



TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

This management's discussion and analysis of the financial condition and results of operations ("MD&A") for Torex Gold Resources Inc. ("Torex" or the "Company") was prepared as at October 29, 2019 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2019, the annual audited consolidated financial statements and annual management's discussion and analysis for the year ended December 31, 2018. All dollar figures included therein and in the following MD&A are stated in United States dollars ("U.S. dollar") unless otherwise stated.

HIGHLIGHTS

Operational results

- **Record gold produced** in the quarter totalled 138,145 ounces. Gold produced for the nine months totalled 329,660 ounces.
- **Mine production** in the quarter totalled 13,339 kt, averaged 144,989 tpd. Mine production for the nine months totalled 40,033 kt, averaged 146,641 tpd.
- **Mine ore production** in the quarter totalled 1,416 kt, averaged 15,391 tpd. Mine ore production for the nine months totalled 4,379 kt, averaged 16,040 tpd.
- **Grade mined** averaged 3.19 gpt for the quarter, and 2.88 gpt for the nine months.
- **Plant throughput** achieved in the quarter of 1,139 kt, averaged 12,380 tpd. Plant throughput achieved in the nine months of 3,277 kt, averaged 12,004 tpd.
- **Grade processed** averaged 4.11 gpt in the quarter, and 3.56 gpt for the nine months.
- **Gold recovery** averaged 89% for the quarter, and 88% for the nine months.

Financial results

- **Record gold sold** for the quarter was 132,535 ounces for proceeds of \$195.9 million at an **average realized gold price**¹ of \$1,478 per ounce. **Gold sold** for the nine months ended September 30, 2019 was 322,427 ounces for proceeds of \$444.5 million at an **average realized gold price**¹ of \$1,379 per ounce.
- **Revenue** was \$198.2 million. **Cost of sales** was \$130.1 million, or \$982 per ounce of gold sold for the quarter. **Revenue** was \$450.8 million. **Cost of sales** was \$330.9 million, or \$1,026 per ounce for the nine months.
- **Earnings from mine operations** were \$68.1 million for the quarter, and \$119.9 million for the nine months.
- **Income before income tax** was \$59.1 million for the quarter, and \$86.6 million for the nine months.
- **Net income** was \$27.4 million, or \$0.32 per share on a basic and diluted basis for the quarter, after \$32.8 million of current income and mining tax accrued but not paid in the quarter, and \$36.1 million, or \$0.42 per share on a basic and diluted basis for the nine months after \$40.4 million of current income and mining tax accrued but not paid.
- **Adjusted net earnings**¹, which excludes, amongst other items, certain foreign exchange gains and losses, totalled \$30.8 million, or \$0.36 per share on a basic and diluted basis for the quarter, and \$33.8 million, or \$0.40 and \$0.39 per share on a basic and diluted basis for the nine months.

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

- **Cash flow from operations** totalled \$120.7 million for the quarter (\$82.3 million prior to changes in non-cash working capital balances), and \$201.6 million for the nine months (\$183.7 million prior to changes in non-cash working capital balances).
- **Cash balances** as at September 30, 2019 totalled \$168.0 million, all unrestricted.
- **Total cash costs¹** per ounce of gold sold of \$561 for the quarter, and \$620 for the nine months.
- **All-in sustaining costs¹** per ounce of gold sold of \$675 for the quarter, and \$820 for the nine months.
- **Debt refinancing** completed in July 2019, provides greater flexibility with a revised repayment schedule, a lower interest rate, and permits the development of the Media Luna Project, the Muckahi mining system, and other existing and future projects.
- **Principal repayments** of \$39.5 million in the quarter and \$81.9 million in the nine months were made to reduce the Company's debt to \$255.7 million. This includes a prepayment of \$20.0 million on the Company's Revolving Facility (defined herein) in September 2019. In October 2019, the remaining \$11.2 million outstanding on the equipment lease due to mature in December 2020, was repaid in full.

Muckahi²

- In the third quarter of 2019, it was confirmed that the monorail based Muckahi tunnelling equipment could successfully drill, blast, clear the broken rock (muck), and install ground support in flat tunnels and tunnels at a -30-degree gradient. The next phase of component testing will focus on two areas:
 1. The ability of the tramming conveyor to take the muck to the discharge point, utilizing the monorail, and;
 2. The ability to achieve fragmentation in a long hole open stope of 95% passing -400mm and to remove the muck from the stope with a slusher.
- The tramming conveyor is currently being tested at an off-site facility. The test blasting and slusher mucking of the first long hole open stope in ELD will commence in November of this year.
- The ELD deposit has now been committed for mining using the Muckahi Mining System. Layouts for two 30-degree ramps to access the deposit are completed and excavation to the top of the ramps is underway. Excavation of the steep ramps will begin in November. The original test ramp has been decommissioned. With ELD dedicated to Muckahi mining, we will be able to test and optimize the effectiveness of the Muckahi components working together as a mining system.
- A patent application for the Muckahi Mining System was submitted in Q3 2019. The Muckahi Mining System now has 'patent pending' status.

Gold price protection program initiated

- In August 2019, the Company entered into a series of zero-cost collar hedges for a total of 96,000 ounces of gold sales hedged evenly over 12 months beginning September 2019.
- The floor price of the monthly gold collars has been set at \$1,400/oz with the ceiling price of the collars ranging from \$1,666/oz in September 2019 to \$1,768/oz in August 2020.

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

The following table summarizes key operating and financial highlights:

Table 1.

		Three Months Ended				Nine Months Ended	
		Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Sep 30, 2019
<i>In millions of U.S. dollars, unless otherwise noted</i>							
Operating Data							
<i>Mining</i>							
Ore tonnes mined	kt	1,416	1,810	1,153	1,234	1,246	4,379
Waste tonnes mined	kt	11,923	11,450	12,281	10,065	9,846	35,654
Total tonnes mined	kt	13,339	13,260	13,434	11,299	11,092	40,033
Strip ratio ²	waste:ore	9.1	6.8	11.5	8.6	8.2	8.7
Average gold grade of ore mined	gpt	3.19	2.91	2.45	2.76	2.60	2.88
Ore in stockpile ⁴	mt	1.9	1.7	0.9	0.8	0.9	1.9
<i>Processing</i>							
Total tonnes processed	kt	1,139	1,062	1,076	1,197	1,170	3,277
Average plant throughput	tpd	12,380	11,670	11,956	13,011	12,717	12,004
Average gold recovery	%	89	88	88	85	89	88
Average gold grade of ore processed	gpt	4.11	3.92	2.62	2.93	3.01	3.56
<i>Production and sales</i>							
Gold produced	oz	138,145	113,645	77,870	96,316	101,481	329,660
Gold sold	oz	132,535	113,419	76,473	104,169	102,919	322,427
Financial Data							
Revenue	\$	198.2	150.7	101.9	130.7	126.4	450.8
Cost of sales	\$	130.1	115.7	85.1	96.5	94.7	330.9
Earnings from mine operations	\$	68.1	35.0	16.8	34.2	31.7	119.9
Net income (loss)	\$	27.4	10.0	(1.3)	1.4	23.9	36.1
Per share - Basic	\$/share	0.32	0.12	(0.02)	0.02	0.28	0.42
Per share - Diluted	\$/share	0.32	0.12	(0.02)	0.02	0.28	0.42
Adjusted net earnings (loss) ¹	\$	30.8	8.8	(5.7)	13.9	7.3	33.8
Per share - Basic ¹	\$/share	0.36	0.10	(0.07)	0.16	0.09	0.40
Per share - Diluted ¹	\$/share	0.36	0.10	(0.07)	0.16	0.09	0.39
Cost of sales	\$/oz	982	1,020	1,113	926	920	1,026
Total cash costs ¹	\$/oz	561	606	745	627	590	620
All-in sustaining costs ¹	\$/oz	675	760	1,161	926	967	820
Average realized gold price ¹	\$/oz	1,478	1,314	1,302	1,235	1,214	1,379
Cash from operating activities before changes in non-cash working capital	\$	82.3	67.1	34.3	57.2	63.2	183.7
Cash generated from operating activities	\$	120.7	48.6	32.3	59.3	77.8	201.6
Cash and cash equivalents	\$	168.0	83.5	91.6	122.2	121.6	168.0
Restricted cash	\$	-	32.3	26.9	26.8	26.6	-
Working capital (deficiency) ³	\$	116.7	(27.4)	18.1	41.6	56.8	116.7
Total debt	\$	255.7	298.2	318.3	333.5	346.4	255.7
Total assets	\$	1,263.1	1,230.2	1,251.7	1,271.4	1,253.4	1,263.1
Total liabilities	\$	464.6	461.0	493.8	511.8	496.9	464.6

- Adjusted net earnings (loss), 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.
- Ore mined from the ELG Underground (defined herein) of 102 kt and 302 kt is included in ore tonnes mined and excluded from the strip ratio in the three and nine months ended September 30, 2019, respectively. For the three months ended June 30, 2019, March 31, 2019, December 31, 2018 and September 30, 2018, ore mined from the ELG Underground (defined herein) was 117 kt, 83 kt, 67 kt and 38 kt, respectively.
- Current liabilities at June 30, 2019 included a scheduled repayment of \$75.0 million in June 2020 under the 2017 Revolving Facility (defined herein). As a result of the refinancing, the \$75.0 million due under the 2017 Revolving Facility is no longer required.
- Included within ore in stockpile is 0.6 mt of long term, low grade inventory, with a carrying value of nil at September 30, 2019. As at June 30, 2019, March 31, 2019, December 31, 2018 and September 30, 2018, the long term, low grade inventory was 0.5 mt, 0.2 mt, 0.1 mt and nil, respectively, with nil carrying value. As at September 30, 2019 the long term, low grade inventory has an average grade of 0.85 gpt.
- Sum of the quarters may not add to the year to date amounts due to rounding.

THIRD QUARTER REPORT

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

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COMPANY OVERVIEW AND STRATEGY

The Company is 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 prolific Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and consists of 7 mineral concessions covering a total area of approximately 29,000 hectares.

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

The Company’s strategy is to grow production from high quality assets. The Morelos Gold Property provides significant opportunity to implement this strategy. The Media Luna Project provides mid-term growth potential. The developing ELG Underground provides near-term growth opportunity in both the Sub-Sill and the El Limón Deep zone. The many untested exploration targets on this prolific property provide long-term growth opportunities.

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

OBJECTIVES FOR 2019

Production within constraints:

- Production – 430,000, +/- 7% gold ounces sold
- Constraints:
 - No fatalities
 - Lost time injury frequency of < 2 per million hours worked (employees and on-site contractors)
 - Zero reportable spills of 1,000 litres or more, that report to the river or reservoir
 - Total cash costs of \$580, +/- 7% per gold ounce sold
 - All-in sustaining costs of \$790, +/- 7% per gold ounce sold
 - Sustaining capital expenditure of < \$66 million
 - Non-sustaining capital expenditure of < \$36 million

Set up 2020 production:

- Strip 42 million tonnes of waste, of which 16 million tonnes will be capitalized

Set up for growth:

- Drill out and prepare a reserve for El Limón Deep
- Complete the drilling to intersect the remaining 115 targets, in the 175 target Media Luna infill drill program
- Test Muckahi
 - Development on the level
 - Development on a 30 degree down ramp
 - Long hole open stope fragmentation to 95% passing 400 millimeters
 - Mucking a long hole open stope with a slusher

We expect to achieve these objectives and guidance for 2019.

FINANCIAL RESULTS

The following table summarizes the financial results of the Company:

Table 2.

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018 ¹
<i>In millions of U.S. dollars, unless otherwise noted</i>				
Revenue	198.2	126.4	450.8	312.2
Gold	195.9	124.9	444.5	309.7
Silver	0.8	1.0	2.2	2.0
Copper	1.5	0.5	4.1	0.5
Cost of sales	130.1	94.7	330.9	238.2
Production costs	70.7	58.5	192.8	152.4
Depreciation and amortization	53.5	32.5	124.6	76.3
Royalties	5.9	3.7	13.5	9.5
Earnings from mine operations	68.1	31.7	119.9	74.0
Exploration and evaluation expenses	1.2	1.2	2.0	3.7
General and administrative expenses	4.3	4.6	15.0	16.2
Blockade and other charges	-	-	-	4.1
(Gain) loss on derivative contracts	(0.3)	(1.0)	1.0	(1.9)
Finance costs (income), net	3.8	(0.2)	16.4	13.1
Foreign exchange gain	-	(1.3)	(1.1)	(1.2)
Income tax expense, net	31.7	4.5	50.5	18.2
Net income	27.4	23.9	36.1	21.8
Per share - Basic (\$/share)	0.32	0.28	0.42	0.26
Per share - Diluted (\$/share)	0.32	0.28	0.42	0.26
Adjusted net earnings ²	30.8	7.3	33.8	5.8
Per share - Basic (\$/share) ²	0.36	0.09	0.40	0.07
Per share - Diluted (\$/share) ²	0.36	0.09	0.39	0.07
Cost of sales (\$/oz)	982	920	1,026	978
Total cash costs (\$/oz) ²	561	590	620	655
All-in sustaining costs (\$/oz) ²	675	967	820	980
Average realized gold price (\$/oz) ²	1,478	1,214	1,379	1,272
Average realized margin (\$/oz) ²	917	624	759	617

1. Due to the Blockade, the first nine months of 2018 represents 258 days of operations, including the first quarter when operations were partial.
2. Adjusted net earnings, total cash costs, AISC, average realized gold price and average realized margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

THIRD QUARTER 2019 FINANCIAL RESULTS

Processed gold grade was 4.11 grams per tonne

The processed grade was greater than the mined grade due to preferential feeding of higher grades to the process plant and stockpiling of lower grades in accordance with the stockpile plan. The grade estimate for mined material is based on blast hole and diamond drill assays whereas the mill grade is determined by metal balance for the process plant. The net result is a processed gold grade of 4.11 gpt, versus a mined grade of 3.19 gpt for the third quarter. For the nine months ended September 30, 2019, the average grade processed was 3.56 gpt, versus an average mined grade of 2.88 gpt. Excluding long term, low grade inventory, the mined grade for the three and nine months ended September 30, 2019 are 3.37 gpt and 3.16 gpt, respectively.

Processed average daily tonnage of 12,380 tpd

Throughput rates averaged 12,380 tpd for the quarter and 12,004 tpd for the first nine months of 2019.

Revenue totalled \$198.2 million

During the third quarter of 2019, the Company earned \$198.2 million in revenue compared to \$126.4 million for the third quarter of 2018. The Company sold 132,535 ounces of gold at an average realized price of \$1,478 per ounce in the third quarter of 2019, compared to 102,919 ounces of gold at an average realized price of \$1,214 in the third quarter of 2018. The increase in revenue in the third quarter of 2019 compared to the third quarter of 2018 is due to more ounces resulting from higher grades processed combined with a higher average realized price.

During the first nine months of 2019, the Company earned \$450.8 million in revenue compared to \$312.2 million for the first nine months of 2018. The Company sold 322,427 ounces of gold at an average realized price of \$1,379 in the first nine months of 2019, compared to 243,471 ounces of gold at an average realized price of \$1,272 per ounce in the first nine months of 2018. The increase in ounces sold in the first nine months of 2019 compared to the first nine months of 2018 is primarily due to higher total throughput, higher grades processed, higher average realized price and reflects the fact that for the first nine months of 2018 the ELG Mine Complex operated for only 258 days, and under partially constrained arrangements with a subsequent ramp-up period, because of the Blockade that began in November 2017.

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 \$130.1 million or \$982 per ounce sold

Cost of sales for the third quarter of 2019 was \$130.1 million compared to \$94.7 million for the third quarter of 2018. Cost of sales for the first nine months of 2019 was \$330.9 million compared to \$238.2 million for the first nine months of 2018. These increases reflect higher tonnage mined and processed, greater Sub-Sill mining activity, a reduction in deferred stripping costs capitalized, and an increase in depreciation and amortization.

Depreciation and amortization expense amounted to \$53.5 million for the third quarter of 2019 compared to \$32.5 million for the third quarter of 2018. Depreciation and amortization expense amounted to \$124.6 million for the first nine months of 2019 compared to \$76.3 million for the first nine months of 2018. The increase in depreciation is primarily driven by an increase in gold ounces recovered which forms the basis for the depreciation for most of the Company's property, plant and equipment, as well as a greater portion of depreciation related to previously capitalized deferred stripping being amortized as the associated ore is processed.

Included in cost of sales in the third quarter of 2019 is a charge of \$5.8 million to adjust long term, low grade stockpile inventory to net realizable value. Of this amount, \$2.3 million is related to production costs and \$3.5 million is related to depreciation and amortization. Included in cost of sales in the first nine months of 2019 is a charge of \$21.5 million to adjust long term, low grade stockpile inventory to net realizable value. Of this amount, \$9.4 million is related to production costs and \$12.1 million is related to depreciation and amortization.

In the nine months ended September 30, 2018, there is \$1.3 million of depreciation included in 'Blockade and other charges'.

Royalties were \$5.9 million and \$13.5 million for the three and nine months ended September 30, 2019 compared to \$3.7 million and \$9.5 million for the three and nine months ended September 30, 2018, representing 3% of proceeds from gold and silver sales. The increase correlates with the increase in ounces sold and higher average realized price. Of the 3% royalty expense, 2.5% is payable to the Mexican Geological Survey agency quarterly and 0.5% is payable annually to the Ministry of Finance.

Total cash costs were \$561 per ounce sold

Total cash costs (net of by-product sales) for the third quarter of 2019 were \$561 per ounce of gold sold, a decrease of \$29 per ounce from the third quarter of 2018 of \$590 per ounce of gold sold. Total cash costs (net of by-product sales) for the first nine months of 2019 were \$620 per ounce of gold sold, a decrease of \$35 per ounce of gold sold from the first nine months of 2018 of \$655 per ounce of gold sold.

In the third quarter of 2019, the Company mined 13.3 million tonnes and processed 1.1 million tonnes, compared to 11.1 million tonnes mined and 1.2 million tonnes processed in the third quarter of 2018. Total cash costs per ounce of gold sold in the third quarter of 2019 were lower primarily due to the processing of higher-grade ore. In the first nine months of 2019, the Company mined 40.0 million tonnes and processed 3.3 million tonnes, compared to 21.3 million tonnes mined and 3.0 million tonnes processed in the nine months ended September 30, 2018.

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

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

All-in sustaining costs were \$675 per ounce sold

All-in sustaining costs for the third quarter of 2019 were \$675 per ounce of gold sold compared to \$967 per ounce of gold sold for the third quarter of 2018. Sustaining capital expenditures in the third quarter of 2019 amounted to \$8.9 million, compared to \$33.3 million in the third quarter of 2018. Sustaining capital expenditures were \$5.4 million for capitalized stripping activities, and \$3.5 million for sustaining equipment and infrastructure.

All-in sustaining costs for the first nine months of 2019 were \$820 per ounce of gold sold compared to \$980 per ounce of gold sold for the first nine months of 2018. Sustaining capital expenditures in the first nine months of 2019 amounted to \$45.8 million, compared to \$60.6 million in the first nine months of 2018. Sustaining capital expenditures were \$31.6 million for capitalized stripping activities, and \$14.2 million for sustaining equipment and infrastructure.

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

General and administrative expenses of \$4.3 million

General and administrative expenses decreased to \$4.3 million and \$15.0 million in the three and nine months ended September 30, 2019 compared to \$4.6 million and \$16.2 million in the three and nine months ended September 30, 2018.

Finance costs, net of finance income, of \$3.8 million

Finance costs, net of finance income, amounted to \$3.8 million and \$16.4 million in the three and nine months ended September 30, 2019 compared to \$0.2 million of finance income and \$13.1 million of finance costs in the three and nine months ended September 30, 2018. Finance costs largely reflect the interest expense on the Debt Facility, equipment loan and leases, and are net of finance income relating to interest received on the VAT receivables and cash on hand, as well as a non-cash gain of \$1.8 million on the modification of debt in third quarter of 2019 (net of \$0.7 million previously capitalized finance charges expensed upon modification).

Derivative gain of \$0.3 million

In the three and nine months ended September 30, 2019, the Company recognized a gain of \$0.3 million and a loss of \$1.0 million relating to the interest rate swaps, gold zero-cost collars and currency derivative contracts, compared to gains of \$1.0 million and \$1.9 million in the three and nine months ended September 30, 2018 primarily in relation to currency derivative contracts. The Company settled the remaining currency derivative contracts during the first nine months of 2019 and entered into the interest rate swap and gold zero-cost collars. The gold zero-cost collars deliver a total of 96,000 ounces of gold over a 12-month period commencing in September 2019. The Company intends to continue with gold hedging arrangements beyond the current 12-month hedge given the ongoing capital plans for growth projects as well as the outstanding debt.

Foreign exchange

There was no foreign exchange impact for the quarter ended September 30, 2019, compared to a gain of \$1.3 million for the quarter ended September 30, 2018. Based on closing exchange rates, the Mexican peso depreciated by 2.4% in the quarter ended September 30, 2019. The Company recognized a foreign exchange gain of \$1.1 million for the first nine months of 2019, compared to a gain of \$1.2 million for the first nine months of 2018. Based on closing exchange rates, the Mexican peso appreciated by 0.2% in the first nine months of 2019.

Current income and mining tax expense of \$32.8 million

The Company recognized a current income tax expense of \$32.8 million and \$40.4 million in the three and nine months ended September 30, 2019 related to corporate income tax and the 7.5% Mexican mining royalty, compared to a current tax expense of \$3.2 million and \$8.8 million in the three and nine months ended September 30, 2018. The 7.5% Mexican mining royalty is considered an income tax for IFRS purposes. During the quarter, the remaining Mexican tax loss carryforwards were fully utilized as expected, and as a result the Company will now be subject to income tax for 2019. Instalment payments will commence in December 2019 with the remaining balance payable in March 2020.

Deferred income tax recovery of \$1.1 million

The Company recognized a deferred income tax recovery of \$1.1 million and a deferred income tax expense of \$10.1 million in the three and nine months ended September 30, 2019, compared to a deferred income tax expense of \$1.3 million and \$9.4 million for the three and nine months ended September 30, 2018. For the three months ended September 30, 2019 compared to the three months ended September 30, 2018, the deferred income tax recovery is primarily driven by higher provisions and a decrease in the fixed asset balance, partially offset by higher taxable earnings, the utilization of the remaining loss carryforwards and an increase in the tax effect of currency translation on tax base, which was an expense of \$5.6 million in third quarter of 2019 compared to a recovery of \$13.8 million in third quarter of 2018. For the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, the increase in the deferred income tax expense is due to higher taxable earnings, a corresponding decrease in tax loss carryforwards, and other temporary differences.

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

For the three months ended September 30, 2019, the Mexican peso depreciated by 2.4% to 19.6 relative to the U.S. dollar resulting in an estimated expense of \$4.1 million of foreign exchange included in deferred tax expense, while for the third quarter of 2018, the Mexican peso appreciated by 5.3% to 18.8 relative to the U.S. dollar, resulting in an estimated recovery of \$8.2 million of foreign exchange related deferred tax expense. For the nine months ended September 30, 2019, the Mexican peso appreciated by 0.2% to 19.6 relative to the U.S. dollar leading to an estimated recovery of \$0.7 million of foreign exchange included in deferred tax expense, while for the comparable period, the Mexican peso appreciated by 4.7% relative to the U.S. dollar, resulting in an estimated recovery of \$7.8 million of estimated foreign exchange related to deferred tax expense.

Net income of \$27.4 million

Net income for the third quarter of 2019 was \$27.4 million, or \$0.32 per share on a basic and diluted basis, while the adjusted net income amounted to \$30.8 million, or \$0.36 per share on a basic and diluted basis. In the third quarter of 2018, the Company had net income of \$23.9 million, or \$0.28 per share on a basic and diluted basis while the adjusted net earnings amounted to \$7.3 million, or \$0.09 per share on a basic and diluted basis. Net income is higher in the third quarter of 2019 compared to the third quarter of 2018, largely due to higher earnings from mine operations stemming from a higher average realized price and processed grades, despite the significant increase in current income tax expense, explained by income tax now being payable as loss carryforwards were fully utilized during the quarter.

Net income for the first nine months of 2019 was \$36.1 million, or \$0.42 per share on a basic and diluted basis, while the adjusted net income amounted to \$33.8 million, or \$0.40 and \$0.39 per share on a basic and diluted basis. The Company had a net income of \$21.8 million in the first nine months of 2018, or \$0.26 per share on a basic and diluted basis, while the adjusted net income amounted to \$5.8 million, or \$0.07 per share on a basic and diluted basis.

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

RESULTS OF OPERATIONS

Mining

A total of 13,339 kt were mined in the third quarter of 2019, including 13,237 kt from ELG open pits at an average waste to ore strip ratio of 9.1, and 102 kt from the Sub-Sill zone. Approximately 55% of the tonnes mined in the third quarter were from El Limón and 44% from Guajes. The remaining 1% was mined from the Sub-Sill zone.

A total of 40,033 kt were mined in the nine months ended September 30, 2019, including 39,731 kt from ELG open pits at an average waste to ore strip ratio of 8.7, and 302 kt from the Sub-Sill zone. Approximately 67% of the tonnes mined in 2019 were from El Limón and 32% from Guajes. The remaining 1% was mined from the Sub-Sill zone.

At September 30, 2019, there were 1.9 mt of ore in stockpiles at an average grade of 1.50 gpt. Excluding 0.6 mt of long term, low grade stockpiles at an average grade of 0.85 gpt, the remaining 1.3 mt of ore in stockpiles are at an average grade of 1.81 gpt.

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

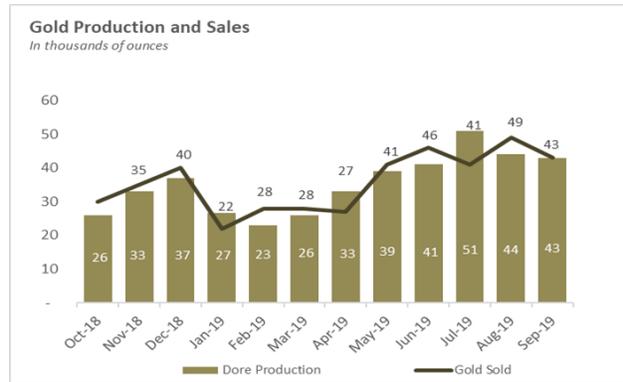
Table 3.

		Three Months Ended				Nine Months Ended	
		Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Sep 30, 2019
Mining							
Guajes							
Ore tonnes mined	kt	412	92	28	-	-	532
Waste tonnes mined	kt	5,483	3,506	3,142	2,063	2,635	12,131
Total tonnes mined	kt	5,895	3,598	3,170	2,063	2,635	12,663
Strip ratio ¹	w:o	13.3	38.1	112.2	-	-	22.8
Average gold grade of ore mined	gpt	2.16	1.34	1.10	-	-	1.96
El Limón							
Ore tonnes mined	kt	902	1,601	1,042	1,167	1,208	3,545
Waste tonnes mined	kt	6,440	7,944	9,139	8,002	7,211	23,523
Total tonnes mined	kt	7,342	9,545	10,181	9,169	8,419	27,068
Strip ratio	w:o	7.1	5.0	8.8	6.9	6.0	6.6
Average gold grade of ore mined	gpt	3.20	2.61	2.06	2.50	2.35	2.60
Total ELG Open Pits							
Ore tonnes mined	kt	1,314	1,693	1,070	1,167	1,208	4,077
Waste tonnes mined	kt	11,923	11,450	12,281	10,065	9,846	35,654
Total tonnes mined	kt	13,237	13,143	13,351	11,232	11,054	39,731
Strip ratio	w:o	9.1	6.8	11.5	8.6	8.2	8.7
Average gold grade of ore mined	gpt	2.87	2.54	2.03	2.50	2.35	2.51
ELG Underground							
Ore tonnes mined	kt	102	117	83	67	38	302
Average gold grade of ore mined	gpt	7.26	8.23	7.86	7.37	10.57	7.80

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

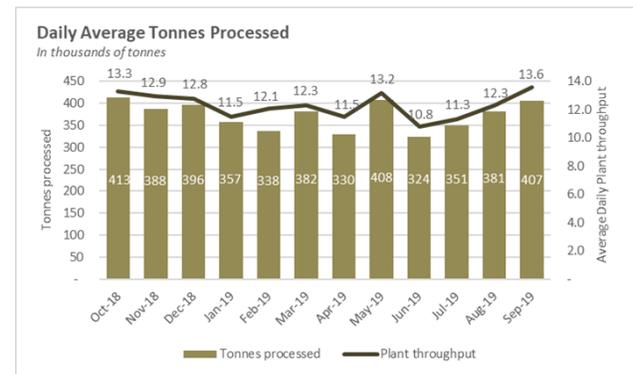
Gold Production and Sales

In the third quarter of 2019, 138,145 ounces of gold were produced and 132,535 ounces of gold were sold, for a total of 329,660 gold ounces produced and 322,427 ounces of gold sold year-to-date in 2019. Record ounce production was achieved in the quarter.



Plant Performance

Throughout the quarter, plant throughput increased month over month driven by improvements in both tonnes processed per hour and an increase in equipment availability. This was achieved through the execution of a comprehensive optimization plan including the introduction of a new mix of maintenance contractors, initiating a predictive maintenance program, trialing pre-crushing, and automating new control logic in the SAG mill. The net result was that plant availability increased from 84% in Q2 to 89% in Q3. With power to the SAG mill motor being the limiting factor, average steady-state plant throughput of 13,000 tpd is now targeted. With Media Luna envisioned as an 8,000 tpd operation, it does not make sense to invest capital to achieve the designed rate of 14,000 tpd. Continuous improvement initiatives to maximize plant throughput will be ongoing. The upgrade to the SART was also successful resulting in consistently achieving above design flow rates through September. Despite strict adherence to cyanide measurement and addition systems, reagent consumption increased over Q2 owing to an increase in the presence of soluble iron in mill feed. The team is currently trialing some new approaches to address the soluble iron issue including oxidation in the leach circuit.



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Safety

At the end of the third quarter of 2019, the lost time injury frequency rate was 0.79 per million hours worked. There were no lost time injuries in the quarter. The total hours worked in 2019 year to date (Company employees and on-site contractors) was approximately 4.8 million.

Environmental

On July 14, 2019 there was an uncontrolled discharge from the process water tank. This is the first reportable environment event for the Company. Process water containing cyanide made its way out of the operating area and into a ditching area in the natural environment. The leak was detected quickly, stopped at the source, water redirection efforts were implemented immediately, and remediation actions undertaken. Both water and soil in the impacted area have been removed and replaced. No permanent environmental damage was done. At no time were elevated levels of cyanide measured in the nearby lake. Owing to the volumes released, the regulators were informed, as were community leaders, political leaders, and all employees. Subsequent to the spill, valving changes have been made on the process water tank. The Company has developed a tank drain and clean program wherein tanks will be systematically attended to on a one per month rotation throughout the year. Per the new program, 2 tanks have been drained and cleaned to date. Construction has been completed for the changes to containment in the area of the process water tank. The regulators have attended site to review and oversee our remediation efforts.

Community

Various infrastructure projects in the communities were completed in the quarter, including the completion of the church structural roof work in La Fundición, potable water treatment plant in Real de Limón and La Fundición and road work in various communities. During the quarter, we held a summer camp for 220 children in the communities of Nuevo Balsas, Real de Limon, La Fundición, Atzcala and Valerio Trujano and in support of higher education in local communities, 64 scholarships were granted to high school, college and university level students. We launched an oral health campaign for nearby communities this quarter, and in September, the first stage took place with a total of 333 people receiving dental services.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

The Company's plan for the Media Luna Project is to advance the project from early stage development to production in 2024/2025. Work towards this goal includes in-fill drilling with the goal of upgrading approximately 25% of the Inferred resource to the Indicated confidence category, which is suitable for inclusion in a feasibility study, which will commence in early 2020. The in-fill drilling program at Media Luna has concluded and an updated resource estimate for Media Luna is expected to be released before the end of 2019. Only the Indicated portion of the resource estimate will be included in the feasibility study. As such, the minable tonnes will be significantly lower than the 2018 PEA, which included all Inferred tonnes. The objective of the in-fill drill program was to upgrade enough tonnes to have a mine life that would pay back the initial capital investment. The plan is to in-fill drill the remaining Inferred tonnes from the underground mine, which should be significantly less expensive.

As at September 30, 2019, the Company capitalized \$33.4 million since the commencement of development, including \$5.8 million in the quarter ended September 30, 2019 in relation to development activities at the Media Luna Project.

Key trade-off studies prior to the commencement of a feasibility study continue and are expected to be completed by the end of the year. A feasibility study with a budget of \$9.0 million is planned to start in early 2020 and is expected to take approximately one year to complete.

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

Pre-commercial capital expenditures, net of pre-commercial revenues, are estimated at \$411.4 million. The Company intends to fund these expenditures from cash flows generated from the existing ELG Open Pits and ELG Underground.

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

Muckahi Mining System Update

In Q3, it was confirmed that the monorail based Muckahi tunnelling equipment could successfully drill, blast, clear the broken rock (muck), and install ground support in flat tunnels and tunnels at a -30-degree gradient. The next phase of component testing will focus on two areas: (1) the ability of the tramming conveyor to take the muck to the discharge point, utilizing the monorail, and; (2) the ability to achieve fragmentation in a long hole open stope of 95% passing -400mm and to remove the muck from the stope with a slusher. The tramming conveyor is currently being tested at an off-site facility. The test blasting and slusher mucking of the first long hole open stope in ELD will commence in November of this year.

The ELD deposit has now been committed for mining using the Muckahi Mining System. Layouts for two 30-degree ramps to access the deposit are completed and excavation to the top of the ramps is underway. Excavation of the steep ramps will begin in November. The original test ramp has been decommissioned. With ELD dedicated to Muckahi mining, we will be able to test and optimize the effectiveness of the Muckahi components working together as a mining

system. A patent application for the Muckahi Mining System was submitted in Q3 2019. The Muckahi Mining System now has 'patent pending' status.

Morelos Gold Property Exploration Update

The Morelos property has many highly prospective targets that are untested. From amongst the targets that have been tested, large zones of mineralization and resources have been discovered. At this time, the exploration teams are primarily focused on advancing known mineralization and resources towards production. This takes the form of in-fill diamond drilling programs in Sub-Sill, El Limón Deep, and Media Luna with a purpose of upgrading the confidence class of the known mineralization and resources. Some step-out drilling is taking place at the Sub-sill and El Limón Deep to test their extents. At Media Luna, the in-fill drill program has an objective of upgrading 25% of the inferred 7.4 million ounce gold-equivalent resource to the indicated confidence class.

There are currently 5 diamond drills operating on the Morelos property. Results will be released as they come available and are analyzed.

FINANCIAL CONDITION REVIEW

The Company's Debt Facility (defined below and discussed in the "Debt Financing" section of this MD&A) has financial covenants, which, if not met, could result in an event of default. The Company's Debt Facility also contains cross-default provisions with certain of the Company's leases and equipment loan. As at September 30, 2019, the Company is in compliance with all financial and other covenants.

Summary Balance Sheet

The following table summarizes key balance sheet items at September 30, 2019:

Table 4.

<i>In millions of U.S. dollars</i>	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 168.0	\$ 122.2
Restricted cash	-	26.8
Value-added tax receivables	40.8	49.5
Inventory	122.9	58.3
Property, plant and equipment	910.3	984.2
Other assets	21.1	30.4
Total assets	\$ 1,263.1	\$ 1,271.4
Accounts payable and accrued liabilities	\$ 76.4	\$ 93.4
Income tax payable	51.6	18.0
Debt	255.7	333.5
Deferred income tax liabilities	61.4	51.4
Other liabilities	19.5	15.5
Total liabilities	\$ 464.6	\$ 511.8
Total shareholders' equity	\$ 798.5	\$ 759.6

Cash and cash equivalents and restricted cash

The Company ended the third quarter of 2019 with cash on hand of \$168.0 million. The Company holds cash balances in both Canadian dollars and Mexican pesos, as well as U.S. dollar holdings.

Pursuant to the 2017 Debt Facility, the Company was required to maintain restricted cash in respect of reserve funds for estimated reclamation obligations. Each year the Company completed an updated progressive mine closure plan to assess the estimated costs to remediate disturbed areas and if necessary, set aside additional funds. As part of the refinancing completed in July 2019, the Company is no longer required to maintain a restricted cash account for estimated reclamation obligations. As such, all funds within the restricted cash account were transferred to cash and cash equivalents.

Value-added tax (“VAT”) receivables

The Company has VAT receivables primarily denominated in Mexican pesos. The VAT receivables balance fluctuates as additional VAT is paid and refunds are received, as well as with the movement of the Mexican peso exchange rate relative to the U.S. dollar. During the nine months ended September 30, 2019, the Company collected \$50.5 million in VAT receivables, and interest of \$0.7 million.

Inventory

The increase in inventory of \$64.6 million is largely due to an increase in the quantity of ore in stockpiles as ore tonnes mined continue to outpace tonnes processed, less deferred stripping activity, an increase in depreciation and amortization leading to higher depreciation capitalized to inventory, and the timing of gold sales.

Property, plant and equipment

Property, plant and equipment increased by \$97.4 million for infrastructure, equipment, and capitalized stripping costs offset by depreciation and amortization of \$171.3 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were \$76.4 million at September 30, 2019 compared to \$93.4 million at December 31, 2018. The decrease is primarily due to the timing of payments.

Income tax payable

Income tax payable increased from \$18.0 million at December 31, 2018 to \$51.6 million at September 30, 2019. Income tax payable in 2018 was primarily related to the 7.5% mining royalty. Income tax payable at September 30, 2019 includes both \$29.2 related to the 7.5% mining royalty and \$22.4 current income tax payable on taxable income in 2019. Prior to the third quarter of 2019, the Company had sufficient tax loss carryforwards available to offset current income taxes payable. These losses were fully utilized in the third quarter of 2019 and the Company has commenced accruing current income taxes payable. The Company will begin paying income tax instalments in December 2019. Income tax payable for 2019 will be paid in March 2020, net of any instalments made in respect of 2019.

DEBT FINANCING

2017 Debt Facility

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

The 2017 Debt Facility bore interest at a rate of LIBOR plus 4.00% for the first two years, LIBOR plus 4.25% for years three and four, and LIBOR plus 4.50% thereafter and included standard and customary finance terms and conditions. The 2017 Debt Facility was secured by all of the assets of MML and secured guarantees of the Company and each of its

other subsidiaries. The 2017 Revolving Facility and the 2017 Term Facility were to mature June 30, 2020 and June 30, 2022, respectively. The first scheduled repayment of the 2017 Term Facility of \$9.3 million was made on March 31, 2018, and varying repayments would continue in quarterly instalments until maturity. The 2017 Revolving Facility and the 2017 Term Facility could be repaid in full at any time without penalty or premium. On July 30, 2019, the 2017 Debt Facility was amended and restated as described below. Immediately prior to the refinancing, the principal amount outstanding under the 2017 Revolving Facility and the 2017 Term Loan was \$75.0 million and \$212.4 million, respectively.

2019 Debt Facility

On July 30, 2019, the Company through its subsidiary MML (as borrower) signed a Second Amended and Restated Credit Agreement (“SARCA”) with the Bank of Montreal, BNP Paribas, ING Bank N.V., Dublin Branch, Société Générale and the Bank of Nova Scotia (the “Banks”) in connection with a secured \$335.0 million debt facility (the “Debt Facility”). The Debt Facility is comprised of a \$185.0 million term loan (the “Term Facility”) and a \$150.0 million revolving loan facility (the “Revolving Facility”). As of July 30, 2019, the full amount of the Term Facility and \$100.0 million of the Revolving Facility was outstanding. On the date of the refinancing, the Company repaid \$2.4 million in relation to the 2017 Term Facility. Proceeds of the Revolving Facility may be used for general corporate purposes, including certain development expenditures and acquisitions, in all cases subject to the conditions of the Debt Facility. The Debt Facility restricts the Company from making distributions, except that the Company may distribute the Muckahi Subsidiaries or the Muckahi System Rights (including by way of a “spin out” transaction) if there is no default or event of default. A Muckahi Subsidiary is a direct or indirect subsidiary of the Company whose assets are primarily comprised of the rights to and interest in the design of the Muckahi mining system or assets related thereto (the “Muckahi System Rights”).

The Debt Facility has a lower interest rate and a revised repayment schedule for the Term Facility as compared to the 2017 Debt Facility. The Debt Facility permits, including by use of the Revolving Facility, potential spending to facilitate the development of the Media Luna Project, the Muckahi mining system, and other existing and future projects of the Company, subject to the conditions of the Debt Facility, including compliance with (i) financial covenants related to maintaining a net leverage ratio of 3.0, a debt service coverage ratio of 1.15 and minimum liquidity of \$50.0 million and (ii) certain thresholds with respect to the quantum of development expenditures and the amount spent on the Muckahi mining system. In addition to providing greater flexibility for the Company to fund its growth and development projects, it also removes certain covenants, such as the mandatory cash sweeps previously in place in the 2017 Debt Facility. The Debt Facility also includes a Reserve Tail Test that replaces the Reserve Tail Ratio (as it was in the 2017 Debt Facility). Non-compliance with the Reserve Tail Test is not an event of default, but instead restricts the amount that can be drawn under the Revolving Facility, and depending on the amount drawn, may also require prepayments of the Debt Facility. At September 30, 2019, \$140.0 million of the Revolving Facility is available based on the Reserve Tail Test, of which \$80.0 million is drawn.

The Debt Facility bears interest at a rate of LIBOR +3%. It includes standard and customary finance terms and conditions including with respect to fees, representations, warranties, covenants and conditions precedent to additional draws under the Revolving Facility. The Debt Facility is secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries with a direct or indirect interest in the ELG Mine Complex and or the Media Luna Project. The Revolving Facility will be reduced to \$100.0 million on December 31, 2021. The Revolving Facility and the Term Facility will mature June 30, 2022. The Term Facility may be repaid in full at any time without penalty or premium.

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

As at September 30, 2019, the Company is in compliance with the financial and other covenants under the Debt Facility. During the nine months ended September 30, 2019, the Company made principal repayments of \$75.5 million, including \$40.5 million under the 2017 Debt Facility (nine months ended September 30, 2018 - \$36.3 million) and a \$20.0 million prepayment to the Revolving Facility in September 2019.

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at September 30, 2019 were \$1,263.1 million (December 31, 2018 - \$1,271.4 million), which includes \$168.0 million in cash and cash equivalents (December 31, 2018 - \$122.2 million, excluding restricted cash of \$26.8 million).

Cash flow generated from operating activities, excluding changes in non-cash working capital, for the nine months ended September 30, 2019 was \$183.7 million compared to \$128.3 million for the nine months ended September 30, 2018. Cash flow generated from operating activities after non-cash working capital for the nine months ended September 30, 2019 was \$201.6 million compared to \$167.5 million for the comparative period in 2018. The increase in non-cash working capital is largely due to the increase in income tax payable related to the 7.5% royalty and corporate income tax payable. This is partially offset by the increased inventory balance.

Investing activities resulted in net cash outflows of \$58.5 million in the nine months ended September 30, 2019, compared with net cash outflows of \$79.0 million for the comparative period in 2018. The decrease in cash outflows is largely due to the transfer of restricted cash of \$26.8 million to cash and cash equivalents as it is no longer a requirement under the Debt Facility, compared to a \$12.7 million transfer into restricted cash in the nine months ended September 30, 2018. This is partially offset by lower net VAT receipts related to capital expenditure in the nine months ended September 30, 2019.

Financing activities resulted in net cash outflows of \$96.9 million for the nine months ended September 30, 2019 compared with cash outflows of \$12.0 million in the comparative period. Net cash flows used in financing activities for the nine months ended September 30, 2019 relate primarily to interest paid of \$14.6 million, repayments under the Debt Facility, leases, and equipment loan totalling \$81.9 million, and transaction costs of \$2.6 million, partially offset by cash flow from the exercise of stock options of \$2.2 million. In comparison, for the nine months ended September 30, 2018 net cash flows used in financing activities relate primarily to proceeds from issuance of share capital of \$48.1 million, net of share issuance costs, less interest paid of \$18.8 million, and repayments under the 2017 Debt Facility, leases, and equipment loan totalling \$41.3 million.

As at September 30, 2019, the Company's contractual obligations included office lease agreements, office equipment leases, long-term land lease agreements with the Rio Balsas, the Real del Limón, Atzcala and the Puente Sur Balsas Ejidos and the individual owners of land parcels within certain of those Ejido boundaries, and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine Complex and Media Luna. All of the long-term land lease agreements can be terminated within a year at the Company's discretion at any time without penalty.

In addition, production revenue from concessions are subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and payable on a quarterly basis. In the nine months ended September 30, 2019, the Company paid \$9.6 million relating to the 2.5% royalty relating to the fourth quarter of 2018, first quarter of 2019 and second quarter of 2019. As at September 30, 2019, the Company has \$4.9 million accrued relating to the third quarter of 2019 for the 2.5% royalty, which was paid in October 2019.

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

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

Contractual Commitments

Table 5.

In millions U.S. dollars	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	Greater than 5 years
ELG Mine Complex operating commitments	21.5	21.5	-	-	-
ELG Mine Complex capital commitments	4.7	4.6	0.1	-	-
Debt	266.5	87.5	174.7	3.4	0.9
Total	\$ 292.7	\$ 113.6	\$ 174.8	\$ 3.4	\$ 0.9

OUTSTANDING SHARE DATA

Table 6.

Outstanding Share Data at October 30, 2019	Number
Common shares	85,388,413
Share purchase options ¹	236,051
Restricted share units ^{2,3}	473,839
Performance share units ⁴	545,705

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

NON-IFRS FINANCIAL PERFORMANCE MEASURES

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

Total cash costs

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

All-In Sustaining Costs

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

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

In November 2018, the WGC updated its guidance for all-in-sustaining costs. The Company adopted the updated guidance beginning January 1, 2019.

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

Table 7.

		Three Months Ended		Nine Months Ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Gold sold	oz	132,535	102,919	322,427	243,471
Total cash costs per ounce sold					
Production costs and royalties ¹	\$	76.6	62.2	206.3	161.9
Less: Silver sales	\$	(0.8)	(1.0)	(2.2)	(2.0)
Less: Copper sales	\$	(1.5)	(0.5)	(4.1)	(0.5)
Total cash costs	\$	74.3	60.7	200.0	159.4
Total cash costs per ounce sold	\$/oz	561	590	620	655
All-in sustaining costs per ounce sold					
Total cash costs	\$	74.3	60.7	200.0	159.4
General and administrative costs ²	\$	4.2	4.6	14.7	16.1
Reclamation and remediation costs	\$	0.9	0.5	2.2	1.4
Sustaining exploration costs	\$	1.2	0.4	1.8	1.0
Sustaining capital expenditure ³	\$	8.9	33.3	45.8	60.6
Total all-in sustaining costs	\$	89.5	99.5	264.5	238.5
Total all-in sustaining costs per ounce sold	\$/oz	675	967	820	980

1. Included within production costs and royalties is the cash component of an inventory impairment charge for long-term, low-grade stockpiles planned for processing at the end of the Company’s life of mine of \$2.3 million, or \$17/oz, and \$9.4 million, or \$29/oz for the three and nine months ended September 30, 2019, respectively.
2. Includes share-based compensation expense in the amount of \$1.3 million, or \$10/oz, and \$3.9 million, or \$12/oz for the three and nine months ended September 30, 2019, respectively.
3. Based on additions to property, plant and equipment per the Statement of Cash Flows for the three and nine months ended September 30, 2019 of \$23.8 million and \$85.8 million, respectively. Before changes in net working capital for the three and nine months ended September 30, 2019 of \$2.5 million and \$8.4 million, respectively, capital expenditures for the three and nine months ended September 30, 2019 totalled \$21.3 million and \$77.4 million, respectively. Sustaining capital expenditures of \$8.9 million in the three months ended September 30, 2019 are related to \$5.4 million for the cash component of capitalized stripping activities, and \$3.5 million for sustaining equipment and infrastructure expenditures. Sustaining capital expenditures of \$45.8 million in the nine months ended September 30, 2019 are related to \$31.6 million for the cash component of capitalized stripping activities, and \$14.2 million for sustaining equipment and infrastructure expenditures. Non-sustaining capital expenditures of \$12.4 million and \$31.6 million in the three and nine months ended September 30, 2019 relating to Muckahi, El Limón Deep, the Sub-Sill, and the Media Luna Project, have been excluded from AISC.

Average Realized Price and Average Realized Margin

Average realized price and average realized margin per ounce of gold sold are 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 less silver and copper sales. Average realized margin reflects average realized price per ounce of gold sold less total cash costs per ounce of gold sold.

The average realized price for the third quarter of 2019 was \$1,478 per ounce of gold sold compared to \$1,214 per ounce of gold sold for the third quarter of 2018. The average realized price for the nine months ended September 30, 2019 was \$1,379 compares to \$1,272 in the nine months ended September 30, 2018. The increase is a result of higher average spot prices during the third quarter of 2019.

The average realized margin for the third quarter of 2019 was \$917 per ounce of gold sold compared to \$624 per ounce of gold sold for the third quarter of 2018. The average realized margin for the nine months ended September 30, 2019 was \$759 per ounce compared to \$617 per ounce for the nine months ended September 30, 2018. The increase primarily reflects lower total cash costs and higher average spot prices.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

Table 8.

		Three Months Ended		Nine Months Ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Gold sold	oz	132,535	102,919	322,427	243,471
Revenue	\$	198.2	126.4	450.8	312.2
Less: Silver sales	\$	(0.8)	(1.0)	(2.2)	(2.0)
Less: Copper sales	\$	(1.5)	(0.5)	(4.1)	(0.5)
Total proceeds	\$	195.9	124.9	444.5	309.7
Total average realized price per ounce	\$/oz	1,478	1,214	1,379	1,272
Less: Total cash costs per ounce	\$/oz	561	590	620	655
Total average realized margin per ounce	\$/oz	917	624	759	617

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

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

Adjusted net earnings for the third quarter of 2019 was \$30.8 million, compared to the adjusted net earnings of \$7.3 million for the third quarter of 2018. The increase in adjusted net earnings is largely due to a higher net income and a higher tax effect of currency translation on tax base.

Reconciliation of Adjusted Net Earnings to Net Income

Table 9.

		Three Months Ended		Nine Months Ended	
		Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Basic weighted average shares outstanding	shares	85,315,517	84,912,606	85,219,953	84,195,319
Diluted weighted average shares outstanding	shares	85,842,826	85,068,526	85,650,592	84,316,584
Net income	\$	27.4	23.9	36.1	21.8
Adjustments, after-tax:					
Unrealized foreign exchange gain	\$	(1.2)	(2.9)	(1.3)	(3.2)
Unrealized (gain) loss on derivative contracts	\$	(0.3)	(1.1)	1.0	(2.0)
Modification of debt	\$	(1.8)	-	(1.8)	-
Tax effect of adjustments	\$	1.1	1.2	0.6	1.6
Tax effect of currency translation on tax base	\$	5.6	(13.8)	(0.8)	(12.4)
Adjusted net earnings	\$	30.8	7.3	33.8	5.8
Per share - Basic	\$/share	0.36	0.09	0.40	0.07
Per share - Diluted	\$/share	0.36	0.09	0.39	0.07

ADDITIONAL IFRS FINANCIAL MEASURES

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

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

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

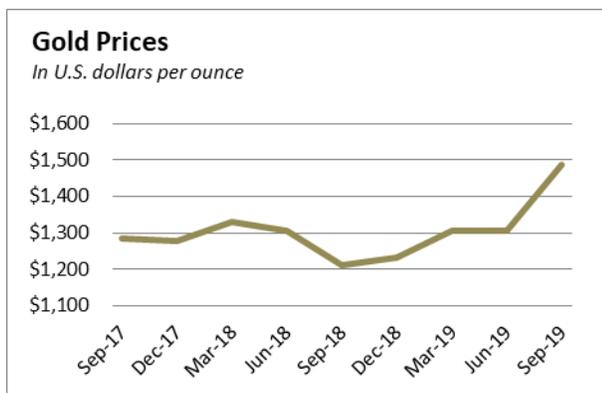
ECONOMIC TRENDS

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

Table 10.

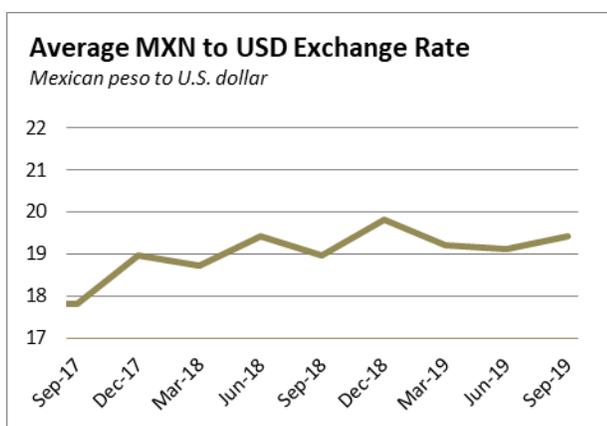
		Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2019	2018	2019	2018
Average market spot prices					
Gold	\$/oz	1,485	1,212	1,365	1,281
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : \$	19.4	19.0	19.3	19.0
Canadian dollar : U.S. dollar	C\$: \$	1.32	1.31	1.33	1.29

Metal prices



The Company's profitability and operating cash flows are significantly impacted by the price of gold. The market price of gold continued to exhibit volatility during the nine months ended September 30, 2019, and averaged \$1,365 per ounce of gold, up 7% over the average price for the nine months ended September 30, 2018. Since the beginning of the year, gold prices have increased by 15%.

Foreign exchange rates



The Company's functional currency is the U.S. dollar and it is therefore exposed to financial risk related to foreign exchange rates. In particular, approximately 47% of the Company's costs for nine months ended September 30, 2019 were incurred in Mexican pesos. Although the Company had previously entered into Mexican Peso contracts ("Peso Contracts") to fix a portion of its Mexican peso-denominated costs and operating expenditures, the remaining Peso Contracts were settled in the first quarter of 2019. Changes in exchange rates are expected to have an impact on the Company's results. In addition, the Company is exposed to foreign exchange risk on its non-U.S. dollar denominated monetary assets and liabilities. The average exchange rate of the Mexican peso relative to the U.S. dollar was 19.3 and 19.0 pesos for the nine months ended September 30, 2019 and the nine months ended September 30, 2018, representing a depreciation of 2% in the Mexican peso.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

Table 11.

		2019				2018			2017
		Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
<i>In millions of U.S. dollars, unless otherwise noted</i>									
Financial Results									
Revenue	\$	198.2	150.7	101.9	130.7	126.4	101.8	84.0	40.8
Net income (loss)	\$	27.4	10.0	(1.3)	1.4	23.9	(12.3)	10.2	(25.0)
Per share - Basic	\$/share	0.32	0.12	(0.02)	0.02	0.28	(0.14)	0.12	(0.31)
Per share - Diluted	\$/share	0.32	0.12	(0.02)	0.02	0.28	(0.14)	0.12	(0.31)

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

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

TRANSACTIONS WITH RELATED PARTIES

In June 2018, Fred Stanford, the Company's President and Chief Executive Officer ("CEO") sold, assigned and transferred to the Company (the "Assignment"), with the exception of trademarks, his entire right, title and interest in a proprietary mining system (the "Mining System" which is sometimes referred to as "Muckahi") for use in underground mines for nominal consideration. The transaction was accounted for at the exchange amount based on the consideration. All subsequent improvements to this system will be owned by the Company. The Company has granted an irrevocable license (the "License" and together with the Assignment, the "IP Agreements"), in any intellectual property associated with the Mining System, including any improvements, to Muckahi Inc., an entity controlled by Fred Stanford, the Company's CEO. During Fred Stanford's tenure as CEO, Muckahi Inc. will not be permitted to make use of the License. The Mining System is currently in the development stage, and if determined viable, the Company may use the system in current or future underground mining operations or for commercial purposes. The board of directors of the Company (the "Board") appointed a committee of independent directors (the "Independent Committee") to negotiate the terms of the IP Agreements and make a recommendation to the Board thereon. The Board approved the IP Agreements, taking into consideration, among other matters, the Independent Committee's determination that the terms of the IP Agreements are fair, reasonable and in the best interests of the Company and their recommendation to approve the IP Agreements. In August 2018, the Company and Muckahi Inc. entered into an agreement that grants to the Company the right to use the name "Muckahi" on a royalty-free basis. The term of the agreement is perpetual, however, Muckahi Inc. may terminate the agreement at any time by giving the Company 60 days prior notice.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

With the exception of the changes detailed within Notes 3 and 4 of the Company's unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2019, there have been no changes in the accounting policies adopted by the Company from those detailed in Notes 3 and 4 to the Company's audited consolidated financial statements for the year ended December 31, 2018.

RECENT ACCOUNTING PRONOUNCEMENTS

With the exception of the changes detailed within Note 3 of the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019, there have been no changes in the accounting pronouncements adopted by the Company from those detailed in Note 3 in the Company's audited consolidated financial statements for the year ended December 31, 2018.

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 are detailed in Note 13 of the Company's unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2019.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2019, the Company had cash balances of \$168.0 million (December 31, 2018 – cash balance of \$122.2 million, excluding restricted cash of \$26.8 million). The Company maintains its cash in fully liquid business accounts. At September 30, 2019, the cash balance held by MML was \$114.0 million (December 31, 2018 - \$87.4 million).

As at September 30, 2019, the amounts outstanding under the Debt Facility and equipment loan totalled \$250.0 million and \$0.4 million, respectively.

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

Subsequent to the third quarter in October 2019, the Company, through its subsidiary MML, repaid the remaining balance on the finance lease agreement with Parilease SAS for \$11.2 million, including accrued interest up to the repayment date. The lease was executed on December 31, 2015 to finance certain mining equipment for up to \$17.4 million. Advances under the agreement bore interest at a rate of LIBOR plus 4.00% and was repayable in quarterly instalments, maturing on December 31, 2020.

Foreign Currency Risk

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

As at September 30, 2019, based on ending spot rates compared to the end of the prior quarter, June 30 2019, the Mexican peso depreciated by 2.4%. This led to a decrease in the U.S. dollar equivalent tax value of the Company's property, plant and equipment, which for tax purposes is denominated in Mexican pesos. This decrease in value for tax purposes, without a change in the value of the property, plant and equipment for IFRS purposes (as it is denominated in U.S. dollars) increased the temporary difference between the values. The difference in these values at September 30, 2019, multiplied by the applicable Mexican tax rate, derives an associated deferred tax liability. This value was lower than the equivalent deferred tax liability value calculated for the prior quarter. The difference in these liabilities resulted in a deferred tax recovery for the quarter.

Commodity Price Risk

Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. In the third quarter of 2019, the Company entered into zero-cost collar hedges to deliver a total of 96,000 ounces of gold over a 12-month period commencing in September 2019. The floor price of the monthly gold collars has been set at \$1,400 per ounce with the ceiling price of the collars ranging from \$1,666 per ounce in September 2019 to \$1,768 per ounce in August 2020.

As at September 30, 2019, a 10% change in the gold price would not result in a decrease or increase (using the spot rate as at September 30, 2019 of \$1,473) in the Company's net income for the quarter relating to the zero-cost collar hedges.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument or its fair value will fluctuate because of changes in market interest rates. The Debt Facility bears interest at a rate of LIBOR +3%, while amounts outstanding under the Equipment Loan bear interest at a rate of LIBOR plus 3.75%.

In the first quarter of 2019, the Company entered into interest rate swap contracts for a fixed LIBOR of 2.492% on interest payments related to \$150.0 million of the Debt Facility to hedge against unfavourable changes in interest rates. As at September 30, 2019, a 100 basis points change in the LIBOR would result in a decrease or increase of \$0.6 million (using the LIBOR rate as at September 30, 2019 of 2.02%) in the Company's net income for the quarter relating to the interest rate swap contracts.

RISKS AND UNCERTAINTIES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures, that as of September 30, 2019, 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 Clifford Lafleur, P.Eng., Director, Technical Services of Torex Gold Resources Inc. and a Qualified Person under NI 43-101.

ADDITIONAL INFORMATION

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

CAUTIONARY NOTES

Preliminary Economic Assessment

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

The Media Luna PEA includes information on Muckahi. It is important to note that Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the system are conceptual, and proof of concept has not been demonstrated. Drill and blast fundamentals, standards and best practices for underground hard rock mining are applied in the Muckahi, where applicable. The proposed application of a monorail system for underground transportation for mine development and production mining is unique to underground hard rock mining. There are existing underground hard rock mines that use a monorail system for transportation of materials and equipment, however not in the capacity described in the Technical Report. Aspects of Muckahi mining equipment are currently in the design stage. The mine design, equipment performance and cost estimations are conceptual in nature, and do not demonstrate technical or economic viability. The Company expects to complete the development and test the concept by the end of 2019 for the mine development and production activities. Further studies would be required to verify the viability of Muckahi.

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

Forward-Looking Statements

This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future exploration, development and exploitation plans concerning the Morelos Gold Property, the adequacy of the Company's financial resources, 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, the ability to exploit estimated mineral reserves, the Company's expectation that the ELG Mine Complex 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 expectation that the Company will be able to generate sufficient cash flow to satisfy the financial covenants under the Debt Facility and service its indebtedness on a timely basis, the expected successful completion of the ramp-up of the processing plant and

achieving a steady state throughput rate of 13,000 tpd, achieving guidance and other objectives for 2019, plans to continue with gold hedging arrangements beyond the current 12-month hedge, expected metal recoveries, gold production, total cash costs per ounce of gold sold, AISC per ounce of gold sold and revenues from operations, and capital costs, the ability to mine and process estimated mineral reserves, near term growth opportunities in both the Sub-Sill and El Limón Deep zone and mid-term growth potential of Media Luna, plans to complete the drilling programs on Media Luna, Sub-Sill and ELD and budgets to complete drilling programs, plans to seek opportunities to acquire assets in the Americas that enable profitable and effective geographic diversification, further advances of funds if required, pursuant to the Debt Facility (which is subject to certain customary conditions precedent), continued unimpeded operations, expectation that the Debt Facility will provide greater flexibility and permit the development of Media Luna, the Muckahi mining system and other existing and future projects of the Company, plans to continue testing the Muckahi mining system, including without limitation, the testing of the tramming conveyor, fragmentation and mucking with a slusher, expected commencement of testing Muckahi performing certain mining activities, expected mining of the ELD using Muckahi, expectation of achieving goal of demonstrating the effectiveness of the Muckahi mining system, plans to fully implement the process water tank drain and clean program, plan to advance the Media Luna Project from early stage development to production, including, the goal of the infill drilling program to upgrade 25% of the inferred resources to indicated, objective of initially upgrading sufficient Media Luna inferred mineral resources to mineral reserves to repay the initial capital investment in Media Luna and plans to later complete in-fill drilling from underground with the objective of upgrading additional inferred mineral resources to mineral reserves, the expectation that the expenditures of infill drilling from underground will be less expensive than drilling from surface, completing key trade off studies by year-end and the associated budget, plan and timeline to complete a feasibility study and subject to the outcome of the feasibility study, among other things, projected timeline for commencement of production, plans to fund expenditures to construct Media Luna from cash flows from the ELG Open Pits and ELG Underground, the estimate of Media Luna's precommercial expenditures, net of precommercial revenues, and expected future loss carryforwards and their effect on the Company's tax expense and effective tax rate, plans to diversify the Company's single asset risk, the focus of exploration programs on advancing known mineralization and mineral resources to production, and remediation plans and estimated associated costs. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," "believes" or "potential" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "occur," or "be achieved." Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the ramp-up of the processing plant to steady state production of 13,000 tpd, predictability of the grade, ability to achieve design gold recovery levels, fluctuation in gold and other metal prices, commodity price risk, currency exchange rate fluctuations, capital and operational cost estimates, satisfying financial covenants under the Debt Facility, illegal blockades, dependence on good relationships with employees and contractors and labour unions, dependence on key executives and employees, limited operating history, generating positive cash flow, the ability of the Company to secure additional financing if required, the safety and security of the Company properties, servicing of the indebtedness of the Company, the ability to secure necessary permits and licenses, title to the land on which the Company operates, including surface and access rights, foreign operations and political and country risk, the uncertainty of diversifying the Company's single asset risk, government policies and practices in respect of the administration of recovery of VAT funds and recovery of VAT funds, exploration, development, exploitation and the mining industry generally, environmental risks and hazards, decommissioning and reclamation costs, parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect, actual results of current exploration, development and exploitation activities not being consistent with expectations, risks associated with skarn deposits, potential litigation, hiring the required personnel and maintaining personnel relations, future commodity prices, infrastructure, single property focus, use and reliance of experts outside Canada, competition, hedging contracts, interest rate risk, price and volatility of public stock, conflicts of interest of certain personnel, credit and liquidity risk, compliance with anti-corruption laws, enforcement of legal rights, accounting policies and internal controls as well as those risk factors included herein and elsewhere in the Company's public disclosure.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A and in the Company's annual information form ("AIF") and Technical Report, assumptions have been made regarding, among other things: the Company's ability to carry on its exploration, development and exploitation activities planned for the Morelos Gold Property, the continued ramp-up to steady state production of 13,000 tpd, grade as predicted in the reserve model, ability to achieve design gold recovery levels, timely access to the high grade material, the benefit expected from the operation of the SART plant, ability to successfully manage the soluble iron in the mill feed, the price of gold, sufficient cash flow to satisfy its financial covenants under the Debt Facility and service its indebtedness, the ability of the Company to satisfy other covenants under the Debt Facility, the ability of the Company to access the ELG Mine Complex and the Media Luna Project without disruption, the ability of the Company to obtain qualified personnel, equipment, goods, consumables and services in a timely and cost-efficient manner, the timing and receipt of any required approvals and permits, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to fund the development and testing of Muckahi, the ability of the Company to obtain additional financing on acceptable terms if required, the ability to conclude the land access agreements for the additional target areas on the Morelos Property, the accuracy of the Company's mineral resource and mineral reserve estimates, annual production, the financial analysis contained in the Technical Report including the PEA, and geological, operational and price assumptions on which these are based, and the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

October 29, 2019