sales in 2015. Cost of sales includes production costs associated with mining, processing and refining, land agreements with local ejidos, production overhead and site administration, as well as depreciation and amortization expenses.

Production costs since the commencement of commercial production, amounted to $125.0 million and include the costs of mining and processing activities as well as site support costs.

Depreciation of mineral properties, and plant and equipment commenced on April 1, 2016, and amounted to $58.3 million for the year ended December 31, 2016. Depreciation and amortization expenses in cost of sales relate to only mineral properties, plant and equipment at the ELG Mine. Depreciation and amortization expenses related to corporate assets are recorded in general and administrative costs outside cost of sales.

Royalties recognized in cost of sales in 2016 represent 3% of proceeds on gold and silver sales and totalled $9.3 million compared to nil for the year ended December 31, 2015. Of the 3% royalty, 2.5% is payable to the Mexican Geological Survey agency and 0.5% is payable to the Mexican Secretary of Finance.

Expenditures directly attributable to the development of the ELG Mine were capitalized until reaching commercial production, which was announced on March 30, 2016 and effective for accounting purposes as of April 1, 2016.

Total cash costs were $543 per ounce of gold sold since commencement of commercial production

Total cash costs (net of by-product sales) for the period from April 1, 2016 to December 31, 2016 were $543 per ounce of gold sold. Prior to April 1, 2016, the Company was not in commercial production and therefore total cash costs were not meaningful. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

All-in sustaining costs were $733 per ounce sold since commercial production began

AISC for the period from April 1, 2016 to December 31, 2016 were $733 per ounce of gold sold. Prior to April 1, 2016, the Company was not in commercial production and therefore AISC were not meaningful.

Sustaining capital expenditures from April 1, 2016 to December 31, 2016 amounted to $32.2 million and represent the cash component of capitalized stripping activities at El Limón and Guajes West of $14.5 million, and $17.7 million for sustaining equipment and infrastructure expenditures.

A further $33.2 million of non-sustaining capital expenditures incurred from April 1, 2016 to December 31, 2016 have been excluded from sustaining expenditures in calculating AISC. These costs include $28.1 million associated with construction activities for the ELG Mine post-commercial production in relation to the El Limón primary crusher, mine waste management, filter building, tailings dry stack, open pit development, ponds, perimeter ditches and certain mobile equipment. The remaining $5.1 million is related to the construction of the SART (sulfidization, acidification, recycling, and thickening) plant and the El Limón Deep tunnel.

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

Exploration and evaluation expenses lower due to decreased exploration activities

Exploration and evaluation expenditures decreased to $3.7 million for the year ended December 31, 2016 from $9.7 million in 2015. The decrease in exploration expenses reflects the Company's focus on the ELG Mine ramp up in 2016. Expenditures incurred in 2016 mostly pertain to the drilling program related to the El Limón Sub-Sill target. Expenditures incurred in 2015 related primarily to the PEA for the Media Luna Project.

General and administrative expenses of $15.4 million for 2016

General and administrative expenses totalled $15.4 million for 2016 compared to $12.2 million for the twelve months ended December 31, 2015. The increase is primarily due to the valuation of non-cash share-based compensation expenses.

Finance costs were $20.6 million for the year

Finance costs for the year ended December 31, 2016 were $20.6 million compared to net finance income of $0.5 million in the prior year. The increase in finance costs reflects the interest expense on the Loan Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan (as all such terms are defined herein) which are no longer capitalized due to the commencement of commercial production on April 1, 2016. In the 2015 comparative period, these costs were capitalized as borrowing costs during the construction stage and included in property, plant and equipment. Finance costs for the twelve months ended December 31, 2016 are presented net of interest income collected on cash balances and Value Added Tax ("VAT") receivables.

Loss on gold derivative contracts of $27.9 million in 2016

The Company has entered into derivative contracts ("Gold Contracts") to deliver gold ounces at an average flat forward price of $1,241 per ounce (as described in "Debt Financing".) During the twelve months ended December 31, 2016, the Company settled 96,474 ounces, and a further 102,107 ounces remain to be delivered under its Gold Contracts until July 2017. As average market spot prices throughout the year were higher than the average forward price, the Company realized a loss of $2.1 million for the twelve months ended December 31, 2016 compared to a realized gain of $1.0 million for the year ended December 31, 2015. Gold Contracts that remain outstanding at the end of the reporting period are marked-to-market as they are considered non-designated hedges. As at December 31, 2016, the Company has recorded an asset of $8.6 million on its remaining Gold Contracts compared to an asset of $34.4 million as at December 31, 2015. For the year ended December 31, 2016, the Company recognized an unrealized loss of $25.8 million compared to an unrealized gain of $23.0 million for the year ended December 31, 2015.

Loss on currency derivative contracts of $12.9 million due to the depreciation of the Mexican peso

The Company has also entered into currency forward contracts ("Peso Contracts") to purchase Mexican pesos (as described in "Debt Financing"). At December 31, 2016, the Company had 19 million pesos remaining to be purchased at an average price of 13.81 pesos per U.S. dollar, and 1,264 million pesos at 18.70 pesos per U.S. dollar. As the average exchange rate of the Mexican peso relative to the U.S. dollar was higher than the average forward prices, the Company realized a loss on the contracts it settled during the year of $8.3 million, compared to a realized loss of $10.5 million during the twelve months ended December 31, 2015.

Contracts that remain outstanding at the end of the reporting period are marked-to-market as they are considered non-designated hedges. Based on the forward prices for Mexican pesos at December 31, 2016, the Company recognized an unrealized loss of $4.6 million for the year ended December 31, 2016 compared to an unrealized gain of $2.5 million for the year ended December 31, 2015. As at December 31, 2016 the Company has recorded a liability of $10.2 million for the outstanding peso hedges compared to a liability of $5.6 million as at December 31, 2015.

Foreign exchange loss of $13.6 million in 2016 due to the depreciation of the Canadian and Mexican currencies

The Company recognized a foreign exchange loss of $13.6 million for the year ended December 31, 2016 compared to a foreign exchange loss of $13.7 million in 2015. As the Company holds a portion of its monetary assets and liabilities in Mexican pesos and Canadian dollars, the foreign exchange gains and losses fluctuate with the value of these currencies relative to the U.S. dollar, the Company's functional currency. A weakening Mexican peso and Canadian dollar resulted in a foreign exchange loss on non-U.S. dollar denominated monetary assets, and a foreign exchange gain on non-U.S. dollar denominated monetary liabilities.

Income and mining tax expense increased to $22.6 million largely due to earnings and the 7.5% mining royalty

The Company recognized a current income tax expense of $10.5 million in 2016 primarily as a result of accruing income tax payable of $9.5 million related to the 7.5% Mexican mining royalty. This royalty is calculated based on an earnings measure and therefore the Company considers it a tax for financial reporting purposes. The first payment under the 7.5% Mexican mining royalty regime will be due in March of 2017. For the year ended December 31, 2016, the Company has not paid income taxes in relation to its operations at the ELG Mine.

The Company recognized a deferred income tax expense of $12.1 million in the year ended December 31, 2016, compared to a deferred tax expense of $4.8 million for the year ended December 31, 2015. The increase in the deferred income tax expense is largely due to the commencement of commercial production in 2016 and the impact of foreign exchange translation. The Company's functional currency for financial reporting purposes differs from its tax filing currency. Therefore, the tax basis of non-monetary assets and liabilities that are denominated in a foreign currency, other than the U.S. dollar, are subject to a re-measurement for changes in currency exchange rates at each reporting period.

Net income (loss) increased to $3.2 million in 2016

Net income for the year ended December 31, 2016 totalled $3.2 million, or $0.04 per share, while adjusted net earnings amounted to $51.1 million, or $0.65 per share basic and $0.64 per share diluted. In calculating adjusted net earnings, net income has been adjusted to exclude specific items that are significant, and not reflective of the underlying operations of the Company, including the after-tax impact of foreign exchange gains and losses on monetary assets and liabilities, deferred tax component relating to foreign exchange impact, and the non-cash unrealized gains and losses on derivative instruments. Adjusting for these items provides an additional measure to evaluate the operating performance of the Company as a whole for the reporting periods presented. Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net income to adjusted net earnings.

FOURTH QUARTER FINANCIAL RESULTS

Commercial production at the ELG Mine commenced on April 1, 2016, and hence there are no comparable 2015 financial results for revenue, cost of sales and earnings from mine operations.

Revenue totalled $102.3 million in the fourth quarter

During the fourth quarter of 2016, the Company recognized $102.3 million in revenue compared to $108.1 million for the third quarter of 2016, reflecting a lower average realized price on slightly more ounces of gold sold. The Company sold 83,259 ounces of gold at an average realized price of $1,232 per ounce in the fourth quarter compared to 80,064 ounces of gold at an average realized price of $1,308 in the third quarter. Realized gains on Gold Contracts totalled $1.0 million for the three months ended December 31, 2016 compared to realized losses on Gold Contracts of $2.5 million for the three months ended September 30, 2016, and are recognized separately from revenue but included in the calculation of average realized gold price.

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.

Cost of sales was $68.6 million or $823 per ounce in the fourth quarter

Cost of sales for the fourth quarter of 2016 was $68.6 million compared to $63.7 million in the third quarter of 2016. Production costs amounted to $42.6 million for the fourth quarter of 2016 compared to $39.1 million for the third quarter of 2016. The increase in production costs reflects higher reagent costs and more ounces sold. Depreciation and amortization expense amounted to $22.9 million for the fourth quarter of 2016 compared to $21.4 million for the third quarter of 2016. The increase in depreciation from the previous quarter is primarily due to more ounces of gold sold. Royalties were $3.1 million during the three months ended December 31, 2016 compared to $3.2 million during the three months ended September 30, 2016, representing 3% of proceeds from gold and silver sales.

Total cash costs were $539 per ounce sold in the fourth quarter

Total cash costs (net of by-product sales) for the fourth quarter of 2016 were $539 per ounce of gold sold, an increase of 4% or $22 per ounce of gold sold from the third quarter of 2016 of $517 per ounce of gold sold. This primarily reflects higher processing costs due to increased use of reagents.

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

All-in sustaining costs were $746 per ounce in the fourth quarter

AISC for the fourth quarter of 2016 were $746 per ounce of gold sold compared to $699 per ounce of gold sold for the third quarter of 2016.

Sustaining capital expenditures in the fourth quarter of 2016 amounted to $13.1 million compared to $9.4 million in the third quarter and largely relate to the cash component of higher capitalized stripping activities at El Limón and Guajes West of $5.2 million, sustaining equipment of $4.7 million and infrastructure expenditures of $3.2 million.

An additional $9.5 million of non-sustaining capital expenditures incurred in the fourth quarter of 2016 associated with the construction of the SART Plant of $2.5 million, the El Limón Deep tunnel of $2.6 million, open pit development of $1.3 million, $1.2 million for construction activities at the ELG Mine post-commercial production and $1.9 million for certain mobile equipment and other expenditures have been excluded from sustaining capital expenditures in calculating AISC.

AISC for the period from April 1, 2016 to December 31, 2016 were $733 per ounce of gold sold. Prior to April 1, 2016, the Company was not in commercial production and therefore AISC were not meaningful.

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

Exploration and evaluation expenses of $1.9 million for the fourth quarter

Exploration and evaluation expenditures increased to $1.9 million in the fourth quarter of 2016 from $1.6 million in the comparable period in 2015. The increase in exploration expenses in the fourth quarter is due to the drilling program undertaken for the El Limón Sub-Sill target during the quarter.

General and administrative expenses of $3.8 million for the fourth quarter

General and administrative expenses were comparable at $3.8 million for the fourth quarter of 2016 compared to $3.9 million in the fourth quarter of 2015.

Finance costs were $7.0 million for the fourth quarter

Finance costs in the fourth quarter of 2016 totalled $7.0 million, compared to $0.3 million in the fourth quarter of 2015. The increase in finance costs reflects the interest expense on the Loan Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan (as all such terms are defined herein). In the fourth quarter of 2015, interest expenses incurred were related to the Loan Facility and Equipment Loan, and were capitalized to the development costs of the ELG Mine.

Gain on gold derivative contracts of $20.0 million in the fourth quarter due to lower forward gold prices

As average market spot prices were lower than the average forward price, the Company realized a gain on the contracts it settled during the quarter of $1.0 million compared to a realized gain of $1.0 million for the comparable period in 2015. Based on the forward prices for gold at December 31, 2016, the Company recognized an unrealized gain of $19.0 million for the fourth quarter of 2016 compared to an unrealized gain of $9.7 million for the quarter ended December 31, 2015.

Loss on currency derivative contracts of $4.7 million due to the depreciation of the Mexican peso

As the average exchange rate of the Mexican peso relative to the U.S. dollar was higher than the average forward prices, the Company realized a loss on the contracts it settled during the quarter of $1.7 million, compared to a loss of $2.9 million for the comparable period in 2015. Based on the forward prices for Mexican pesos at December 31, 2016, the Company recognized an unrealized loss of $3.0 million for the quarter ended December 31, 2016 compared to an unrealized gain of $2.9 million for the quarter ended December 31, 2015.

Foreign exchange loss of $8.8 million in the fourth quarter due to the depreciation of the Canadian and Mexican currencies

The Company recognized a foreign exchange loss of $8.8 million for the quarter ended December 31, 2016, compared to a loss of $2.8 million for the fourth quarter ended December 31, 2015.

Income and mining tax expense of $16.7 million in the fourth quarter

The Company recognized a current income tax expense of $1.3 million in the quarter ended December 31, 2016 compared to a current tax expense of $0.4 million in the quarter ended December 31, 2015. The Company recognized a deferred income tax expense of $15.4 million in the quarter ended December 31, 2016, compared to a deferred tax expense of $1.7 million for the fourth quarter ended December 31, 2015. The increase in the deferred tax expense is primarily as a result of the commencement of commercial production, an increase in non-deductible expenses and the impact of foreign exchange translation.

Net income (loss) higher due to the commencement of commercial production

Net income for the fourth quarter of 2016 totalled $10.7 million, or $0.13 per share, both on a basic basis and diluted basis, while adjusted net earnings amounted to $4.3 million, or $0.05 per share, both on a basic and diluted basis. Net income decreased 55% over the third quarter of 2016, largely due to a lower realized price of gold per ounce sold, higher cost of sales due to increased utilization of reagents, and higher income tax expense. Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net income (loss) to adjusted net earnings.

RESULTS OF OPERATIONS

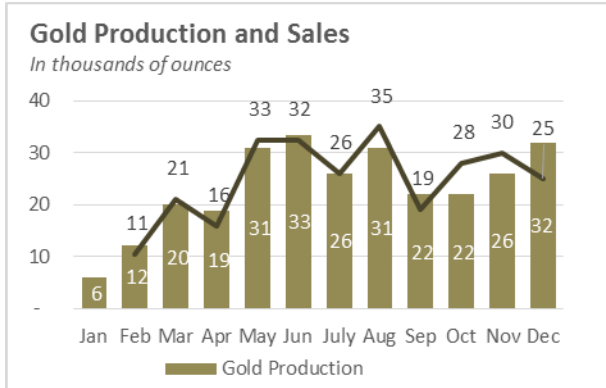
The following table summarizes the operating results for the Company's ELG Mine on a quarterly basis and for the year ended December 31, 2016:

		Three Months Ended				Year Ended
		December 31, 2016	September 30, 2016	June 30, 2016	March 30, 2016	December 31, 2016
Mining						
Guajes Pit						
Ore tonnes mined	kt	653	860	611	506	2,630
Waste tonnes mined	kt	3,495	3,653	2,582	2,209	11,939
Total tonnes mined	kt	4,148	4,513	3,193	2,715	14,569
Strip ratio	waste:ore	5.4	4.2	4.2	4.4	4.5
Average gold grade of ore mined	gpt	3.43	3.10	3.31	2.58	3.13
El Limón Pit						
Ore tonnes mined	kt	200	9	73	10	292
Waste tonnes mined	kt	2,487	1,995	1,351	1,209	7,042
Total tonnes mined	kt	2,687	2,004	1,424	1,219	7,334
Strip ratio	waste:ore	12.4	221.7	18.5	120.9	24.1
Average gold grade of ore mined	gpt	1.72	1.15	2.08	3.61	1.86
Total El Limón Guajes						
Ore tonnes mined	kt	853	869	684	516	2,922
Waste tonnes mined	kt	5,982	5,648	3,933	3,418	18,981
Total tonnes mined	kt	6,835	6,517	4,617	3,934	21,903
Strip ratio	waste:ore	7.0	6.5	5.8	6.6	6.5
Average gold grade of ore mined	gpt	3.03	3.08	3.18	2.60	3.01
Processing						
Total tonnes processed	kt	849	932	925	670	3,376
Average plant throughput	tpd	9,233	10,134	10,168	7,361	9,226
Average gold recovery	%	89	89	82	76	85
Average gold grade of ore processed	gpt	3.49	3.13	3.15	2.73	3.15
Production and sales						
Gold produced	oz	80,955	77,915	83,256	37,811	279,937
Gold sold [1]	oz	83,259	80,064	80,772	31,518	275,613

1. Proceeds from sales of gold and silver prior to achieving commercial production are offset against the construction costs for the ELG Mine.
2. Sum of all the quarters may not add up to the annual total due to rounding.

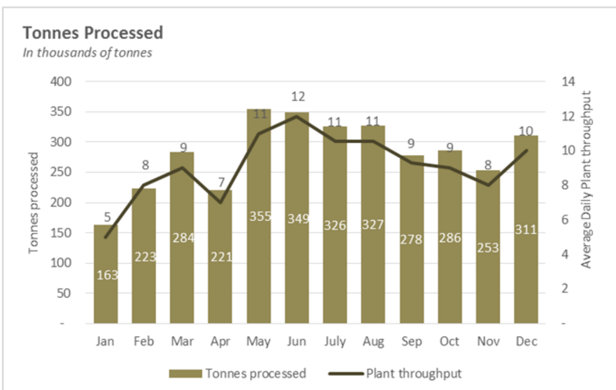
Gold Production and Sales

In the fourth quarter of 2016, 80,955 ounces of gold were produced and 83,259 ounces of gold were sold, for a total 279,937 ounces produced and 275,613 ounces sold in 2016.



Plant Ramp-Up

The ramp up has progressed well, with the mines, crushing circuit, grinding circuit, leaching and CIP circuits, all meeting expectations. The filtrations circuit at the end of the process continues to be the bottleneck and has not met expectations. The filtration circuit was designed to deliver 14,000 tpd with 6 operating filters.

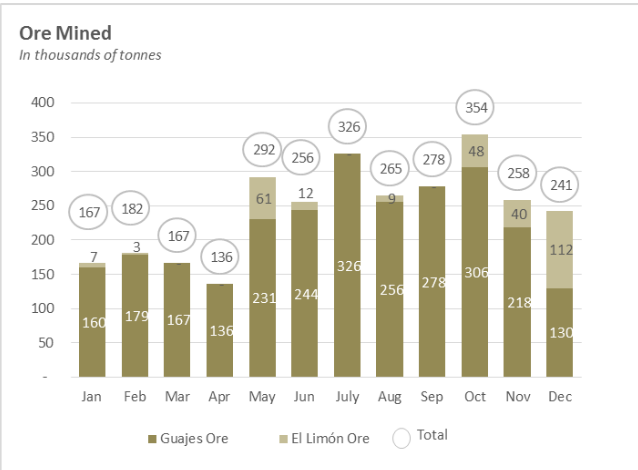


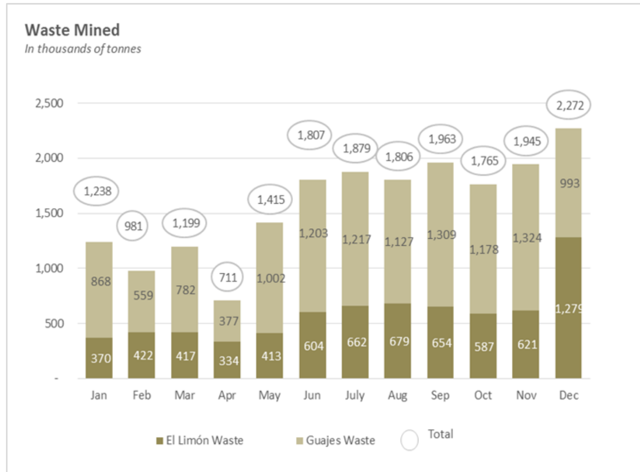
The design question was – How many spare filters are required, to have 6 operating at all times? At $10 million per filter, the decision was, start with one spare, and in case two are required, size the building accordingly. The filters are mechanically complex and mechanical availability has not been sufficient to keep 6 filters operating at all times, a second spare will be ordered and installed prior to year-end 2017. Ending the interdependence between the filters and the grinding circuit will also help with filter availability. This project is advancing as planned and is scheduled for completion in the second quarter of 2017.

Soluble copper in the deposit has been successfully managed with reagents, and gold recoveries have trended above design levels of 87%. A decision has been made to install a SART Plant to recycle reagents that are used in association with the soluble copper. Construction of this plant is well underway with the earthworks completed and the concrete works beginning. This project is expected to be commissioned and fully functional by year-end 2017. The SART Plant in 2018 and beyond is expected to reduce AISC by $100 per ounce of gold sold by reducing reagent consumption and adding by-product credits resulting from the sale of a copper product.

Mining

A total of 21,903 thousand tonnes were mined in 2016, approximately 67% of which was from Guajes with an average waste to ore strip ratio of 4.5. Mining at El Limón was focused on pit stripping with a total of 7,334 thousand tonnes mined at El Limón during the year. During the fourth quarter of 2016, the pace of mining increased at both Guajes and El Limón, resulting in an increase of 5% in tonnes mined compared to the previous quarter. A total of 6,835 thousand tonnes were mined in the quarter, approximately 61% of which was from Guajes with an average waste to ore strip ratio of 5.4. Mining at El Limón continues to focus on pit stripping with a total of 2,687 thousand tonnes mined at El Limón during the fourth quarter. At December 31, 2016, there were 791 thousand tonnes of ore in stockpile, consisting of 599 thousand tonnes from Guajes, 75 thousand tonnes from North Nose and 35 thousand tonnes from El Limón, with an additional 82 thousand tonnes in the fine ore stockpile.





Safety

During 2016, the Company lost one of its colleagues who suffered fatal injuries from falling rock while working in the Guajes pit. During the year, there were 5 lost time injuries (including the fatality). Three of the other four incidents occurred in the mine – one was an accident with a trapped finger associated with drilling and two people were injured by flying shards of rock, when a rock fell from a berm onto the bench which they were working. The final incident occurred when a person who was working on a ladder, slipped and reached out to stop his fall, trapping his finger and causing a cut.

Community

The Company is committed to maintaining productive relationships with neighboring communities and has continued to be successful in this effort in 2016. The Company did suspend operations at the ELG Mine for a period of 10 days due to an illegal blockade in April 2016, however the Company refuted the unjustified claims made and refused to make payments to those engaging in the illegal blockade. Working together with the communities and the Government of the State of Guerrero, the blockade was lifted on April 14, 2016. Shortly thereafter, the Company successfully completed the resettlement of Real del Limon village. Relationship building is a continuous undertaking of multiple pathways and the Company and our community partners put significant effort into understanding each other's interests. Transparency, as a pathway to trust, is a major focus of the Company and this continued in the fourth quarter of 2016 with a number of independent studies to confirm that the operations have negligible impact on the surrounding environment. Subsequent to December 31, 2016, the Company experienced a blockade which lasted 14 days and was resolved peacefully with the assistance of the Mexican authorities. Processing operations continued uninterrupted as the Company milled ore from the existing stockpile.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

Work on the Media Luna Project continued during 2016 in preparation for the underground exploration program. This work included continued environmental studies and land acquisition to support the permit application. The goal is to submit the required applications in the first quarter of 2017 in order to have the permits in hand by the third quarter of 2017, when the Company is scheduled to begin the exploration tunnel on the south side of the Media Luna ridge, as recommended in the updated ELG Mine Plan and Media Luna Project PEA. The Technical Report is available on the Company's website at www.torexgold.com and was filed on SEDAR at www.sedar.com on September 3, 2015.

Morelos Gold Property Exploration Update

There are a number of highly prospective targets on the Morelos Gold Property. Current exploration activities are focused on a 'near mine' target that lies above and below what has been identified as the El Limon Sill (The Sill). Diamond drilling of the Sub-Sill target commenced in third quarter of 2016, and the 7,727 meter program was completed in the fourth quarter of 2016. Results of this program were positive and were released publicly early in the first quarter of 2017. The related press release is available on the Company's website at www.torexgold.com and was filed on SEDAR at www.sedar.com on January 5, 2017. Planning for a step-out diamond drill program to test for extensions to the Sub-Sill zone is taking place during the first quarter of 2017. The drill program will commence shortly after the planning has been completed.

Ahead of schedule, in the fourth quarter of 2016, a 5 metre wide by 5 metre high ramp was collared from the El Limon access road. This ramp is advancing toward the El Limon Deep, and Sub-Sill targets. Approximately the first 300 metres of the ramp will be common to both target areas. Beyond that point, there will be separate ramps for each area. Both of these separate ramps are expected to be approximately 300 metres in length and the common section of the ramp is nearing completion. It is anticipated that the ramp will reach the Sub-Sill zone by mid-year and the El Limon Deep zone will be reached shortly thereafter.

Planning for an access tunnel, land access negotiations, and permit preparation are also underway for the Media Luna deposit. It is anticipated that the access tunnel can be collared before the end of the year and it is expected that it will reach the planned horizon for diamond drilling after approximately one year of tunneling work. Work is also underway to optimize the Media Luna mine design, with a goal of reducing capital cost and shortening the build schedule.

Permitting and land acquisition efforts for additional targets on the Morelos Gold Property will commence once the similar work for Media Luna has been completed.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

The following table summarizes balance sheet items at December 31, 2016:

In thousands of U.S. dollars		December 31, 2016		December 31, 2015
Cash and cash equivalents	$	104,019	$	46,055
Restricted cash		23,428		44,591
Gold derivative contracts		8,586		34,407
Value added tax receivable		61,877		51,333
Inventory		53,380		10,597
Property, plant and equipment		940,892		930,818
Other assets		14,207		3,263
Total assets	$	1,206,389	$	1,121,064
Accounts payable and accrued liabilities	$	50,545	$	42,389
Debt		406,700		370,461
Currency derivative contracts		10,185		5,574
Other liabilities		55,063		32,504
Total liabilities	$	522,493	$	450,928
Total shareholders' equity	$	683,896	$	670,136

Cash and cash equivalents and restricted cash

The Company ended the year with cash on hand of $104.0 million, with an additional $23.4 million in restricted cash. The Company holds cash balances in both Canadian dollars and Mexican pesos in addition to its U.S. dollar holdings.

Pursuant to the Loan Facility, the Company maintains restricted cash of $23.4 million consisting of reserve funds of $13.7 million in case of an unplanned temporary closure of the ELG Mine and $9.7 million for accrued tax and royalties. As at December 31, 2015 the Company also held $30.9 million in the sponsor reserve account. The conditions required to release these funds were met by the Company during 2016. During the second quarter $6.0 million was released to fund expenditures for the ELG Mine and $12.0 million was released for future corporate expenditures. The remaining $12.9 million was released during the third quarter of 2016.

Derivative contracts

In October 2014 and May 2016, in connection with the Loan Facility, the Company entered into the Gold Contracts and Peso Contracts, which are marked-to-market at the end of every reporting period as they are considered non-designated hedges. The gain or loss relating to these contracts fluctuates with the price of gold and the Mexican peso exchange rate relative to the U.S. dollar, respectively. The Gold Contracts are recorded at an asset of $8.6 million at December 31, 2016, reflecting that the forward prices per the contracts are higher than current forward market prices in the market. The Peso Contracts are a liability of $10.2 million at December 31, 2016, reflecting further devaluation in the Mexican peso since the contracts were entered into.

Value added tax receivable

The Company has VAT receivables 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. During the three and twelve months ended December 31, 2016, the Company collected $4.2 million and $22.6 million, respectively, in VAT receivables. In June 2016, the Company also entered into a loan secured by its outstanding VAT receivables to mitigate delays in the collection of VAT refunds. Refer to "Debt Financing" for further details.

Inventory

At December 31, 2016, inventories included $18.9 million of ore in stockpile, $12.4 million of gold-in-circuit, $4.1 million of finished metal inventory, and $18.0 million of materials and supplies. At December 31, 2015, inventory includes only materials and supplies as gold inventory balances were included in property, plant and equipment as part of the construction in progress until the commencement of commercial production.

Property, plant and equipment

Property, plant and equipment increased by $135.3 million for construction expenditures at the ELG Mine, infrastructure, equipment, finance lease assets and capitalized stripping costs. These increases are partly offset by depreciation and amortization of $80.8 million. Further, $44.5 million was transferred from construction in progress to inventory and prepaid expenses when the ELG Mine entered the production stage.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by $8.2 million to $50.5 million at December 31, 2016, largely reflecting operating expenditures of the ELG Mine of $40.7 million and another $9.8 million relating to capital expenditures. Operating expenditures were higher in 2016 compared to the prior year because the Company was not in commercial production in 2015.

Debt

The Company's debt obligations include the amounts outstanding under the Loan Facility, which financed a portion of the construction of the ELG Mine, the Equipment Loan and Finance Lease Arrangement which financed mobile mining equipment, and the VAT Loan. Refer to "Debt Financing" for further details.

DEBT FINANCING

Loan Facility

In August 2014, the Company, through its subsidiary Minera Media Luna, S.A. de C.V. ("MML"), signed a credit agreement (the "Credit Agreement") with BMO Harris N.A., BNP Paribas, Commonwealth Bank of Australia, ING Bank N.V., Société Générale, and The Bank of Nova Scotia (the "Lenders") and other definitive documentation giving effect to a $375 million senior secured project finance loan (the "Loan Facility"). The Loan Facility is comprised of two separate facilities, a project finance facility of $300 million (the "PFF") and a cost overrun facility of $75 million (the "COF"). Advances under the PFF bear interest at a rate of LIBOR + 4.25% to 4.75% and advances under the COF bear interest at the same rate plus 1%. The Loan Facility has a maturity date of June 30, 2022. The Loan Facility has been fully drawn, and the amount outstanding as at December 31, 2016 was $375 million. The proceeds of the Loan Facility were used to fund the development of the ELG Mine. The Loan Facility is presented in the Statement of Financial Position at amortized cost, net of deferred financing costs, and totalled $365.7 million at December 31, 2016.

In connection with the Loan Facility, the Company placed $13.7 million of cash on deposit for potential obligations in the event of an unplanned temporary closure of the ELG Mine, as well as $30.9 million in a reserve account (the "Sponsor Reserve Account") to address potential impacts that a delay in the anticipated commencement of production may have on certain requirements under the Loan Facility. During 2016, the full amount in the Sponsor Reserve Account was released; $6.0 million was used to fund ELG Mine expenses and the remainder is available to fund corporate priorities including exploration and development activities. At December 31, 2016, the remaining $23.4 million in restricted cash is comprised of the initial $13.7 million put aside for an unplanned temporary closure of the ELG Mine and $9.7 million in an account to fund tax and royalty obligations.

Further, the Company entered into commitments to deliver 204,360 ounces of gold from the ELG Mine to the Lenders between January 2016 and July 2017, at an average flat forward gold price of $1,241 per ounce. As at December 31, 2016, the Company had 102,107 ounces remaining to be delivered. Contracts that remain outstanding at the end of the reporting period are marked-to-market as they are considered non-designated hedges. As forward prices for gold at December 31, 2016 were lower than the average prices of the remaining Gold Contracts, the Company recognized an asset of $8.6 million with respect to the Gold Contracts.

The Company also executed the required Peso Contracts, which cover 75% of the Company's non-U.S. dollar denominated capital expenditures for the ELG Mine from November 2014 to the second quarter of 2017, as well as 75%, 50% and 25% annually, of the Company's estimated non-U.S. dollar denominated operating expenditures for the ELG Mine from May 2016 to December 2018. The contracts are secured on an equal basis with the Loan Facility and documented in the form of International Swaps and Derivatives Association Agreements. At December 31, 2016, the Company had 19 million pesos remaining to be purchased at an average price of 13.81 pesos per U.S. dollar, and 1,264 million pesos at an average price of 18.70 pesos per U.S. dollar. Contracts that remain outstanding at the end of the reporting period are marked-to-market as they are considered non-designated hedges. Based on the forward prices for pesos at December 31, 2016, the Company recognized a liability of $10.2 million with respect to the Peso Contracts.

The Loan Facility is subject to an Interim and Final Completion Test ("ICT" and "FCT") requiring the Company to meet certain operational, legal and financial criteria. The deadlines for completion of the ICT and FCT are September 30, 2016 and March 31, 2018, respectively. The Company successfully completed, and the Lenders accepted, the ICT in September 2016. The Company was required to complete certain additional work with respect to the Tailings Dry Stack by the end of February 2017. The Company successfully completed, and the Lenders accepted, the additional work with respect to the Tailings Dry Stack. Inability to achieve the FCT would constitute an event of default under the Loan Facility, unless a waiver or amendment to the Loan Facility is obtained. The Company is also restricted from repatriating funds from MML until the FCT has been achieved, which the Company believes will occur in the second half of 2017.

Equipment Loan

On December 23, 2015, the Company executed a $7.6 million 4-year loan agreement with BNP Paribas (the "Equipment Loan"). The Equipment Loan, secured by certain mining vehicles that are owned by the Company, is due to mature on December 31, 2019, is repayable in quarterly instalments which started March 31, 2016, and bears interest at a rate of LIBOR + 3.75%. The loan is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges, and totalled $5.4 million at December 31, 2016. In 2016, the Company repaid $1.9 million.

Finance Lease Arrangement

Further, on December 31, 2015, the Company executed a finance lease arrangement with Parilease SAS (the "Finance Lease Arrangement") which provides up to $17.4 million in lease financing for mining equipment. On December 26, 2016, the Company signed an amendment extending the available funds to $23.7 million. As of December 31, 2016, the Company had utilized $19.0 million under the Finance Lease Arrangement. Advances under the Finance Lease Arrangement bear interest at a rate of LIBOR + 4.0%, and are repayable in quarterly rent instalments over five years. The loan under the Finance Lease Arrangement is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges, and totalled $18.1 million at December 31, 2016.

VAT Loan

On June 3, 2016, the Company executed a line of credit agreement with Banco Nacional de Comercio Exterior for an amount equivalent to 84.2% of 95% of the Company's outstanding VAT filings, up to 800 million Mexican pesos (approximately $39.0 million at December 31, 2016) (the "VAT Loan"). The VAT Loan is secured by the Company's VAT receivable amounts, and advances under the facility bear interest equal to the 91-day Interbank Equilibrium Interest (TIIE) Rate as published by the Bank of Mexico + 2.99%. Interest payments are due quarterly and VAT refunds received are applied against the balance outstanding. A final payment of all principal and any accrued interest is due 24 months following the date of the first advance. Upon signing the agreement, the Company paid 0.5% of the total amount committed, and will pay 0.5% of each advance. During the term of the VAT Loan, MML is restricted from repaying loans from the parent company and its affiliates.

The Company drew down its first advance on June 24, 2016, in the amount of 450.5 million Mexican pesos (approximately $24.3 million at the time of the advance). The remaining 349.5 million pesos under the loan are available until March 31, 2017. The loan is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges, and totalled $17.8 million at December 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

The Company commenced selling gold from the ELG Mine in February 2016, and on March 30, 2016, announced that the ELG Mine had achieved commercial production. In addition to potential proceeds from gold sales, sources of funding include undrawn amounts under existing debt arrangements, as well as proceeds from stock option exercises.

The total assets of the Company as at December 31, 2016 were $1,206.4 million (December 31, 2015 - $1,121.1 million), which includes $104.0 million in cash and cash equivalents (December 31, 2015 - $46.1 million), excluding restricted cash of $23.4 million (December 31, 2015 - $44.6 million). The Company had working capital of $124.5 million as at December 31, 2016, compared to $56.7 million at December 31, 2015. Current cash, along with proceeds from gold sales, is expected to be sufficient to fund operations and settle outstanding liabilities as the plant ramps up to design capacity of 14,000 tpd.

Cash flow generated from operating activities, including changes in non-cash working capital, for the 12 months ended December 31, 2016 totalled $167.4 million compared to cash flow used in operating activities of $34.3 million for the twelve months ended December 31, 2015. The increase in cash flow from operations is primarily due to the commencement of commercial production at the ELG Mine. Cash flow generated from operating activities, including changes in non-cash working capital, for the three months ended December 31, 2016 totalled $51.7 million, compared to cash flow used in operating activities of $14.8 million for the three months ended December 31, 2015.

Investing activities resulted in cash outflows of $109.5 million during 2016, compared with cash outflows of $349.0 million for the comparative period in 2015. In both periods, the outflows include the purchase of equipment and the capitalization of expenditures directly related to the development of the ELG Mine, as well as capitalized borrowing costs of $5.6 million in the twelve months ended December 31, 2016 (December 31, 2015 - $14.1 million). VAT paid for investing activities was $19.1 million in 2016 compared to $47.2 million for the prior year. Cash flows generated from investing activities in 2016 include proceeds from pre-production gold sales, which totalled $38.7 million (excluding proceeds from deliveries under derivative contracts), net of withdrawals from amounts in the sponsor reserve account of $20.3 million, and the collection of $22.4 million in VAT refunds, excluding interest. In comparison, in 2015, the Company had no gold sales as the ELG Mine was still in the construction phase, and VAT collections were $34.7 million.

Investing activities resulted in cash outflows of $30.6 million for the three months ended December 31, 2016, compared with cash outflows of $78.9 million for the comparative period in 2015. For the three months ended December 31, 2016, $22.6 million in cash outflows are primarily related to infrastructure, equipment, the cash component of capitalized stripping costs, infrastructure, equipment, and construction of the SART plant and the El Limón Deep tunnel. A further $2.9 million in outflows reflects working capital for property, plant and equipment and an additional $3.0 million is related to VAT paid. In the comparative period in 2015, cash outflows of $80.0 million were related to purchases of equipment and the capitalization of expenditures directly related to the development of the ELG, VAT paid of $11.6 million, and capitalized borrowing costs of $5.2 million. Cash flows generated from investing activities for the three months ended December 31, 2016 consist of VAT refunds received of $4.0 million. In the comparative period in 2015, cash flows generated from investing activities primarily relate to VAT collections of $10.2 million.

Financing activities resulted in cash inflows of $1.7 million in 2016, compared with net inflows of $335.7 million in the prior year. Cash flows from financing activities in 2016 relate primarily to the first drawdown on the VAT Loan, net of interest paid and repayments under the VAT and Equipment Loan. In comparison, the twelve months ended December 31, 2015 included $329 million in draws from the Loan Facility. Financing activities for the three months ended December 31, 2016 resulted in cash outflows of $12.2 million primarily due to interest paid of $6.4 million. Comparatively in the fourth quarter of 2015, financing activities resulted in cash inflows of $59.0 million from drawdowns on the Loan Facility.

As at December 31, 2016, the Company's contractual obligations included a head office lease agreement, office equipment leases, 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, a five-year exploration access agreement with the Puente Sur Balsas Ejido, and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine. All of the long-term land lease agreements and the exploration agreement 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. These agreements are not included in the contractual commitments reported below. In addition, the Company has entered into several exploration-related agreements, all of which are cancellable within a year at the Company's discretion.

In addition, production revenue from the "Reducción Morelos Norte" concession is 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. Further, in 2014, the Mexican government enacted a tax reform introducing 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 March of the following year.

Contractual Commitments

		Payments Due by Period			
In thousand of U.S. dollars	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Greater than 5 years**
Long-term leases	$ 603	$ 42	$ 481	$ 80	$ -
ELG Mine commitments	43,285	43,285	-	-	-
Debt	416,698	4,061	118,458	198,141	96,038
Total	**$ 460,586**	**$ 47,388**	**$118,939**	**$198,221**	**$ 96,038**

OUTSTANDING SHARE DATA

Outstanding Share Data at February 22, 2017	Number
Common shares	79,748,355
Share purchase options [1]	1,079,325
Restricted share units [2,3]	326,076
Performance share units [4]	271,275

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 return performance as compared to a group of comparable companies over the applicable period.*

On June 30, 2016, the Company consolidated its outstanding common shares on a 10-for-1 basis resulting in one common share for every ten pre-Consolidation common shares outstanding. All references in this document, as well as in the consolidated financial statements, to earnings (loss) per share, weighted average number of common shares outstanding, common shares outstanding and authorized common shares have been adjusted to reflect the Consolidation. As a result of the Consolidation, at December 31, 2015, after rounding of fractional shares, there were and 78,544,682 common shares outstanding on a post-Consolidation basis.

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. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.

Total cash costs

Total cash costs is a common financial performance measure in the gold mining industry however has no standard meaning under IFRS. Torex 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 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 costs.

Torex reports AISC in accordance with the guidance issued by the World Gold Council ("WGC") in June 2013. The WGC definition of all-in sustaining costs 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 (capital and expensed), capitalized stripping costs and sustaining capital expenditures and represents the total costs of producing gold from current operations. AISC exclude income tax payments, interest costs, costs related to business acquisitions and 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 as a result of different underlying principles and policies applied. Differences may also occur due to different definitions of sustaining versus non-sustaining capital.

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

In thousands of U.S. dollars, unless otherwise noted		**Three Months Ended December 31, 2016**	**From April 1, 2016 to December 31, 2016**
Gold sold	oz	83,259	244,095
Total cash costs per ounce sold			
Production costs and royalties	$	45,624	134,319
Less: Silver sales	$	(750)	(1,854)
Total cash costs	$	44,874	132,465
Total cash costs per ounce sold	$/oz	539	543
All-in sustaining costs per ounce sold			
Total cash costs	$	44,874	132,465
Corporate general and administrative costs [1]	$	3,808	12,370
Reclamation and remediation costs [2]	$	340	987
Sustaining exploration costs	$	-	913
Sustaining capital expenditure [3]	$	13,125	32,221
Total all-in sustaining costs	$	62,147	178,956
Total all-in sustaining costs per ounce sold	$/oz	746	733

1. Includes share-based compensation in the amount of $0.9 million, or $10.4/oz, and $4.2 million, or $17.2/oz, for the three and twelve months ended December 31, 2016, respectively. As transition to the production phase commenced April 1, 2016, year-to-date amounts only include data starting April 1, 2016.
2. Includes accretion expense of $0.1 million, or $3.1/oz, and amortization expense of $0.3 million, or $3.1/oz for the three months ended December 30, 2016, and accretion expense of $0.2 million, or $1.3/oz and amortization expense of $0.8 million, or $3.1/oz for the twelve months ended December 31, 2016. As transition to the production phase commenced April 1, 2016, year-to-date amounts only include data starting April 1, 2016.
3. Based on additions to property, plant and equipment per the Statement of Cash Flows for the year ended December 31, 2016. Capital expenditures for the three months ended December 31, 2016 totalled $22.6 million, and $65.5 million year-to-date (amount only includes data starting April 1, 2016). Sustaining capital expenditures of $13.1 million in the fourth quarter are related to $5.2 million for the cash component of capitalized stripping activities at El Limon and Guajes West, sustaining equipment of $4.7 million and infrastructure expenditures of $3.2 million. Sustaining capital expenditures from April 1, 2016 to December 31, 2016 amounted to $32.2 million in relation to $14.5 million for the cash component of capitalized stripping activities at El Limon and Guajes West and $17.7 million for sustaining equipment and infrastructure expenditures.

   Non-sustaining capital expenditures of $9.5 million in the fourth quarter consisting of the SART Plant of $2.5 million, development of the El Limon Deep tunnel of $2.6 million, cost associated with open pit development in ponds and perimeter ditches of $1.3 million, $1.2 million related to construction at the ELG Mine post-commercial production and acquisition of mobile and other equipment of $1.9 million were considered non - sustaining and have been excluded from AISC. Non-sustaining capital expenditures in the period from April 1, 2016 to December 31, 2016 of $33.2 million include $28.1 million associated with construction activities for the ELG Mine post-commercial production in relation to the El Limon primary crusher, mine waste management, filter building, tailings dry stack, open pit development, ponds, perimeter ditches and certain mobile equipment. The remaining non-sustaining capital expenditures of $5.1 million are related to the construction of the SART plant and the El Limon Deep tunnel.

Average Realized Price and Average Realized Margin

Average realized price and average realized margin per ounce of gold sold are used by management 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 (Loss) and includes realized gains and losses on the Gold Contracts, less silver 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 2016 was $1,232 per ounce of gold sold compared to $1,308 per ounce of gold sold for the third quarter of 2016. The decrease is primarily a result of lower spot gold prices. For the period from April 1, 2016 to December 31, 2016, the average realized price was $1,263 per ounce of gold sold.

The average realized margin for the fourth quarter of 2016 was $693 per ounce of gold sold compared to $791 per ounce of gold sold for the third quarter of 2016. The decrease reflects lower spot gold prices and higher total cash costs per ounce of gold sold during the fourth quarter. For the period from April 1, 2016 to December 31, 2016, the average realized margin was $720 per ounce of gold sold.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

In thousands of U.S. dollars, unless otherwise noted		**Three Months Ended December 31, 2016**	**From April 1, 2016 to December 31, 2016**
Gold sold	oz	83,259	244,095
Revenue [1]	$	102,312	312,505
Less: Silver sales	$	(750)	(1,854)
Less: Realized gain (loss) on Gold Contracts	$	1,005	(2,274)
Total proceeds	$	102,567	308,377
Total average realized price per ounce	$/oz	1,232	1,263
Less: Total cash costs per ounce	$/oz	539	543
Total average realized margin per ounce	$/oz	693	720

1. Proceeds from sale of gold and silver of $38.9 million prior to achieving commercial production are offset against the construction costs for the ELG Mine.

Adjusted Net Earnings

Adjusted net earnings and adjusted net earnings per share (basic and diluted) are used by management and investors 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 income adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as: the impact of foreign exchange gains and losses, foreign exchange gains and losses on deferred income and mining taxes, non-cash unrealized gains and losses on derivative contracts, impairment provisions (if any) and other non-recurring items.

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.

The adjusted net earnings for the fourth quarter of 2016 were $4.3 million compared to $24.8 million for the third quarter of 2016. The decrease is largely due to a higher income tax expense in the fourth quarter of 2016 compared to the third quarter of 2016 mainly due to foreign exchange translation. For the period from April 1, 2016 to December 31, 2016, adjusted net earnings were $51.1 million.

Reconciliation of Adjusted Net Earnings to Net Income

In thousands of U.S. dollars, unless otherwise noted		**Three Months Ended December 31, 2016**	**From April 1, 2016 to December 31, 2016**
Basic weighted average shares outstanding	shares	79,644,131	79,169,815
Diluted weighted average shares outstanding	shares	80,062,987	79,846,592
Net income	$	10,708	40,989
Adjustments, after-tax:			
Unrealized foreign exchange loss	$	4,345	9,876
Deferred income tax recovery relating to foreign exchange	$	265	825
Unrealized (gain) loss on derivative contracts	$	(15,962)	170
Tax effect of adjustments	$	4,910	(716)
Adjusted net earnings	$	4,266	51,144
Per share - Basic	$/share	0.05	0.65
Per share - Diluted	$/share	0.05	0.64

ADDITIONAL IFRS FINANCIAL MEASURES

The Company has included the additional IFRS measures “Earnings from mine operations” and “Cash generated from (used in) 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, sustaining capital expenditures, corporate general and administrative expenses, exploration and evaluation expenses, foreign exchange losses, derivative costs, finance income and expenses, and taxation.

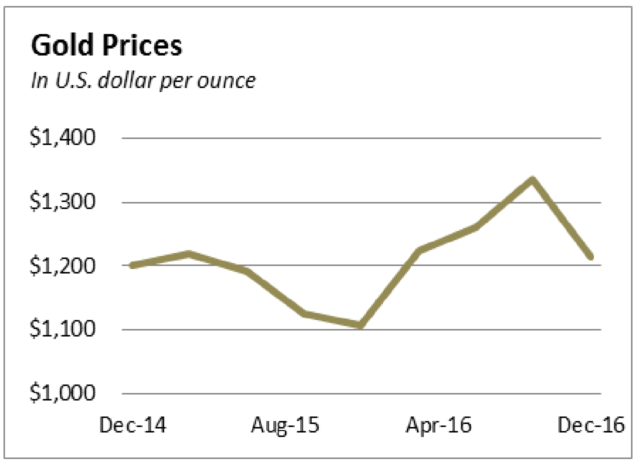
“Cash generated from (used in) operating activities before change in non-cash working capital balances” provides useful information to management and investors as an indication of the cash flows from operations before consideration of the impact of changes in working capital balances in the period.

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.

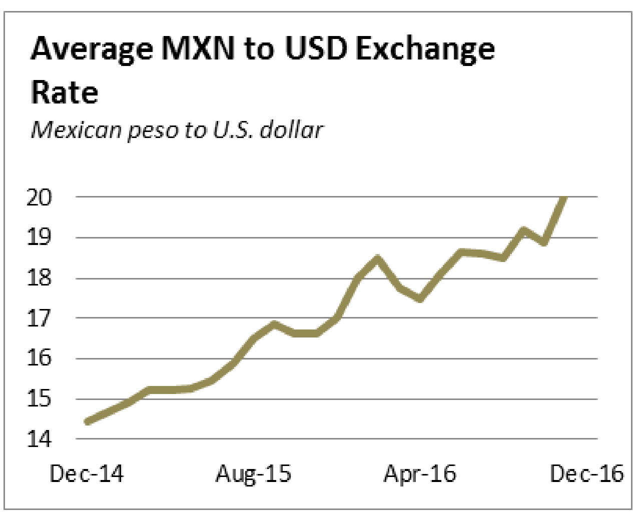
		Three Months Ended December 31,		Year Ended December 31,	
		2016	2015	2016	2015
Average market spot prices					
Gold	$/oz	1,214	1,106	1,248	1,160
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : $	19.8	16.8	18.7	15.9
Canadian dollar : U.S. dollar	C$: $	1.33	1.34	1.32	1.28

Metal prices



The Company's profitability and operating cash flows are significantly impacted by the price of gold. During 2016, approximately 28% of the gold sold by the Company was delivered into the Gold Contracts at an average flat forward price of $1,241 per ounce of gold with the remaining sold at the market spot price. The market price of gold continued to exhibit significant volatility during 2016 but ended the year at $1,150 per ounce, up more than 8% over the closing price on December 31, 2015. Similarly, the average price of gold was $1,248 per ounce in 2016, up nearly 8% compared to 2015. The Company has entered into commitments under the Gold Contracts to deliver a further 102,107 ounces of its gold production from the ELG Mine over the first half of 2017, at an average flat forward price of $1,241 per ounce of gold.

Foreign exchange rates



The Company's functional and reporting currency is the U.S. dollar and it is therefore exposed to financial risk related to foreign exchange rates. In particular, approximately 41% of the Company's operating costs for the fourth quarter of 2016 were incurred in Mexican pesos. Although the Company has entered into the Peso Contracts to fix a portion of its Mexican-denominated costs and operating expenditures, changes in exchange rates are still 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 19.8 and 18.7 pesos for the fourth quarter and year ended December 31, 2016, compared to 16.8 and 15.9 pesos for the comparative periods in 2015, representing a devaluation of 18% and 18% year over year, respectively.

SUMMARY OF ANNUAL INFORMATION

Selected Annual Information

In millions, except per share amounts of U.S. dollars	December 31, 2016	December 31, 2015	December 31, 2014
Revenues	**$ 312.5**	$ -	$ -
Operating expenses	**211.7**	21.9	26.7
Net income (loss)	**3.2**	(24.6)	(26.3)
Income (loss) per share - basic and diluted	**0.04**	(0.31)	(0.36)
Current assets	**196.9**	107.1	101.5
Long-term assets	**1,009.4**	1,014.0	672.1
Total assets	**1,206.4**	1,121.1	773.6
Long-term liabilities	**450.0**	400.5	63.2
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 transitioned to commercial production for accounting purposes on April 1, 2016. Revenues for the period from April 1, 2016 to December 31, 2016 were $312.5 million. No revenues were recognized in periods prior to April 1, 2016, as in 2014 and 2015 no gold was sold from the ELG Mine, and proceeds from the sale of gold during the first quarter of 2016 were offset against development costs as the ELG Mine had not yet reached commercial production. Operating expenses for 2014 and 2015 relate only to general and administrative expenses and exploration and evaluation expenses and decreased as efforts focused on the development of the ELG Mine. Operating expenses in 2016 increased significantly as they now include the costs of operating the ELG Mine. Net income (loss) and income (loss) per share improved from 2014 to 2016 due to the commencement of commercial production.

Current, long-term and total assets increased from 2014 to 2015, reflecting purchases of equipment and capitalization of expenditures related to the construction of the ELG Mine. In 2016, capitalization of development costs ceased and depreciation of fixed assets began. In 2016, an increase in cash and cash equivalents, the derivative gold contracts, gold inventory and the increase in the VAT receivables contributed to the increase in current assets.

Long-term liabilities increased significantly in 2015 as the Company drew the remaining amounts under the Loan Facility and the Equipment Loan and recorded a provision for decommissioning liabilities related to the ELG Mine. Long-term liabilities increased further in 2016 due to equipment financed during the year and the VAT Loan entered into in June 2016.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

In millions of U.S. dollars, unless otherwise noted		2016				2015			
		Dec 31	**Sep 30**	**June 30**	**Mar 31**	**Dec 31**	**Sep 30**	**June 30**	**Mar 31**
Key Operating Data									
Mining									
Ore mined	kt	853	869	684	516	68	236	488	158
Waste mined	kt	5,982	5,648	3,933	3,418	3,542	3,826	3,943	3,416
Total mined	kt	6,835	6,517	4,617	3,934	3,610	4,062	4,431	3,574
Strip ratio	waste : ore	7.0	6.5	5.8	6.6	52.1	16.2	8.1	21.6
Average gold grade of ore mined	gpt	3.03	3.08	3.18	2.60	2.33	2.94	2.64	1.96
Processing									
Tonnes processed	kt	849	932	925	670	89	-	-	-
Plant recovery	%	89	89	82	76	87	-	-	-
Head gold grade	gpt	3.49	3.13	3.15	2.73	1.77	-	-	-
Production and Sales									
Gold ounces produced	oz	80,955	77,915	83,256	37,811	350	-	-	-
Gold ounces sold	oz	83,259	80,064	80,772	31,518	-	-	-	-
Financial Results									
Revenue [1]	$	102.3	108.1	102.1	-	-	-	-	-
Cost of sales	$	68.6	63.7	60.4	-	-	-	-	-
Earnings from mining operations	$	33.8	44.4	41.7	-	-	-	-	-
General and administrative	$	3.8	4.4	4.2	2.9	3.8	2.8	2.7	2.9
Exploration and evaluation	$	1.9	0.4	0.5	0.8	1.6	1.7	2.7	3.7
Income tax expense (recovery)	$	16.7	5.1	2.5	(1.8)	2.0	1.6	1.5	0.3
Net income (loss)	$	10.7	23.6	6.7	(37.8)	0.1	(4.8)	(9.2)	(10.7)
Per share - Basic [3]	$/share	0.13	0.30	0.08	(0.48)	0.00	(0.06)	(0.12)	(0.14)
Per share - Diluted [3]	$/share	0.13	0.30	0.08	(0.48)	0.00	(0.06)	(0.12)	(0.14)
Adjusted net earnings [2]	$	4.3	24.8	22.1	-	-	-	-	-
Per share - Basic [2, 3]	$/share	0.05	0.31	0.28	-	-	-	-	-
Per share - Diluted [2, 3]	$/share	0.05	0.31	0.28	-	-	-	-	-
Cost of sales	$/oz	823	795	748	-	-	-	-	-
Total cash costs [2]	$/oz	539	517	571	-	-	-	-	-
All-in sustaining costs [2]	$/oz	746	699	754	-	-	-	-	-
Average realized gold price [2]	$/oz	1,232	1,308	1,252	-	-	-	-	-
Average realized margin [2]	$/oz	693	791	681	-	-	-	-	-

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 the annual total due to rounding.

1. Proceeds from sale of gold and silver prior to achieving commercial production were offset against the construction costs for the ELG Mine.
2. Adjusted net earnings, total cash costs, all-in sustaining costs, 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. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.
3. Earnings per share reflect the Consolidation. Comparatives were restated.

Net income (loss) has fluctuated based on, amongst other factors, gold prices and foreign exchange rates. Gold prices affect the Company's realized sales prices of its gold production, as well as the marked-to-market value of the Gold Contracts. 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, 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 marked-to-market value of the Peso Contracts, as well as the tax basis of non-monetary assets and liabilities considered in the Company's deferred tax liability.

TRANSACTIONS WITH RELATED PARTIES

There were no material related party transactions during the year other than those disclosed in the Company's consolidated financial statements for the year ended December 31, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates.

The areas that require management to make significant judgments, estimates and assumptions in applying the Company's accounting policies in determining carrying values include, but are not limited to:

Presentation and functional currency

The Company's presentation currency is the U.S. dollar and the functional currency of the Company and each of its significant subsidiaries is the U.S. dollar, as it was assessed by management as being the primary currency of the economic environment in which the Company and its significant subsidiaries operate.

Production stage

Significant judgment is required to determine when an asset is able to operate at expected levels and requires an assessment of both qualitative and quantitative factors. 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 conditions. The criteria considered is as follows:

- Substantial completion of the construction activities;
- The level of capital expenditures in relation to the project budget;
- Producing saleable material;
- Completion of a reasonable period of testing of the plant and equipment in the mine and/or mill;
- Achieving a certain level of recoveries from the ore mined and processed; and
- Reaching a certain level of production and sustaining ongoing production.

Mineral reserves and resources

The Company estimates its mineral reserves and resources based on information compiled by qualified persons as defined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects requirements. The estimation of mineral reserves and resources requires judgment to interpret available geological data, select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs and recovery rates. There are numerous uncertainties inherent in estimating mineral reserves and resources and assumptions that are valid at the time of estimation and may change significantly when new information becomes available. New geological data as well as changes in the above assumptions may change the economic status of reserves and may, ultimately, result in the reserves being revised.

Changes in the proven and probable mineral reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, inventory valuation, the calculation of depreciation and depletion expense, the capitalization of production phase stripping costs, decommissioning liabilities and recognition of deferred tax amounts.

In May 2016, the Company completed a Life of Mine ("LOM") plan update for the ELG Mine. The updated LOM affected the calculation of depreciation and depletion expense, inventory valuation, the capitalization of production phase stripping costs and decommissioning liabilities.

Inventory of ore stockpiled, in-circuit and finished goods

The determination of the carrying values of inventory, the average cost of finished goods sold, the net realizable value and the allocation of costs to inventory involve the use of estimates. There is significant judgment used in estimating future costs, future production levels, contained gold ounces, quantities of gold-in-circuit and ore stockpiled, gold recovery levels and market prices. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying values of inventory, which can also materially affect the amounts recognized in cost of sales in the Consolidated Statements of Operations and Comprehensive Income (Loss). Significant judgment is required to determine the value of ore stockpiled, in-circuit inventory and finished goods transferred from construction in progress to inventory on April 1, 2016 upon declaring commercial production at the ELG Mine.

Taxes

The Company is subject to income tax in several jurisdictions. Significant judgment 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. Where the ultimate tax determination is different from the amounts that were initially recorded, such differences can materially impact the current and deferred tax amounts recognized in the Consolidated Statements of Financial Position and the Consolidated Statements of Operations and Comprehensive Income (Loss).

Deferred income taxes

The Company has historical tax losses that may be carried forward to reduce tax payments in future years. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred tax assets. The Company recognizes the deferred tax benefit related to historical losses or other deferred income to the extent there is sufficient evidence to support that recovery is probable. Changes in estimates can materially affect deferred tax balances and the related expenses and recoveries in the Consolidated Statements of Operations and Comprehensive Income (Loss). The Company has not recorded a deferred tax asset as at December 31, 2016.

Value added tax receivable

The Company is exposed to liquidity and credit risk with respect to its VAT receivable if the Mexican tax authorities are unable or unwilling to make payments in a timely manner in accordance with the Company's monthly filings. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The Company assesses the recoverability of the amounts receivable at each reporting date. Changes in these estimates can materially affect the amount recognized as value added tax receivable and could result in an increase in other expenses recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss). As at December 31, 2016, the Company determined the full balance to be recoverable.

Impairment of assets

The carrying value of property, plant and equipment is reviewed at each reporting period to determine whether there is any indication of impairment. If indicators of impairment are identified an impairment test is conducted. If the results indicate that the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss). The assessment of the recoverability of an asset's carrying value requires judgment about future production and sales volumes, future commodity prices, recoverable mineral reserves, discount rates, foreign exchange rates, and future operating and capital costs. Changes in estimates could materially impact the carrying value of property, plant and equipment, and result in an impairment loss to be recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss). There were no indicators identified as at December 31, 2016.

Decommissioning liabilities

A decommissioning liability is recognized by the Company when a legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises as a result of environmental disturbances caused by the exploration, development or ongoing production of a mineral property. In the first quarter of 2015, the Company recognized a decommissioning liability relating to the ELG Mine for the first time. Significant judgment is involved in determining whether a constructive obligation has occurred. Decommissioning liabilities are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The effect of any changes to the decommissioning liability, including changes to the underlying estimates and changes in market interest rates used to discount the obligation, is added to or deducted from the cost of the related assets. Changes in these factors can materially impact the decommissioning liability and related assets recognized in the Consolidated Statements of Financial Position.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements issued but not yet effective:

(a) IFRS 9 – *Financial Instruments*

IFRS 9 *Financial Instruments* ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") in July 2014 and will replace *IAS 39, Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 also introduces a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(b) IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") was issued by the IASB in May 2014, and will replace IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(c) IFRS 16 – *Leases*

IFRS 16 *Leases* ("IFRS 16"), issued in January 2016, replaces IAS 17, *Leases*. IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

(d) *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2)

On June 30, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment* ("IFRS 2"), clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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 a counterparty's inability to fulfill its contractual payment obligations. To mitigate exposure to credit risk, the Company has adopted strict investment policies, which prohibit any equity or money market investments. All of the Company's cash, cash equivalents, restricted cash, derivative contracts, and VAT receivable are with reputable financial institutions or government agencies and, as such, the Company does not consider its credit risk on these balances to be significant as at December 31, 2016.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company has a history of operating losses during the exploration and development stages and has traditionally obtained cash from its financing activities. However, 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 proceeds from gold sales, cash balances and undrawn amounts on the Finance Lease Arrangement will be sufficient to sustain operations and corporate activities.

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, 2016, the Company had cash balances of $104.0 million, excluding restricted cash of $23.4 million (December 31, 2015 – cash balance of $ 46.1 million, excluding restricted cash of $44.6 million). The Company maintains its cash in fully liquid business accounts. At December 31, 2016, the cash balance held by MML totalled $70.1 million (December 31, 2015 - $30.3 million).

During the year ended December 31, 2016, the Company utilized a total of $19.0 million from its Finance Lease Arrangement to finance certain mining equipment. As at December 31, 2016, the amounts outstanding under the Loan Facility, Equipment Loan, Finance Lease Arrangement, and VAT Loan, totalled $375 million, $5.6 million, $18.4 million and $17.7 million respectively.

As discussed in "Liquidity and Capital Resources", under the terms of the Credit Agreement, the Company is restricted from repatriating funds from MML until the FCT has been achieved, which the Company expects will occur in the second half of 2017. In addition, the Company is also restricted from repatriating funds until the VAT loan is paid in full.

Cash flows that are expected to fund the ELG Mine and settle current liabilities are dependent on, among other things, proceeds from gold sales and recovery of the Company's VAT receivables. The Company is exposed to liquidity and credit risk with respect to its VAT receivables if the Mexican tax authorities are unable or unwilling to make payments in a timely manner in accordance with the Company's monthly filings. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. As at December 31, 2016, the Company expects to recover $21.9 million over the next twelve months and a further $39.9 million thereafter. Significant delays in the collection of VAT receivables may affect the Company's ability to repay the VAT loan and repatriate funds from MML. The Company's approach to managing liquidity risk with respect to its VAT receivables is to file its refund requests on a timely basis, monitor actual and projected collections of its VAT receivables, and cooperate with the Mexican tax authorities in providing information as required. Although the Company expects a full recovery, there remains risk on the amount and timing of collection of the Company's VAT receivables, which may affect the Company's liquidity and ability to fund other priorities. The Company has mitigated the impact of potential delays in the collection of VAT receivables by securing the VAT Loan, as described in "Debt Financing".

The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Commodity Price Risk

Gold prices have fluctuated widely in recent years and the market price of gold has decreased significantly since 2013. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. Under requirements from the Loan Facility, the Company entered into commitments to deliver a total of 204,360 ounces of gold over an 18-month period which commenced in January 2016 to the Lenders, at an average flat forward gold price of $1,241 per ounce. As at December 31, 2016, there were 102,107 ounces remaining to be delivered under the Gold Contracts. A 10% appreciation or depreciation of gold prices would result in an increase or decrease of $7.3 million and $1.6 million (using the spot rate as at December 31, 2016 of $1,151 per ounce) in the Company's net income (loss) for the year relating to the Gold Contracts.

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 have an effect on the Company's results of operations in the future periods.

As at December 31, 2016, the Company had cash and cash equivalents, amounts receivable, VAT receivables, accounts payable and accrued liabilities and income taxes payable that are in Mexican pesos and in Canadian dollars. As at December 31, 2016, a 10% appreciation or depreciation of the Mexican peso and Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $3.7 million and $0.4 million in the Company's net income for the year, respectively.

As at December 31, 2016, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $3.9 million (using the spot rate as at December 31, 2016 of 20.66 Mexico peso per U.S. dollar) in the Company's net income for the year, as a result of the change in the value of the Peso Contracts.

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. As at December 31, 2016, a 100 basis point change in the LIBOR rate would result in a $3.9 million change per annum in interest expense relating to the Company's Loan Facility, Equipment Loan and Finance Lease Arrangement. A change of 100 basis points in the TIIE would not result in a significant change per annum in interest expense related to the VAT Loan. The Company has not entered into any agreements to hedge against unfavourable changes in interest rates.

The Company deposits cash in fully liquid business bank accounts with reputable financial institutions or government agencies. As such, the Company does not consider its interest rate risk exposure to be significant at December 31, 2016 with respect to its cash and cash equivalent positions.

RISKS AND UNCERTAINTIES

Operational risks

Precious metal exploration, mine development and operations

The most significant risks and uncertainties the Company faces are: the Company's reliance on its principal assets, the ELG Mine and the Media Luna Project that form part of its 100% owned Morelos Gold Property; key issues relating to the development and exploitation of the ELG Mine; conducting further exploration of other properties; operating risks; safety and security of operations, including criminal activity such as theft and robbery; risks inherent in mineral exploration, mine development and mining operations; risks associated with the potential construction and start-up of a new mine, including the ability to reach full production, open pit mine risks, risks of interruptions to construction or operating activities as a result of contractor, labour, or community demands, protests or blockades, political and country risk, foreign taxation, the timing and receipt of the Company's anticipated refunds of VAT, 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 of the market price of the common shares of the Company, limitations under the Loan Facility, Equipment Loan and Finance Lease Arrangement, liquidity of parent 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 and Canada, no certainty of economically viable mining operations, volatility and fluctuations in gold prices, 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 if required. For additional information relating to the Company, and a detailed description of risks and uncertainties refer to the Company's most recent annual information form, which is available at the Company's profile on SEDAR at www.sedar.com. See also "Cautionary Note Regarding Forward-Looking Statements."

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, 2016 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 2016 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, 2016, the Company's disclosure controls and procedures have been designed 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 Dawson Proudfoot, P.Eng., Vice President, Engineering of Torex Gold Resources Inc. and a Qualified Person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

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, development and exploitation 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 results set out in the Technical Report including the PEA (including with respect to mineral resource and mineral reserve estimates, as updated by the new mineral resource estimate, mineral reserve estimate and life of mine in the MD&A for the three months ended March 31, 2016, the ability to realize estimated mineral reserves, , the Company's expectation that the ELG Mine 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), the timing and completion of the remaining construction and commissioning of the mine and processing facilities of the ELG Mine and achieving full production, expected metal recoveries, gold production (including without limitation the estimated gold sales by year), total cash costs per ounce of gold sold, AISC and revenues from operations, the expected completion of the FCT, the ability to mine and process estimated mineral reserves, plans to complete the access ramps to El Limon Deep and Sub-sill targets and exploration tunnel for Media Luna, plans to mine and process the material in the Sub-sill area, plans to complete the SART plant and debottleneck the Tailings Filtration Plant ("TFP") and plans to complete the mineral resources estimate on the Sub-sill, and further advances of funds if required, pursuant to the Finance Lease Arrangement and the VAT Loan (each of which is subject to certain customary conditions precedent), expected timing and receipt of VAT refunds. 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," or "believes" 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 exploration, development, exploitation and the mining industry generally such as economic factors as they effect exploration, development, exploitation and mining, future commodity prices, government policies and practices in respect of the administration of VAT refunds, market conditions, changes in interest rates, safety and security, access to the Morelos Gold Property, actual results of current exploration, development and exploitation activities not being consistent with expectations, the variability of the skarn deposits, unexpected events and delays impacting exploration, development and exploitation activities, parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect, government regulation, political, social or economic developments, environmental matters, insurance for risks insured by the Company continue to be available and adequate to cover liabilities, risk of increased capital or operating expenditures, operating or technical difficulties in connection with development and mining activities, hiring the required personnel and maintaining personnel relations, ability to realize estimated mineral reserves, annual production, recoveries, grades, receipt of all necessary approvals and permits, the speculative nature of gold exploration, development and exploitation, including the risks of diminishing quantities of grades of mineral resources and mineral reserves, 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, development and exploitation activities planned for the Morelos Gold Property, the timely completion of development and construction of the ELG Mine, including the SART plant and TFP, to bring it into full production, the timing and receipt of any required approvals and permits, the price of gold, the ability of the Company to obtain qualified personnel, equipment, goods, consumables 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 ability to conclude the land access agreements for Media Luna, 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, as updated by the new mineral resource estimate, mineral reserve estimate and life of mine in the MD&A for the three months ended March 31, 2016, 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 22, 2017