



TOREX GOLD RESOURCES INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

This management's discussion and analysis of the financial condition and results of operations ("MD&A") for Torex Gold Resources Inc. ("Torex" or the "Company") was prepared as at February 21, 2018 and is intended to supplement and complement the Company's audited consolidated financial statements and related notes for the year ended December 31, 2017. All dollar figures included therein and in the following MD&A are stated in United States dollars ("U.S. dollar") unless otherwise stated.

HIGHLIGHTS

An illegal blockade has been by-passed

- An illegal blockade (the "Blockade") of the ELG Mine Complex (as defined below) by a competing labour union, demanding a change in labour union resulted in a complete shutdown of operations from November 3, 2017 to January 15, 2018. With community and employee support, an alternative access to the plant was established, which by-passed the Blockade, and facilitated the re-start of operations on January 16, 2018. On January 26, 2018, with tensions escalating between local communities, the state government authorities intervened and removed the Blockade. The legal process to determine which union will represent the unionized employees is on-going. The Company is prepared to work with whichever union the majority of union eligible employees select. The Blockade is described in further detail in the "Community" section of this MD&A.

Plant ramp-up activities now focused on closing the final 10% gap to design throughput levels

- **Gold produced** totalled 28,162 ounces for the quarter and 240,873 ounces for the year.
- **Mine production** in the quarter, 2,952 kt, averaged 86,824 tpd. Mine production for the year totalled 26,450 kt, and averaged 86,156 tpd. **Mine ore production** in the quarter, 633 kt, averaged 18,618 tpd. Mine ore production for the year totalled 3,648 kt, and averaged 11,883 tpd.
- **Average grade mined** in the quarter was 3.03 gpt and 2.50 gpt in the year.
- **Plant throughput** in the quarter, 428 kt, averaged 12,588 tpd, or 90% of design capacity of 14,000 tpd. Plant throughput in the year, 3,710 kt, averaged 12,084 tpd, or 86% of design capacity in the year.
- **Average grades processed** in the quarter of 2.72 gpt and 2.43 gpt in the year.
- **Gold recovery** in the quarter averaged 85% and 86% in the year, consistent with design expectations.

Financing

- On January 29, 2018, the Company announced that it had entered into an agreement with a syndicate of underwriters led by BMO Capital Markets, under which the underwriters agreed to purchase, on a "bought deal" basis, 4,370,000 common shares at a price of C\$12.60 per common share for gross proceeds of approximately C\$55.0 million (the "Offering"). The Offering closed on February 7, 2018 and resulted in aggregate net proceeds of

C\$58.5 million to the Company. As part of the Offering, the underwriters partially exercised their over-allotment option and purchased an additional 12% of the Offering with the remainder of the over-allotment option being exercised and closing on February 16, 2018, for aggregate net proceeds of C\$60.0 million to the Company.

Maiden ELG Underground mineral reserves and mine plan

- The **ELG Underground mine plan** includes 29 months of production, delivering 480 kt at 11.65 gpt containing 180,000 Au ounces. Total capital required is \$23.0 million with the majority in the first year.
- Step-out exploration drilling for the **Sub-Sill zone** continued to demonstrate the potential to add resources, with high grade intercepts beyond the boundaries of the current mine plan.
- **ELG open pit** mineral reserves and resources remain largely unchanged, except for depletion.

Grade and tonnage reconciliation to the reserve model for the ELG Open Pits

- **Total ounce reconciliation** of 89% to the reserve model for the quarter, and 104% for the year.
- **Grade reconciliation** of 88% to the reserve model for the quarter, and 108% for the year.

Media Luna Project progressing

- 25-year common land, lease agreement signed for the use of the land required for the exploration, construction, and mining of minerals at Media Luna.
- The Company initiated an in-fill drilling program budgeted at \$15.0 million to upgrade, to the Indicated confidence level, 25% of the current inferred resource of 7.4 million Au Equivalent ounces (51.5Mt @4.48g/t Au Eq.). The program will form the basis for a Media Luna feasibility study scheduled for the second half of 2019.

Financial results

- **Net loss** totalled \$12.6 million, or \$0.16 per share, on a basic and diluted basis for the year, and **net loss** of \$25.0 million, or \$0.31 per share, on a basic and diluted basis for the quarter.
- **Adjusted net loss**¹ totalled \$14.3 million, or \$0.18 per share on a basic and diluted basis for the year, and **adjusted net loss**¹ of \$20.0 million, or \$0.25 per share on a basic and diluted basis for the quarter.
- **Earnings from mine operations** totalled \$54.7 million for the year, and \$6.7 million for the quarter.
- **Cash flow from operations** totalled \$73.6 million for the year, and cash outflows from operations of \$6.6 million for the quarter.
- **Revenue** totalled \$314.9 million and **cost of sales** totalled \$260.2 million, or \$1,046 per ounce of gold sold for the year ended December 31, 2017. **Revenue** totalled \$40.8 million and **cost of sales** totalled \$34.1 million, or \$1,086 per ounce of gold sold for the quarter.
- **Gold sold** for the year ended December 31, 2017 totalled 248,797 ounces for total proceeds of \$311.9 million at an **average realized gold price**¹ of \$1,254 per ounce. **Gold sold** for the quarter totalled 31,398 ounces sold for total proceeds of \$40.3 million at an **average realized gold price**¹ of \$1,284 per ounce.
- **Cash balances** as at December 31, 2017 totalled \$58.8 million (including restricted cash of \$13.9 million).
- **Total cash costs**¹ of \$709 per ounce of gold sold for the year ended December 31, 2017, and \$755 per ounce of gold sold for the quarter.
- **All-in sustaining costs**¹ of \$989 per ounce of gold sold for the year ended December 31, 2017, and \$1,016 per ounce of gold sold for the quarter.

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

The following table summarizes key operating and financial highlights:

		Three Months Ended				Year Ended	
		Dec 31, 2017 ³	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Dec 31, 2017 ³
<i>In millions of U.S. dollars, unless otherwise noted</i>							
Operating Data							
<i>Mining</i>							
Ore tonnes mined	kt	633	1,140	1,164	711	853	3,648
Waste tonnes mined	kt	2,319	7,546	7,212	5,725	5,982	22,802
Total tonnes mined	kt	2,952	8,686	8,376	6,436	6,835	26,450
Strip ratio ²	waste:ore	3.7	6.7	6.2	8.1	7.0	6.3
Average gold grade of ore mined	gpt	3.03	2.53	2.37	2.19	3.03	2.50
Ore in stockpile	mt	0.8	0.5	0.5	0.6	0.8	0.8
<i>Processing</i>							
Average plant throughput	tpd	12,588	12,522	13,063	10,455	9,233	12,084
Average gold recovery	%	85	87	86	85	89	86
Average gold grade of ore processed	gpt	2.72	2.35	2.37	2.49	3.49	2.43
<i>Production and sales</i>							
Gold produced	oz	28,162	67,337	74,487	70,887	80,955	240,873
Gold sold	oz	31,398	78,254	68,398	70,747	83,259	248,797
Financial Data							
Revenue	\$	40.8	100.5	86.6	87.0	102.3	314.9
Cost of sales	\$	34.1	83.4	71.7	71.0	68.5	260.2
Earnings from mining operations	\$	6.7	17.1	14.9	16.0	33.8	54.7
Net (loss) income	\$	(25.0)	(1.6)	5.1	8.9	10.8	(12.6)
Per share – Basic	\$/share	(0.31)	(0.02)	0.06	0.11	0.13	(0.16)
Per share – Diluted	\$/share	(0.31)	(0.02)	0.06	0.11	0.13	(0.16)
Adjusted net (loss) earnings ¹	\$	(20.0)	(1.0)	0.8	5.9	4.3	(14.3)
Per share - Basic ¹	\$/share	(0.25)	(0.01)	0.01	0.07	0.05	(0.18)
Per share - Diluted ¹	\$/share	(0.25)	(0.01)	0.01	0.07	0.05	(0.18)
Cost of sales	\$/oz	1,086	1,066	1,048	1,004	823	1,046
Total cash costs ¹	\$/oz	755	728	706	671	539	709
All-in sustaining costs ¹	\$/oz	1,016	1,035	991	923	746	989
Average realized gold price ¹	\$/oz	1,284	1,277	1,241	1,227	1,232	1,254
Cash and cash equivalents	\$	44.9	66.5	61.5	93.9	104.0	44.9
Restricted cash	\$	13.9	13.8	15.7	14.6	23.4	13.9
Working capital	\$	32.9	52.3	81.7	121.0	124.5	32.9
Total debt	\$	385.6	386.0	392.9	407.1	406.7	385.6
Total assets	\$	1,168.1	1,206.0	1,194.5	1,198.0	1,206.3	1,168.1
Total liabilities	\$	488.8	503.2	491.5	501.5	522.5	488.8

- Adjusted net (loss) earnings, total cash costs, all-in sustaining costs, and average realized gold price are financial performance measures with no standard meaning under International Financial Reporting Standards (“IFRS”). Refer to “Non-IFRS Financial Performance Measures” for further information and a detailed reconciliation.
- Ore mined underground from the ELG Underground (defined below) of 13 kt and 25 kt is included in ore tonnes mined and excluded from the strip ratio in the three and twelve months ended December 31, 2017. For the three months ended September 30, 2017, ore mined underground from the ELG Underground (defined below) was 12 kt.
- Due to the Blockade, the fourth quarter of 2017 represents 34 days of operations while the year ended December 31, 2017 represents 10 months of operations.
- Sum of the quarters may not add to the year to date amounts due to rounding.

2017 REPORT

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

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COMPANY OVERVIEW AND STRATEGY

The Company is a growth-oriented Canadian-based resource company engaged in the exploration, development and operation of the Morelos Gold property (the “Morelos Gold Property”). The Morelos Gold Property is located in the Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and 50 kilometres southwest of Iguala, and consists of seven mineral concessions covering a total area of approximately 29,000 hectares. The Company’s principal assets are the El Limón Guajes 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, which is in commercial production stage as of April 1, 2016, and the Media Luna deposit (the “Media Luna Project”), which is an early stage development project, for which the Company issued a Preliminary Economic Assessment (the “PEA”) effective August 17, 2015, and titled “NI 43-101 Technical Report – El Limón Guajes Mine Plan and Media Luna Preliminary Economic Assessment, Guerrero State, Mexico” (the “Technical Report”).

The Company’s strategy is to grow production from high quality assets. The Morelos Gold Property provides significant opportunity to implement this strategy, with the established Media Luna Project, the recently developed ELG Underground mine, providing accesses to the Sub-Sill zone and the El Limón Deep zone (“El Limón Deep”), and the many untested exploration targets.

The underground access ramp reached the Sub-Sill zone in the second quarter of 2017, and the first high grade tonnes reported to the processing plant in June of 2017. Development activities of the Sub-Sill zone in the fourth quarter of 2017 were suspended at the beginning of the Blockade and are expected to be fully reestablished by the end of March 2018. April 1, 2018, can be considered as ‘Day 1’ of the 29-month ELG Underground mine plan as announced in the press release of the Company dated January 16, 2018, which is available on SEDAR at www.sedar.com. Surface and underground exploration drilling to extend and upgrade the Sub-Sill inferred mineral resource will commence in Q2/2018.

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

2018 Outlook

Guidance for 2018 will be provided with the release of the Q1/2018 results. This will allow time to complete the post Blockade return of the workforce to the site, including contractors to finish the construction of the sulphidization, acidification, recycle and thickening (“SART”) plant. Once the full employee and contractor workforce has been re-mobilized, we will be in a better position to estimate performance for the remainder of the year.

FINANCIAL RESULTS

The following table summarizes the financial results of the Company:

	Three Months Ended		Year Ended	
	December 31, 2017 ⁴	December 31, 2016	December 31, 2017 ⁴	December 31, 2016
<i>In millions of U.S. dollars, unless otherwise noted</i>				
Revenue ¹	40.8	102.3	314.9	312.5
Gold	40.3	101.6	312.4	310.7
Silver	0.5	0.7	2.5	1.8
Cost of sales	34.1	68.5	260.2	192.6
Earnings from mine operations	6.7	33.8	54.7	119.9
Exploration and evaluation	0.5	1.9	6.5	3.7
General and administrative	4.2	3.9	19.1	15.4
Blockade and other charges	14.4	-	14.4	-
Derivative costs (gain), net	2.2	(15.3)	1.4	40.9
Financing costs, net	5.7	7.0	27.3	20.6
Foreign exchange loss (gain)	5.4	8.8	(0.7)	13.5
Income tax (recovery) expense, net	(0.7)	16.7	(0.7)	22.6
Net (loss) income	(25.0)	10.8	(12.6)	3.2
Per share - Basic (\$/share)	(0.31)	0.13	(0.16)	0.04
Per share - Diluted (\$/share)	(0.31)	0.13	(0.16)	0.04
Adjusted net (loss) earnings ²	(20.0)	4.3	(14.3)	51.1
Per share - Basic (\$/share) ²	(0.25)	0.05	(0.18)	0.65
Per share - Diluted (\$/share) ²	(0.25)	0.05	(0.18)	0.64
Cost of sales (\$/oz)	1,086	823	1,046	789
Total cash costs (\$/oz) ²	755	539	709	543
All-in sustaining costs (\$/oz) ²	1,016	746	989	733
Average realized gold price (\$/oz) ^{2,3}	1,284	1,232	1,254	1,263
Average realized margin (\$/oz) ^{2,3}	529	693	545	720

1. Proceeds from sales of gold and silver prior to achieving commercial production were offset against the construction costs for the ELG Mine Complex during the first three months of the year ended December 31, 2016.
2. Adjusted net (loss) 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. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.
3. Average realized gold price and average realized margin include realized losses from gold derivative contracts of \$2 per ounce for the year ended December 31, 2017. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.
4. Due to the Blockade, the fourth quarter of 2017 represents 34 days of operations while the year ended December 31, 2017 represents 10 months of operations.

2017 FULL YEAR FINANCIAL RESULTS

Processed gold grade was 2.43 grams per tonne

The average grade processed at 2.43 gpt is below the grade budgeted for the year, but is higher than the grade expectations for the portions of the pit that were mined in the year ended December 31, 2017.

Processed average daily tonnage of 12,084 tpd

Average production in the year ended December 31, 2017 was 12,084 tpd. October 2017 was the Company's last month of full operations and an average of 12,991 tpd was achieved, or 93% of the design rate of 14,000 tpd.

Revenue totalled \$314.9 million

During 2017, the Company recognized \$314.9 million in revenue compared to \$312.5 million in 2016. The Company sold 248,797 ounces of gold at an average realized price of \$1,254 per ounce in 2017, compared to 244,095 ounces of gold at an average realized price of \$1,263 in 2016. The increase in ounces sold is due to approximately one additional month of operations in 2017 compared to 2016, partially offset by lower grades processed. In 2016, there were nine months of operations due to commercial production commencing on April 1, 2016. In 2017, there were approximately ten months of operations as a result of the Blockade that began in November 2017 until the Company restarted operations on January 16, 2018. Revenues recognized remained relatively consistent due to a lower average realized price in 2017 compared to 2016 which offset the higher number of ounces sold. In 2017, the Company settled and recognized revenues pertaining to 4,103 ounces of gold from carbon fines.

Proceeds from gold and silver sold during the first quarter of 2016, totalling \$38.9 million, were not recognized as revenue, but instead offset the costs capitalized for the construction of the ELG Mine Complex as commercial production had not yet been reached.

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

Realized gains and losses on gold derivative contracts ("Gold Contracts") are presented separately from revenue but included in the calculation of average realized gold price. The average realized gold price per ounce sold does not have any standardized meaning prescribed by IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

Realized losses on Gold Contracts were \$0.5 million for the year ended December 31, 2017 compared to realized losses on Gold Contracts of \$2.1 million for the year ended December 31, 2016. As at December 31, 2017, the Company does not have any remaining ounces to settle under the Gold Contracts. Of the total 248,797 ounces of gold sold in the year ended December 31, 2017, 76,113 ounces were delivered into the Gold Contracts. In 2016, of the total 275,613 ounces of gold sold, including the pre-commercial production period, 77,350 ounces were delivered into the derivative contracts.

Cost of sales was \$260.2 million or \$1,046 per ounce sold

Cost of sales for the year ended December 31, 2017 was \$260.2 million compared to \$192.6 million for the year ended December 31, 2016, and since entering commercial production. The increase is due to the fact that commercial production commenced on April 1, 2016 resulting in only nine months of operations, and the lower grades processed in 2017 compared to 2016. Due to lower grades, higher throughput and higher resulting costs were incurred to process a comparable number of ounces in 2017 at 240,873 ounces of gold compared to 244,095 ounces of gold in the nine months of commercial production in 2016.

Depreciation and amortization expense amounted to \$81.2 million for the year ended December 31, 2017 compared to \$58.3 million for the year ended December 31, 2016. The increase is due to an increase in depreciation of capitalized stripping costs at El Limón in 2017, which is driven by more ounces recovered from El Limón ore mined, and the fact that the inclusion of depreciation in cost of sales only commenced on April 1, 2016 in line with the transition to commercial production.

Royalties were \$9.6 million for the year ended December 31, 2017 compared to \$9.3 million for the year ended December 31, 2016, representing 3% of proceeds from gold and silver sales. Of the 3% royalty expense, 2.5% is payable to the Mexican Geological Survey agency and 0.5% is payable to the Ministry of Finance. The increase in the year ended December 31, 2017 compared to the year ended December 31, 2016 is due to slightly higher revenues and due to foreign exchange as the royalties are paid in Mexican pesos.

Total cash costs were \$709 per ounce sold

Total cash costs (net of by-product sales) for the year ended December 31, 2017 were \$709 per ounce of gold sold, an increase of 31% or \$166 per ounce of gold sold from the year ended December 31, 2016 of \$543 per ounce of gold sold. This increase primarily reflects the impact of more tonnes processed at lower grades, increased utilization of reagents, and higher filtration and grinding maintenance costs. Refer to “Non-IFRS Financial Performance Measures” for further information and a detailed reconciliation.

All-in sustaining costs were \$989 per ounce sold

All-in sustaining costs for the year ended December 31, 2017 were \$989 per ounce of gold sold compared to \$733 per ounce of gold sold for the year ended December 31, 2016. Sustaining capital expenditures in the year ended December 31, 2017 amounted to \$49.3 million. Sustaining capital expenditures were \$30.6 million for capitalized stripping activities at El Limón and Guajes West, and \$18.7 million for equipment and infrastructure. Refer to “Non-IFRS Financial Performance Measures” for further information and a detailed reconciliation.

Exploration and evaluation expenses of \$6.5 million

Exploration and evaluation expenditures were \$6.5 million in the year ended December 31, 2017, compared to \$3.7 million in the year ended December 31, 2016. In 2017, exploration activities were largely focused on phase two of the Sub-Sill diamond drill program and step-out drilling in the quadrant to the northwest of the current Sub-Sill resource area. A maiden underground resource for the Sub-Sill deposit was announced in first quarter of 2017 and step-out drilling in the quadrant to the northwest of the Sub-Sill area confirmed growth potential in the third quarter of 2017. On January 16, 2018, the Company declared a maiden ELG Underground mineral reserve and mine plan (mining of the Sub-Sill Resource). The ELG Underground mine plan is expected to generate during 29 months of production, 480 kt at 11.65 gpt, containing 180,000 gold ounces. The total capital required is \$23.0 million, of which, \$22.0 million will be in the first year.

General and administrative expenses of \$19.1 million

General and administrative expenses were \$19.1 million in the year ended December 31, 2017, compared to \$15.4 million in the year ended December 31, 2016. The increase in the year ended December 31, 2017 compared to the year ended December 31, 2016 is primarily due to higher non-cash share-based compensation expenses.

Blockade and other charges of \$14.4 million

In the year ended December 31, 2017, the Company has recognized an expense of \$14.4 million in relation to the Blockade and other charges consisting mainly of idle contractor and labour costs, depreciation and amortization, employment contract suspensions and terminations.

Finance costs were \$27.3 million

Finance costs totalled \$27.3 million in the year ended December 31, 2017 compared to \$20.6 million in the year ended December 31, 2016. In the first three months of 2016, finance costs were capitalized as the ELG Mine Complex was in the development phase. Finance costs largely reflect the interest expense on the Debt Facility, Loan Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan (as all such terms are defined herein). As at December 31, 2017, the Company had fully repaid the VAT Loan.

Loss on gold derivative contracts of \$9.1 million

The Company recognized an unrealized loss of \$8.6 million for the year ended December 31, 2017 compared to an unrealized loss of \$25.8 million for the year ended December 31, 2016. During the year ended December 31, 2017, the Company realized a loss of \$0.5 million on Gold Contracts settled compared to a loss of \$2.1 million for year ended December 31, 2016. The final outstanding ounces under the Gold Contracts were delivered in early July 2017.

Gain on currency derivative contracts of \$7.7 million

Based on forward prices for Mexican pesos as at December 31, 2017, the Company recognized an unrealized gain of \$8.0 million for the year ended December 31, 2017 compared to an unrealized loss of \$4.6 million for the year ended December 31, 2016. In the year ended December 31, 2017, the average exchange rate of the Mexican peso relative to the U.S. dollar was higher than the average contract prices. As such, the Company realized a loss of \$0.3 million on the contracts settled during the year ended December 31, 2017, compared to a loss of \$8.4 million for the comparable period in 2016.

Foreign exchange gain of \$0.7 million

The Company recognized a foreign exchange gain of \$0.7 million for the year ended December 31, 2017, compared to a loss of \$13.5 million for the year ended December 31, 2016. The Mexican peso, on average, remain consistent in 2017 compared to 2016. In contrast, the Mexican peso, on average, depreciated by 18% in 2016 compared to 2015.

Income and mining tax recovery of \$0.7 million

The Company recognized a current income tax expense of \$7.2 million in the year ended December 31, 2017 primarily related to the 7.5% Mexican mining royalty, compared to a current income tax expense of \$10.5 million in the year ended December 31, 2016.

The Company recognized a deferred income tax recovery of \$7.9 million in the year ended December 31, 2017, compared to a deferred income tax expense of \$12.1 million for the year ended December 31, 2016. The increase in the deferred tax recovery is primarily as a result of an increase in the Mexican inflation rate and the impact of foreign exchange translation.

In the year ended December 31, 2017, the Company paid \$7.3 million in relation to the 2016 7.5% Mexican mining royalty, which is considered an income tax for IFRS purposes.

Net loss of \$12.6 million

Net loss for the year ended December 31, 2017 totalled \$12.6 million, or \$0.16 per share, both on a basic diluted basis, while adjusted net loss amounted to \$14.3 million, or \$0.18 per share, both on a basic and diluted basis. In the year ended December 31, 2016, net income was \$3.2 million, or \$0.04 per share, both on a basic and diluted basis. This is due to the Blockade and related charges of \$14.4 million incurred in 2017. Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net (loss) income to adjusted net (loss) earnings.

FOURTH QUARTER 2017 FINANCIAL RESULTS

Processed gold grade was 2.72 grams per tonne

The average grade processed at 2.72 gpt is above the grade budgeted, impacted by the Blockade which commenced in early November 2017 and effectively reduced the fourth quarter into a single month of operations, which more than offset any benefits from higher grades in the month of October.

Processed average daily tonnage of 12,588 tpd

Average production in the fourth quarter of 2017 was 12,588 tpd, and an average of 12,991 tpd was achieved in October, or 93% of the design rate of 14,000 tpd.

Revenue totalled \$40.8 million

During the fourth quarter of 2017, the Company recognized \$40.8 million in revenue compared to \$102.3 million for the fourth quarter of 2016. The Company sold 31,398 ounces of gold at an average realized price of \$1,284 per ounce in the fourth quarter of 2017, compared to 83,259 ounces of gold at an average realized price of \$1,232 in the fourth quarter of 2016. The decrease in ounces sold is a result of suspending operations in connection with the Blockade.

There were no realized gains or losses on Gold Contracts for the three months ended December 31, 2017 compared to realized gains on Gold Contracts of \$1.0 million for the three months ended December 31, 2016.

Cost of sales was \$34.1 million or \$1,086 per ounce sold

Cost of sales for the fourth quarter of 2017 was \$34.1 million compared to \$68.5 million in the fourth quarter of 2016. Production costs decreased to \$22.9 million for the fourth quarter of 2017 compared to \$42.5 million for the fourth quarter of 2016. The decrease in production costs reflects the suspension of operations in early November 2017 in connection with the Blockade.

Depreciation and amortization expense amounted to \$9.9 million for the fourth quarter of 2017 compared to \$22.9 million for the same period in 2016. The decrease in depreciation from the fourth quarter of 2016 is primarily driven by fewer ounces recovered due to the Blockade as the amount of depreciation is based on recoverable ounces in the units-of-production depreciation method.

Royalties were \$1.3 million for the fourth quarter of 2017 compared to \$3.1 million for the fourth quarter of 2016, representing 3% of proceeds from gold and silver sales. The decrease is due to fewer ounces sold in connection with the Blockade.

Total cash costs were \$755 per ounce sold

Total cash costs (net of by-product sales) for the fourth quarter of 2017 were \$755 per ounce of gold sold, an increase of 40% or \$216 per ounce of gold sold compared to the fourth quarter of 2016 at \$539 per ounce of gold sold. While the Blockade reduced the fourth quarter of 2017 to 34 days of operations, total cash costs exclude costs during the Blockade. The increase, therefore, reflects the processing of lower grade ore in the fourth quarter of 2017 of 2.72 gpt compared to 3.49 gpt in the fourth quarter of 2016. In the 34 days of operations in the fourth quarter of 2017, the Company also processed more tonnes per day at 12,588 tpd compared to 9,233 tpd in the fourth quarter of 2016. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

All-in sustaining costs were \$1,016 per ounce sold

AISC for the fourth quarter of 2017 were \$1,016 per ounce of gold sold compared to \$746 per ounce of gold sold for the fourth quarter of 2016. Sustaining capital expenditures in the fourth quarter of 2017 amounted to \$3.9 million, compared to \$13.1 million spent in the fourth quarter of 2016. Sustaining capital expenditures were \$2.6 million for capitalized stripping activities, and \$1.3 million for equipment and infrastructure. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

Exploration and evaluation expenses of \$0.5 million

Exploration and evaluation expenditures were \$0.5 million in the three months ended December 31, 2017, compared to \$1.9 million in the three months December 31, 2016. In fourth quarter of 2017, exploration and evaluation activities were suspended.

General and administrative expenses of \$4.2 million

General and administrative expenses were \$4.2 million in the three months ended December 31, 2017, compared to \$3.9 million in the three months ended December 31, 2016. The increase is primarily due to higher non-cash share-based compensation expenses.

Finance costs were \$5.7 million

Finance costs totalled \$5.7 million in the three months ended December 31, 2017 compared to \$7.0 million in the three months and year ended December 31, 2016. Finance costs largely reflect the interest expense on the Debt Facility, Loan Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan (as all such terms are defined herein). As at December 31, 2017, the Company had fully repaid the VAT Loan.

No remaining settlements under the Gold Contracts

The final outstanding ounces under the Gold Contracts were delivered in early July 2017 and therefore the Company did not recognize any unrealized gains or losses for the fourth quarter of 2017 compared to an unrealized gain of \$19.0 million for the fourth quarter of 2016. During the three months ended December 31, 2017, the Company realized no gains or losses on Gold Contracts settled compared to a realized gain of \$1.0 million for the three months ended December 31, 2016.

Loss on currency derivative contracts of \$2.2 million

Based on forward prices for Mexican pesos at December 31, 2017, the Company recognized an unrealized loss for the three months ended December 31, 2017 of \$1.7 million compared to an unrealized loss of \$3.0 million for the three months ended December 31, 2016. In the fourth quarter of 2017, the average exchange rate of the Mexican peso relative to the U.S. dollar was higher than the average contract prices. As such, the Company realized a loss of \$0.5 million on the contracts settled during the quarter, compared to a loss of \$1.7 million for the fourth quarter of 2016.

Foreign exchange loss of \$5.4 million

The Company recognized a foreign exchange loss of \$5.4 million for the quarter ended December 31, 2017, compared to a loss of \$8.8 million for the quarter ended December 31, 2016. The Mexico peso depreciated by 7% in the fourth quarter of 2017.

Income and mining tax recovery of \$0.7 million

The Company recognized a current income tax recovery of \$0.5 million in the three months ended December 31, 2017 primarily related to the 7.5% Mexican mining royalty, compared to a current income tax expense of \$1.2 million in the three months ended December 31, 2016.

The Company recognized a deferred income tax recovery of \$1.2 million in the three months ended December 31, 2017, compared to a deferred income tax expense of \$15.5 million for the three months ended December 31, 2016. The increase in the deferred tax recovery is primarily as a result of an increase in the Mexican inflation rate and the impact of foreign exchange translation.

Net loss of \$25.0 million

Net loss for the fourth quarter of 2017 totalled \$25.0 million, or \$0.31 per share, both on a basic and diluted basis, while adjusted net loss amounted to \$20.0 million, or \$0.25 per share, both on a basic and diluted basis. In the fourth quarter of 2016, net income was \$10.8 million, or \$0.13 per share on both a basic and diluted basis while adjusted net earnings amounted to \$4.3 million, or \$0.05 per share on a basic and diluted basis. Net loss increased compared to the fourth quarter of 2016, largely due to fewer ounces sold and higher costs without corresponding ounces produced as a result of suspending operations in connection with the Blockade. Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net (loss) income to adjusted net (loss) earnings.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the Company's ELG Mine Complex on a quarterly basis:

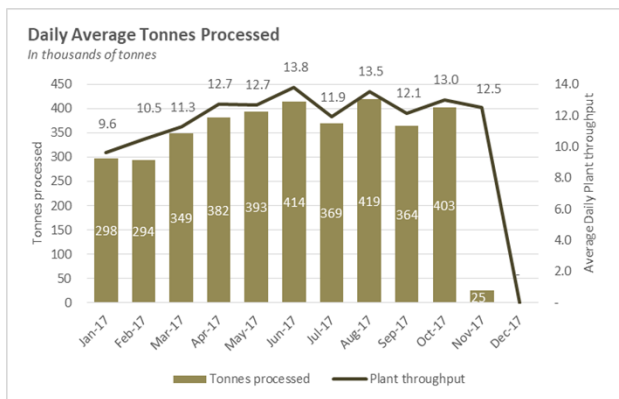
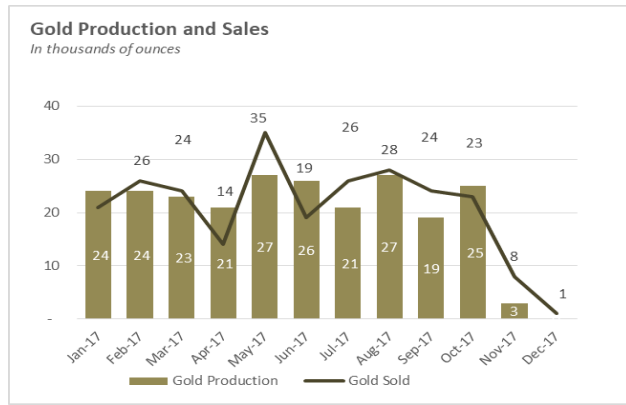
		Three Months Ended				Year Ended	
		Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Dec 31, 2017
Mining							
Guajes Pit							
Ore tonnes mined	kt	202	340	355	252	653	1,149
Waste tonnes mined	kt	847	1,820	3,390	2,432	3,495	8,489
Total tonnes mined	kt	1,049	2,160	3,745	2,684	4,148	9,638
Strip ratio	waste:ore	4.2	5.4	9.5	9.7	5.4	7.4
Average gold grade of ore mined	gpt	3.56	3.27	2.62	2.77	3.43	3.01
El Limón Pit							
Ore tonnes mined	kt	418	788	809	459	200	2,474
Waste tonnes mined	kt	1,472	5,726	3,822	3,293	2,487	14,313
Total tonnes mined	kt	1,890	6,514	4,631	3,752	2,687	16,787
Strip ratio	waste:ore	3.5	7.3	4.7	7.2	12.4	5.8
Average gold grade of ore mined	gpt	2.60	2.15	2.26	1.87	1.72	2.21
Total ELG Open Pits							
Ore tonnes mined	kt	620	1,128	1,164	711	853	3,623
Waste tonnes mined	kt	2,319	7,546	7,212	5,725	5,982	22,802
Total tonnes mined	kt	2,939	8,674	8,376	6,436	6,835	26,425
Strip ratio	waste:ore	3.7	6.7	6.2	8.1	7.0	6.3
Average gold grade of ore mined	gpt	2.91	2.48	2.37	2.19	3.03	2.46
ELG Underground							
Ore tonnes mined	kt	13	12	-	-	-	25
Average gold grade of ore mined	gpt	8.86	6.78	-	-	-	7.86
Processing							
Total tonnes processed	kt	428	1,152	1,189	941	849	3,710
Average plant throughput	tpd	12,588	12,522	13,063	10,455	9,233	12,084
Average gold recovery	%	85	87	86	85	89	86
Average gold grade of ore processed	gpt	2.72	2.35	2.37	2.49	3.49	2.43
Production and sales							
Gold produced	oz	28,162	67,337	74,487	70,887	80,955	240,873
Gold sold	oz	31,398	78,254	68,398	70,747	83,259	248,797

Gold Production and Sales

In the fourth quarter of 2017, 28,162 ounces of gold were produced and 31,398 ounces of gold were sold, for a total of 240,873 ounces produced and 248,797 ounces sold in 2017.

Processing Plant Ramp-Up

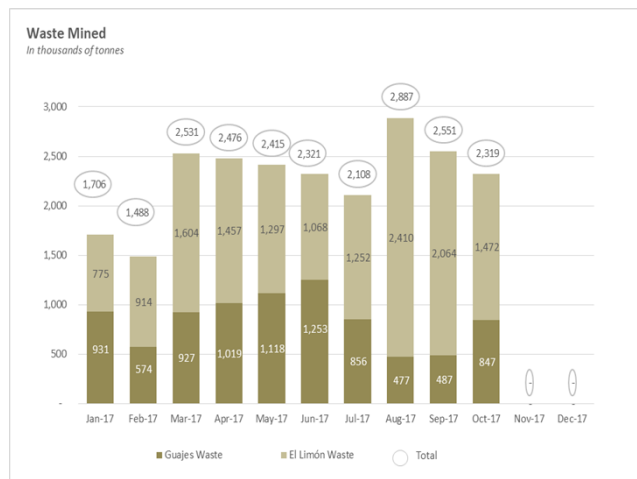
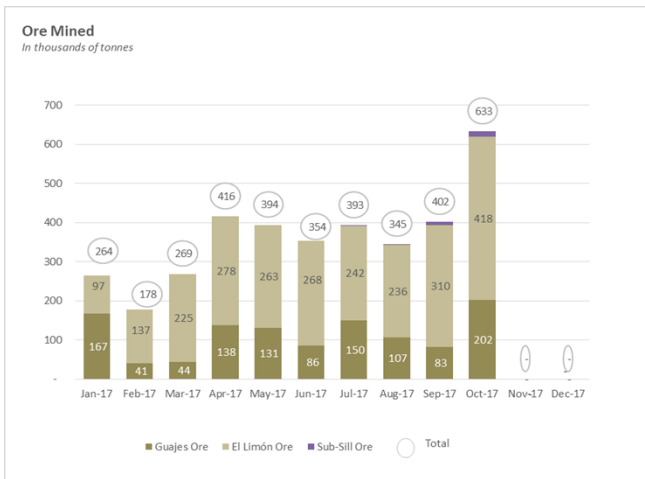
The ramp up continues to progress well. The tailings filtration bottleneck has been solved and the additional filtration capacity that is being installed will ensure that the bottleneck stays where it should be, which is in the grinding circuit. With the grinding circuit no longer constrained by the filtration circuit, efforts are underway to optimize the circuit by balancing the load between the SAG mill, ball mill, and pebble crusher. With processing plant throughput increasing, focus will also shift to the mines to match the higher levels that the processing plant is achieving.



Soluble copper in the deposit has been successfully managed with higher than design level consumption of reagents. A decision has been made to install a SART plant to recycle and reduce the consumption of the reagents that are used in association with the soluble copper. This project is expected to be commissioned and fully functional by mid-year 2018. The SART plant in H2/2018 and beyond is expected to reduce AISC by \$100 per ounce of gold sold by reducing reagent consumption and adding by-product credits resulting from the sale of a copper product.

Mining

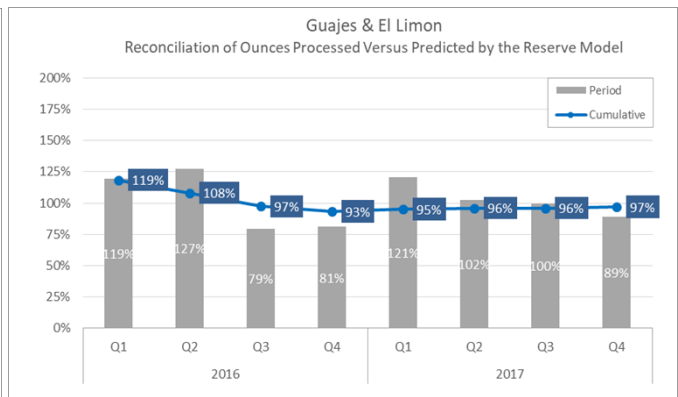
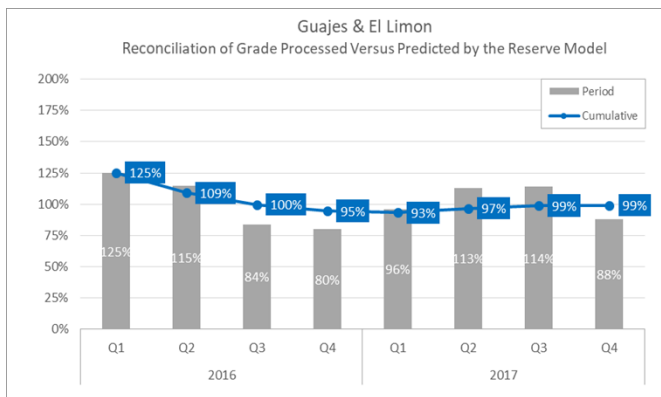
A total of 2,952 thousand tonnes were mined in the fourth quarter of 2017, including 13 thousand tonnes from the Sub-Sill zone, at an average waste to ore strip ratio of 3.7, approximately 36% of the tonnes mined were from Guajes with the remaining 64% from El Limón. At December 31, 2017, there were 793 thousand tonnes of ore in stockpile.



Tonnage and Grade Reconciliation to the Reserve Model

Grade and tonnage reconciliation to the reserve model in the quarter was 88% for grade, 102% for ore tonnes, resulting in 89% of the ounces predicted by the reserve model, and 108% for grade, 96% for ore tonnes, resulting in 104% of the ounces predicted by the reserve model in the year ended December 31, 2017.

The charts below illustrate a flattening of the cumulative curve. This is to be expected as each new quarter represents a smaller percentage of the cumulative tonnes of the previous quarters. A few more quarters of production should be enough data to provide a good indication of where reconciliation for the entire deposit will settle out. The charts below show the reconciliation for the two main pits (El Limón and Guajes) from the start of mining.



Safety

During 2017, lost time injury frequency rate (“LTIFR”) was 1.72 per million hours worked. The total lost time injuries for 2017 was 8, which included the unfortunate death of Sr. Jorge Joel Mendoza, an employee of a contractor, who was killed in May 2017 when his haul truck rolled over a bank during the construction of Pond 9. The total hours worked for the year (the Company and contractors) was approximately 4.6 million.

Community

On November 3, 2017, approximately 20 employees from Real de Limón, out of a union-eligible population of 540, started the Blockade of the ELG Mine Complex access gate and demanded a change from the Confederación de Trabajadores Mexicanos (CTM) Union to the Los Mineros Union. There is a government-sanctioned legal process to effect such a change in union. It involves a secret ballot of union-eligible employees, with a simple majority deciding which union will represent the eligible workforce. The Los Mineros Union chose to initiate the government process, and initiated the Blockade in what the Company believes was an effort to speed up the process by blockading the Company’s operations. They no longer seem interested in having a vote, presumably they believe they will lose it. They have now delayed the union selection process in three consecutive meetings of the Federal Labour Board.

It is the Company’s position that the Los Mineros Union has made unsubstantiated claims to keep its supporters angry and engaged. Unfortunately, the Los Mineros Union’s efforts have damaged the Company’s relationships with a minority in two of the local communities. It is expected that these relationships can return to being productive after the union selection vote is concluded, or it becomes clear to the local communities that the Los Mineros Union has made unsubstantiated claims. In the meantime, local employees are returning to work and the Company’s community relations team continues to repair the damage done by the Los Mineros Union. The Company believes that the government’s mining fund having recently announced the projects to be completed this year in the local communities will be a positive factor in restoring the Company’s relationships with the local communities. The government’s mining fund is financed in part by royalties from the ELG Mine Complex.

In several communities, the Company’s relationships have remained very strong. In these communities the Los Mineros Union was not able to gain influence and the support for the Company has been excellent. It was these communities that created the opportunity to by-pass the Blockade and re-start the Company’s operations. Tensions between the supporters of the Los Mineros Union and supporters of the Company escalated as the Blockade dragged on. Before these tensions reached a boiling point, the state authorities stepped in and removed the Blockade. Tensions remain high, with a much smaller group supporting the Los Mineros Union. Unfortunately, the Los Mineros Union have been able to continue to intimidate community members that would like to see the union representation issue solved through the government-sanctioned legal process, and just return to work in the meantime. State intervention to provide security in the public spaces is expected to be required until these tensions are resolved. In the meantime, the Company continues to produce gold successfully at the ELG Mine Complex.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

Much of the work on the Media Luna Project mine design was suspended during the Blockade, to conserve cash. It is being ramped back up in the latter half of Q1/2018. The related technical report is now expected to be completed in late Q2/2018 or early Q3/2018. The infill drill program remains suspended as the Blockade in this area continues, resulting in no access for the drilling contractors. The timing of the restoration of access to this area, is unknown at this time.

Morelos Gold Property Exploration Update

There are a number of highly prospective targets on the Morelos Gold Property. Current exploration activities are focused on a ‘near mine’ target that lies above and below what has been identified as the El Limón Sill (the “Sill”). Diamond drilling of the Sub-Sill target commenced in the third quarter of 2016, and the 7,727 metre program was completed in the fourth quarter of 2016. Results of this program were positive and were released publicly, followed

by a maiden underground resource, during the first quarter of 2017. A diamond drill program to infill and test for extensions to the Sub-Sill deposit was started during the second quarter of 2017. The initial infill program is complete, and an updated resource estimate, and a mineral reserve estimate, along with a mine plan was published earlier in Q1/2018. The step-out program has demonstrated growth potential through high grade intercepts in the quadrant to the northwest of the current Sub-Sill resource area. The related press releases are available on the Company's website at www.torexgold.com and were filed on SEDAR at www.sedar.com.

Permitting and land acquisition efforts for additional targets on the Morelos Gold Property have commenced, now that the similar work for the Media Luna Project has been completed.

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 certain other covenants, including cross-default provisions with the Company's Finance Lease Arrangement and Equipment Loan (both terms defined below and discussed in the "Debt Financing" section of this MD&A). From November 3, 2017 to January 15, 2018, the ELG Mine Complex was subject to the Blockade. On December 22, 2017, the Company obtained a temporary reduction in the minimum liquidity covenant from \$50.0 million to \$30.0 million until January 31, 2018. On January 31, 2018, the Company further extended the waiver to February 28, 2018. As at December 31, 2017, the Company is in compliance with the financial and other covenants.

The Company has undertaken a number of actions to reduce cash outflows, suspended employment contracts in Mexico, managed its debt and working capital, and is monitoring the situation closely. On January 29, 2018, the Company announced the Offering, which closed on February 7, 2018 and resulted in aggregate net proceeds of C\$58.5 million to the Company. As part of the Offering, the underwriters partially exercised their over-allotment option and purchased an additional 12% of the Offering with the remainder of the over-allotment option being exercised and closing on February 16, 2018, for aggregate net proceeds of C\$60.0 million to the Company pursuant to the Offering.

Summary Balance Sheet

The following table summarizes balance sheet items at December 31, 2017:

<i>In millions of U.S. dollars</i>	December 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 44.9	\$ 104.0
Restricted cash	13.9	23.4
Gold derivative contracts	-	8.6
Value-added tax receivables	54.8	61.8
Inventory	63.1	53.4
Property, plant and equipment	973.9	940.9
Other assets	17.5	14.2
Total assets	\$ 1,168.1	\$ 1,206.3
Accounts payable and accrued liabilities	\$ 50.9	\$ 50.4
Debt	385.6	406.7
Currency derivative contracts	2.2	10.2
Other liabilities	50.1	55.1
Total liabilities	\$ 488.8	\$ 522.4
Total shareholders' equity	\$ 679.3	\$ 683.9

Cash and cash equivalents and restricted cash

The Company ended 2017 with cash on hand of \$44.9 million, with an additional \$13.9 million in restricted cash. The Company holds cash balances in both Canadian dollars and Mexican pesos in addition to its U.S. dollar holdings.

Pursuant to the Debt Facility, the Company maintains restricted cash of \$13.9 million consisting of reserve funds of \$13.9 million for potential reclamation obligations in case of an unplanned temporary closure of the ELG Mine Complex.

In the year ended December 31, 2017, the Company paid \$7.3 million from its restricted cash balances in conjunction with the 7.5% Mexican mining royalty for 2016 as well as \$1.7 million in respect of the 0.5% royalty on the sale of precious metals for 2016. Subsequent to the debt refinancing, the Company is no longer required to maintain restricted cash for accrued tax and royalty liabilities. Refer to “Debt Financing” for further details.

Derivative contracts

In October 2014 and May 2016, in connection with the Loan Facility (defined below and discussed in the “Debt Financing” section of this MD&A), the Company entered into the Gold Contracts and Peso Contracts with the Lenders (defined below and discussed in the “Debt Financing” section of this MD&A), which are marked-to-market at the end of every reporting period as they are considered non-designated hedges. The gain or loss relating to these contracts fluctuates with the price of gold and the Mexican peso exchange rate relative to the U.S. dollar, respectively. As at December 31, 2017, there were no ounces outstanding under the Gold Contracts. On July 5, 2017, the Company financially settled the remaining 4,095 ounces. The Peso Contracts are a liability of \$2.2 million at December 31, 2017, reflecting a devaluation in the Mexican peso since the contracts were entered into. As at December 31, 2017, the Company had 504.0 million in Peso Contracts remaining to be settled. There are risks related to the Peso Contracts, as further discussed in the “Financial Risk Management” section of this MD&A.

Value-added tax (“VAT”) receivables

The Company has VAT receivables denominated in Mexican pesos. The VAT receivables balance fluctuates as additional VAT is paid and refunds are received, as well as with the movement of the Mexican peso exchange rate relative to the U.S. dollar. During the year ended December 31, 2017, the Company collected \$58.6 million in VAT receivables, net of interest of \$2.1 million. Subsequent to year end, the Company collected \$5.8 million in VAT receivables, net of interest of \$0.1 million.

In June 2016, the Company entered into a loan secured by its outstanding VAT receivables to mitigate delays in the collection of VAT refunds. As at December 31, 2017, the Company fully repaid the VAT Loan. Refer to “Debt Financing” for further details.

Inventory

At December 31, 2017, inventories included \$16.9 million of ore in stockpile, \$13.9 million of gold-in-circuit, \$3.0 million of finished metal inventory, and \$29.3 million of materials and supplies. At December 31, 2016, inventory included \$18.9 million of ore in stockpile, \$12.4 million of gold-in-circuit, \$4.1 million of finished metal inventory, and \$18.0 million of materials and supplies. The increase of \$9.7 million is largely due to higher materials and supplies as the Company ensures it has sufficient supplies on hand. The Company has prioritized commitments pertaining to materials and supplies necessary for achieving the restart plan.

Property, plant and equipment

Property, plant and equipment increased by \$132.1 million for construction expenditures at the ELG Mine Complex, infrastructure, equipment, finance lease assets and capitalized stripping costs for the year ended December 31, 2017. These increases are partly offset by depreciation and amortization of \$97.8 million and disposals, net of accumulated depreciation, of \$1.3 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities remained consistent at \$50.9 million at December 31, 2017 compared to \$50.4 million at December 31, 2016.

Debt

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

DEBT FINANCING

2014 Loan Facility

In August 2014, the Company, through its subsidiary Minera Media Luna, S.A. de C.V. ("MML"), signed a credit agreement (the "Credit Agreement") with BMO Harris Bank N.A., BNP Paribas, Commonwealth Bank of Australia, ING Bank N.V., Société Générale (collectively referred to as "Mandated Lead Arrangers"), and The Bank of Nova Scotia (the "Lenders") with respect to its syndicated senior secured \$375.0 million project finance loan (the "Loan Facility") that had a maturity date of June 30, 2022. The Credit Agreement was subsequently amended on March 30, 2015. Included in the amendment was the deferral of the starting date for the Loan Facility's scheduled repayments, as well as amendments to the amounts of scheduled repayments. The Loan Facility was comprised of two separate facilities – a project finance facility of \$300.0 million (the "PFF") and a cost overrun facility of \$75.0 million (the "COF"). Advances under the PFF bore interest at a rate of LIBOR plus 4.25% to 4.75% and advances under the COF bore interest at the same rate plus 1% until project completion. The proceeds of the Loan Facility were used to fund the development of the ELG Mine Complex. The Loan Facility was supported by secured guarantees from the Company and each of its material subsidiaries. The Loan Facility was fully drawn, and the principal amount outstanding as at July 25, 2017 – the date of the refinancing discussed in "2017 Debt Facility" below – was \$375.0 million.

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

Further, the Company entered into commitments to deliver 204,361 ounces of gold from the ELG Mine Complex to the Lenders between January 2016 and July 2017, at an average flat forward gold price of \$1,241 per ounce. As at December 31, 2017, the Company had no ounces remaining to be delivered.

The Company also executed the required peso contracts, which cover 75% of the Company's non-U.S. dollar denominated capital expenditures for the ELG Mine Complex from November 2014 to the second quarter of 2017, as well as 75%, 50% and 25% annually, of the Company's estimated Peso denominated operating expenditures for the ELG Mine Complex from May 2016 to December 2018 ("Peso Contracts"). The contracts are secured on an equal basis with the Loan Facility and documented in the form of International Swaps and Derivatives Association Agreements. At December 31, 2017, the Company had 504.0 million pesos at an average price of 18.8 pesos per U.S. dollar. Contracts that remain outstanding at the end of the reporting period are marked-to-market as they are considered non-designated hedges. Based on the forward prices for pesos at December 31, 2017, the Company recognized a liability of \$2.2 million with respect to the Peso Contracts.

The Loan Facility was subject to a Final Completion Test ("FCT"), which required the Company to meet certain operational and legal criteria, as well as financial covenants related to the Company's ability to service its debt obligations, expected to be applicable as at March 31, 2018 and measured on a quarterly basis thereafter.

The Loan Facility was replaced by the Debt Facility as explained below.

2017 Debt Facility

On July 25, 2017, the Company through its subsidiary MML, signed an amended and restated credit agreement 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 "Banks") in connection with a secured \$400.0 million debt facility (the "Debt Facility"). A copy of the amended and restated credit agreement is available on www.sedar.com. The Debt Facility is comprised of a \$300.0 million term loan (the "Term Facility") and a \$100.0 million revolving loan

facility (the “Revolving Facility”). On July 25, 2017, the Company borrowed the full amount of the Term Facility and \$75.0 million of the Revolving Facility to repay the Loan Facility. The Company may use the Revolving Facility for MML’s general corporate purposes, including development expenditures, subject to the conditions of the Debt Facility.

The Debt Facility provides for, as part of the permitted payments, potential spending to facilitate the development of the Company’s Media Luna Project and the Sub-Sill deposit from ELG Mine Complex cash flow, subject to satisfaction of the terms of the Debt Facility, including compliance with financial covenants related to maintaining a minimum cash balance, leverage, and mandatory cash sweeps. As at December 31, 2017, the Company is in compliance with the financial covenants.

The Debt Facility removes various covenants and restrictions imposed under the Loan Facility, including the FCT, the requirement for mandatory hedging and reduces certain restrictions on cash. The mandatory cash sweeps have also been removed provided that (i) if the ELG Mine Complex does not meet 90% of certain projected operating and economic performance parameters by December 31, 2018, or (ii) if any mine plan or base case financial model requiring approval of the majority Lenders does not receive such approval, a mandatory cash sweep shall be reintroduced until \$50.0 million of the Term Facility has been repaid through the sweep. Pursuant to the Debt Facility, the Company is required to maintain the following financial covenants:

	Requirement	As at December 31, 2017
Net Leverage Ratio	=/<3.0:1.0	2.9
Debt Service Coverage Ratio	=/>1.2:1.0	N/A
Reserve Tail Ratio	=/>30%	80%
Liquidity Requirement as at December 31, 2017	=/>\$30.0	52.6

The net leverage ratio means, as at any calculation date, the ratio of MML’s net indebtedness divided by four quarter rolling Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) as defined by the Credit Agreement. The debt service coverage ratio is calculated beginning with the March 31, 2018 calculation date.

In December 2017, the Blockade led to the suspension of operations and as a result, the Company obtained a temporary reduction until January 31, 2018 and subsequently until February 28, 2018 to the minimum liquidity covenant from a minimum of \$50.0 million to a minimum of \$30.0 million, which includes undrawn amounts under the Revolving Facility. Undrawn amounts under the Revolving Facility cannot be drawn by the Company until the temporary reduction to the minimum liquidity ends. The Company is required to be at or above \$30.0 million at all times from January 1, 2018 to February 28, 2018. As at December 31, 2017, the Company is in compliance with the financial and other covenants.

The Debt Facility bears interest at a rate of LIBOR plus 4% for the first two years, LIBOR plus 4.25% for years three and four, and LIBOR plus 4.5% thereafter and 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 continues to be secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries. The Revolving Facility and the Term Facility will mature June 30, 2020 and June 30, 2022, respectively. The first scheduled repayment of the Term Facility is March 31, 2018, and repayments continue in quarterly installments until maturity. The Revolving Facility and the Term Facility may be repaid in full at any time without penalty or premium.

Transaction costs

Previously capitalized financing charges pertaining to the Loan Facility in the amount of \$7.9 million as well as capitalized financing fees associated with the refinanced Debt Facility of \$6.5 million were proportionately allocated based on the respective drawn amounts of the Term Facility and Revolving Facility, are presented net of the Debt Facility, and will be amortized over the terms of the Term Facility and Revolving Facility, respectively. The costs capitalized were primarily Banks’ fees and legal costs. During the year ended December 31, 2017, the amortization expense relating to the deferred finance charges is included in finance costs for the Debt Facility, is calculated using

an effective interest rate ranging between 1.336% and 1.350%, and results in unamortized deferred finance charges of \$12.3 million as at December 31, 2017.

Equipment Loan

On December 23, 2015, the Company, through its subsidiary MML, executed a \$7.6 million 4-year loan agreement with BNP Paribas (the "Equipment Loan"). The Equipment Loan, secured by certain mining vehicles that are owned by the Company, is due to mature on December 31, 2019, is repayable in quarterly instalments which started on March 31, 2016, and bears interest at a rate of LIBOR plus 3.75%. The loan is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges of \$0.1 million, and totalled \$3.1 million at December 31, 2017. In the year ended December 31, 2017, the Company made principal repayments of \$2.5 million.

Finance Lease Arrangement

On December 31, 2015, the Company, through its subsidiary MML, executed a finance lease arrangement with Parilease SAS (the "Finance Lease Arrangement") which provided up to \$17.4 million in lease financing for mining equipment. On December 26, 2016 and August 7, 2017, the Company signed amendments to the finance lease agreement that included increases of \$6.3 million and \$1.2 million respectively, extending the available funds to \$24.9 million. As of December 31, 2017, the Company had utilized \$24.5 million of the available funds from the Finance Lease Arrangement. Advances under the Finance Lease Arrangement bear interest at a rate of LIBOR plus 4.0%, and are repayable in quarterly rent instalments over five years. The loan under the Finance Lease Arrangement is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges of \$0.5 million, and totalled \$19.8 million at December 31, 2017. In the year ended December 31, 2017, the Company made principal repayments of \$3.6 million.

VAT Loan

On June 3, 2016, the Company, through its subsidiary MML, executed a line of credit agreement with Banco Nacional de Comercio Exterior for an amount equivalent to 84.2% of 95% of the Company's outstanding VAT filings, up to 800.0 million Mexican pesos (approximately \$40.5 million at December 31, 2017) (the "VAT Loan"). The VAT Loan was secured by the Company's VAT receivable amounts, and advances under the facility bear interest equal to the 91-day Interbank Equilibrium Interest (TIIE) Rate as published by the Bank of Mexico plus 2.99%. Interest payments are due quarterly and VAT refunds received were applied against the balance outstanding. A final payment of all principal and any accrued interest was due 24 months following the date of the first advance. Upon signing the agreement, the Company paid 0.5% of the total amount committed, and would pay 0.5% of each new advance. During the term of the VAT Loan, MML was restricted from repaying loans from the parent company and an affiliate.

The Company drew down its first advance on June 24, 2016, in the amount of 450.5 million Mexican pesos (approximately \$24.3 million at the time of the advance). The loan was carried at amortized cost on the Statement of Financial Position, net of deferred finance charges, and was fully repaid in the third quarter of 2017. In the year ended December 31, 2017, the Company collected \$58.6 million, net of interest of \$2.1 million, which was partially used to pay down the VAT Loan.

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at December 31, 2017 were \$1,168.1 million (December 31, 2016 - \$1,206.3 million), which includes \$44.9 million in cash and cash equivalents (December 31, 2016 - \$104.0 million), excluding restricted cash of \$13.9 million (December 31, 2016 - \$23.4 million). The Company had working capital of \$32.9 million as at December 31, 2017, compared to \$124.6 million at December 31, 2016.

As a result of the Blockade, the Company obtained a temporary reduction to the minimum liquidity covenant from \$50.0 million to \$30.0 million, with the condition that the remaining \$25.0 million available under the credit agreement, and not yet drawn, is counted towards meeting the liquidity covenant threshold but it may not be drawn. The Company has undertaken a number of actions to reduce cash outflows, suspended employment contracts in Mexico, managed its debt and working capital, and is monitoring the situation closely. The Company continues to implement the restart plan and is monitoring operating results for the next twelve months.

On January 29, 2018, the Company announced the Offering, which closed on February 7, 2018 and resulted in aggregate net proceeds of C\$58.5 million to the Company. As part of the Offering, the underwriters partially exercised their over-allotment option and purchased an additional 12% of the Offering with the remainder of the over-allotment option being exercised and closing on February 16, 2018, for aggregate net proceeds of C\$60.0 million to the Company pursuant to the Offering.

Cash flow generated from operating activities, excluding changes in non-cash working capital, for the year ended December 31, 2017 totalled \$91.9 million compared to cash flow from operating activities, excluding changes in non-cash working capital, of \$139.3 million for the year ended December 31, 2016.

Investing activities resulted in net cash outflows of \$75.1 million in the year ended December 31, 2017, compared with cash outflows of \$109.5 million for the year ended December 31, 2016. The increase is primarily due to lower additions to property, plant and equipment of \$108.6 million in 2017 compared to 137.8 million in 2016, net cash inflows pertaining to working capital for property, plant and equipment of \$6.4 million in 2017 compared to net cash outflows related to working capital for property, plant and equipment of \$28.4 million in 2016, and an increase in net cash inflows from value-added tax receivables from \$3.3 million in 2016 to \$17.6 million in 2017. These are partially offset by proceeds from pre-commercial production sales in 2016 of \$38.7 million, which did not recur in 2017, and lower cash inflows from restricted cash of \$9.5 million in 2017 compared to \$20.3 million in 2016.

Financing activities resulted in net cash outflows of \$58.3 million for the year ended the year ended December 31, 2017 compared with cash inflows of \$1.7 million in the comparative period in 2016. Cash flows used in financing activities in the year ended December 31, 2017 relate primarily to interest paid of \$26.4 million, repayments under the Finance Lease Arrangement, VAT Loan and Equipment Loan totalling \$26.4 million, and \$6.5 million paid to refinance the Loan Facility. In comparison, for the year ended December 31, 2016, cash flows used in financing activities related to interest paid of \$19.1 million, repayments under the VAT Loan, Equipment Loan and Finance Lease Arrangement totalling \$6.5 million, and deferred finance fees of \$0.9 million. Cash flows generated from financing activities in the year ended December 31, 2016 related to \$24.3 million in proceeds from the VAT Loan, and \$5.8 million from the exercise of stock options.

As at December 31, 2017, the Company's contractual obligations included a head office lease agreement, office equipment leases, long-term land lease agreements with the Rio Balsas, the Real del Limón, and the Valerio Trujano Ejidos and the individual owners of land parcels within certain of those Ejido boundaries, a five-year exploration access agreement with the Puente Sur Balsas Ejido, and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine Complex. All of the long-term land lease agreements and the exploration agreement can be terminated at the Company's discretion at any time without penalty. The five-year exploration access agreement includes access to the new discoveries at the Media Luna Project. In October 2017, the Company signed a 25-year common land, lease agreement with the Puente Sur Balsas Ejido for the use of the land required for the exploration, construction, and mining of minerals at the Media Luna Project. The agreement can be revoked at the Company's discretion, with one year's notice. The agreement satisfies the land access requirement that is a pre-condition to entering the regulatory process to obtain permits for the potential development and operation of a future Media Luna mine. These agreements are not included in the contractual commitments reported below. In addition, the Company has entered into several exploration-related agreements, all of which are cancellable within a year at the Company's discretion.

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.

As discussed in the "Debt Financing" section of this MD&A, under the terms of the Credit Agreement, the Company was restricted from repatriating funds from MML until the FCT was achieved. These restrictions have been removed – however distributions are limited to a maximum of \$20.0 million on an annual basis (pro-rated for 2017) – under the terms of the refinancing completed in July 2017 and further described in the "Debt Financing" section of this MD&A. In addition, during the term of the VAT Loan, MML was restricted from repaying loans from the parent company and an affiliate. As of December 31, 2017, the Company has fully repaid the VAT Loan.

In addition, production revenue from the “Reducción Morelos Norte” concession is subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and payable on a quarterly basis. In 2017, the Company paid \$9.3 million relating to the 2.5% royalty for the four quarters ending September 30, 2017. In January 2018, the Company paid \$1.0 million relating to the fourth quarter of 2017 for the 2.5% royalty.

Further, in 2014, the Mexican government enacted a tax reform introducing a mining tax of 7.5% on earnings before the deduction of taxes, interest, depreciation and amortization, and a royalty of 0.5% on sales of gold, silver and platinum. Both the mining tax and 0.5% royalty are payable on an annual basis in March of the following year. In March 2017, the Company paid \$7.3 million and \$1.7 million relating to 2016 for the 7.5% mining tax and 0.5% royalty.

Contractual Commitments

	Total	Payments Due by Period		
		Less than 1 year	1-3 years	4-5 years
<i>In millions U.S. dollars</i>				
Long-term leases	\$ 0.5	\$ 0.2	\$ 0.3	\$ -
ELG Mine Complex operating commitments	27.7	27.7	-	-
ELG Mine Complex capital commitments	3.0	3.0	-	-
Debt	398.5	56.2	247.9	94.4
Total	\$ 429.7	\$ 87.1	\$ 248.2	\$ 94.4

OUTSTANDING SHARE DATA

Outstanding Share Data at February 21, 2018	Number
Common shares	84,882,541
Share purchase options ¹	1,177,995
Restricted share units ^{2,3}	394,606
Performance share units ⁴	441,369

1. Each share purchase option is exercisable into one common share of the Company.
2. Each restricted share unit is redeemable for one common share of the Company.
3. The balance includes both Restricted Share Units (“RSUs”) and Employee Restricted Share Units (“ERSUs”) issued under the Restricted Share Unit Plan (“RSU Plan”) and the Employee Share Unit (“ESU Plan”), respectively.
4. The number of performance share units that vest is determined by multiplying the number of units granted to the participant by an adjustment factor, which ranges from 0 to 2.0. Therefore, the number of units that will vest and be settled may be higher or lower than the number of units originally granted to a participant. The adjustment factor is based on the Company’s total return performance as compared to a group of comparable companies over the applicable period.

On June 30, 2016, the Company consolidated its outstanding common shares on a 10-for-1 basis (the “Consolidation”) resulting in one common share for every ten pre-Consolidation common shares outstanding. All references in this document, as well as in the consolidated financial statements, to earnings (loss) per share, weighted average number of common shares outstanding, common shares issued and outstanding, stock options, restricted share units and authorized common shares have been adjusted to reflect the Consolidation.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Company has presented certain non-IFRS measures in this document. The Company believes that these measures, while not a substitute for measures of performance prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.

Total cash costs

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

Torex reports AISC in accordance with the guidance issued by the World Gold Council ("WGC") in June 2013. The WGC definition of 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 (capital and expensed), capitalized stripping costs and sustaining capital expenditures and represents the total costs of producing gold from current operations. AISC exclude income tax payments, interest costs, costs related to business acquisitions and items needed to normalize earnings. Consequently, these measures are not representative of all of the Company's cash expenditures. In addition, the calculation of AISC does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability. Other companies may quantify these measures differently as a result of different underlying principles and policies applied. Differences may also occur due to different definitions of sustaining versus non-sustaining capital.

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

		Three Months Ended		Year Ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ³
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Gold sold	oz	31,398	83,259	248,797	244,095
Total cash costs per ounce sold					
Production costs and royalties	\$	24.2	45.6	179.0	134.3
Less: Silver sales	\$	(0.5)	(0.7)	(2.5)	(1.8)
Total cash costs	\$	23.7	44.9	176.5	132.5
Total cash costs per ounce sold	\$/oz	755	539	709	543
All-in sustaining costs per ounce sold					
Total cash costs	\$	23.7	44.9	176.5	132.5
General and administrative costs ¹	\$	4.1	3.8	18.9	12.4
Reclamation and remediation costs	\$	0.2	0.3	1.3	1.0
Sustaining exploration costs	\$	-	-	-	0.9
Sustaining capital expenditure ²	\$	3.9	13.1	49.3	32.2
Total all-in sustaining costs	\$	31.9	62.1	246.0	179.0
Total all-in sustaining costs per ounce sold	\$/oz	1,016	746	989	733

1. Includes share-based compensation in the amount of \$1.3 million, or \$42/oz, and \$7.0 million, or \$28/oz, for the three and twelve months ended December 31, 2017, respectively.
2. Based on additions to property, plant and equipment per the Statement of Cash Flows for the three and twelve months ended December 31, 2017. Capital expenditures for the three and twelve months ended December 31, 2017 totalled \$14.5 million and \$108.6 million. Sustaining capital expenditures of \$3.9 million in the three months ended December 31, 2017 are related to \$2.6 million for the cash component of capitalized stripping activities at El Limón and Guajes, and \$1.3 million for equipment and infrastructure expenditures. Sustaining capital expenditures in the twelve months ended December 31, 2017 of \$49.3 million include \$30.6 million for the cash component of capitalized stripping activities at El Limón and Guajes, and \$18.7 million for equipment and infrastructure expenditures. Non-sustaining capital expenditures of \$10.6 million in the three months ended December 31, 2017 consisting of the SART plant, plant improvements, the El Limón Deep tunnel, the El Limón Deep Sub-Sill, initial development scope projects that are being completed post commercial production, mobile equipment, and the Media Luna Project were considered non-sustaining and have been excluded from AISC. Non-sustaining capital expenditures in the twelve months ended December 31, 2017 of \$59.3 million consisting of plant improvements, construction of the SART plant, mobile equipment, the El Limón Deep tunnel, initial development scope projects that are being completed post commercial production, and the Media Luna Project were considered non-sustaining and have been excluded from AISC.
3. Information for the year ended December 31, 2016 contains only nine months of operations and is from April 1, 2016 to December 31, 2016 as the Company declared commercial production at the ELG Mine Complex on April 1, 2016. Therefore, results may not be comparable for the year ended December 31, 2017 and 2016.

Average Realized Price and Average Realized Margin

Average realized price and average realized margin per ounce of gold sold are used by management to better understand the gold price and margin realized throughout a period.

Average realized price is quantified as revenue per the Statement of Operations and Comprehensive Income (Loss) and includes realized gains and losses on the Gold Contracts, less silver sales. Average realized margin reflects average realized price per ounce of gold sold less total cash costs per ounce of gold sold.

The average realized price for the fourth quarter of 2017 was \$1,284 per ounce of gold sold compared to \$1,232 per ounce of gold sold for the fourth quarter of 2016. The average realized price for the twelve months ended December 31, 2017 was \$1,254 compared to \$1,263 for the period from April 1, 2016 to December 31, 2016. The decrease is primarily as a result of lower average spot price.

The average realized margin for the fourth quarter of 2017 was \$529 per ounce of gold sold compared to \$693 per ounce of gold sold for the fourth quarter of 2016. The average realized margin for the twelve months ended December 31, 2017 was \$545 compared to \$720 for the period from April 1, 2016 to December 31, 2016. These decreases reflect lower average realized prices and higher total cash costs per ounce of gold sold in 2017.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

		Three Months Ended		Year Ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016 ¹
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Gold sold	oz	31,398	83,259	248,797	244,095
Revenue	\$	40.8	102.3	314.9	312.5
Less: Silver sales	\$	(0.5)	(0.7)	(2.5)	(1.8)
Less: Realized gain (loss) on Gold Contracts	\$	-	1.0	(0.5)	(2.3)
Total proceeds	\$	40.3	102.6	311.9	308.4
Total average realized price per ounce	\$/oz	1,284	1,232	1,254	1,263
Less: Total cash costs per ounce	\$/oz	755	539	709	543
Total average realized margin per ounce	\$/oz	529	693	545	720

- Information for the year ended December 31, 2016 contains only nine months of operations and is from April 1, 2016 to December 31, 2016 as the Company declared commercial production at the ELG Mine Complex on April 1, 2016. Therefore, results may not be comparable for the year ended December 31, 2017 and 2016.

Adjusted Net (Loss) Earnings

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

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

The adjusted net loss for the fourth quarter of 2017 was \$20.0 million compared to \$4.3 million in adjusted net earnings for the fourth quarter of 2016. The decrease is largely due to lower net (loss) income as a result of the Blockade.

Reconciliation of Adjusted Net (Loss) Earnings to Net (Loss) Income

		Three Months Ended		Year Ended	
		31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16 ¹
<i>In millions of U.S. dollars, unless otherwise noted</i>					
Basic weighted average shares outstanding	shares	79,852,660	79,644,131	79,796,545	79,169,815
Diluted weighted average shares outstanding	shares	79,852,660	80,062,987	79,796,545	79,846,592
Net (loss) income	\$	(25.0)	10.8	(12.6)	41.0
Adjustments, after-tax:					
Unrealized foreign exchange loss (gain)	\$	4.6	4.3	(2.3)	9.9
Deferred income tax expense (recovery) relating to foreign exchange	\$	0.6	0.3	0.1	0.8
Unrealized gain on derivative contracts	\$	1.7	(16.0)	0.6	0.2
Tax effect of adjustments	\$	(1.9)	4.9	(0.1)	(0.7)
Adjusted net (loss) earnings	\$	(20.0)	4.3	(14.3)	51.2
Per share - Basic	\$/share	(0.25)	0.05	(0.18)	0.65
Per share - Diluted	\$/share	(0.25)	0.05	(0.18)	0.64

- Information for the year ended December 31, 2016 contains only nine months of operations and is from April 1, 2016 to December 31, 2016 as the Company declared commercial production at the ELG Mine Complex on April 1, 2016. Therefore, results may not be comparable for the year ended December 31, 2017 and 2016.

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, sustaining capital expenditures, corporate general and administrative expenses, exploration and evaluation expenses, foreign exchange losses, derivative costs, finance income and expenses, and taxation.

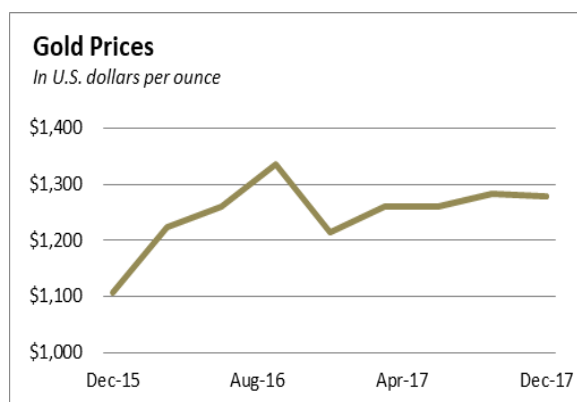
“Cash generated from operating activities before change in non-cash working capital balances” provides useful information to management and investors as an indication of the cash flows from operations before consideration of the impact of changes in working capital balances in the period.

ECONOMIC TRENDS

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

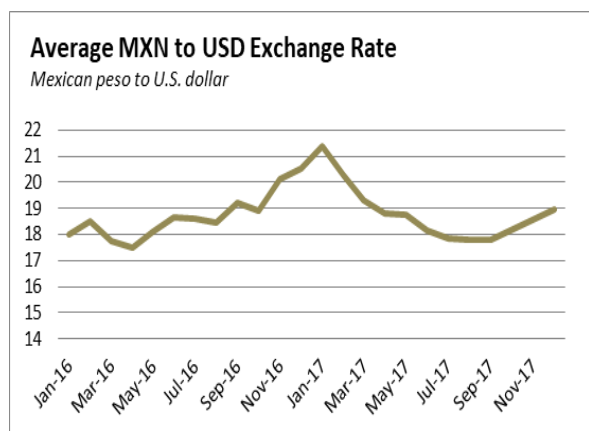
		Three Months Ended December 31,		Year Ended December 31,	
		2017	2016	2017	2016
Average market spot prices					
Gold	\$/oz	1,279	1,214	1,260	1,248
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : \$	19.0	19.8	18.9	18.7
Canadian dollar : U.S. dollar	C\$: \$	1.27	1.33	1.30	1.32

Metal prices



The Company's profitability and operating cash flows are significantly impacted by the price of gold. During 2017 approximately 31% of the gold sold by the Company was delivered into the Gold Contracts at an average flat forward price of \$1,241 per ounce of gold with the remaining sold at the market spot price. The market price of gold continued to exhibit volatility during the twelve months of 2017 but ended the fourth quarter at \$1,309 per ounce of gold, up nearly 14% over the closing price on December 31, 2016. The average price of gold was \$1,260 per ounce of gold in the twelve months ended December 31, 2017.

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 49% of the Company's operating costs for the twelve months of 2017 were incurred in Mexican pesos. Although the Company has entered into the Peso Contracts to fix a portion of its Mexican-denominated costs and operating expenditures, changes in exchange rates are still expected to have an impact on the Company's results. In addition, the Company is exposed to foreign exchange risk on its non-U.S. dollar denominated monetary assets and liabilities. The average exchange rate of the Mexican peso relative to the U.S. dollar was 18.9 and 18.7 pesos for the year ended December 31, 2017 and the year ended December 31, 2016, representing a devaluation of 1% in the Mexican peso.

SUMMARY OF ANNUAL INFORMATION

Selected Annual Information

<i>In millions, except per share amounts of U.S. dollars</i>	December 31, 2017	December 31, 2016	December 31, 2015
Revenues	\$ 314.9	\$ 312.5	\$ -
Operating expenses	260.2	192.6	-
General, administrative and other	40.0	19.1	21.9
Net (loss) income	(12.6)	3.2	(24.6)
(loss) income per share - basic and diluted	(0.16)	0.04	(0.31)
Current assets	151.6	196.9	107.1
Long-term assets	1,016.5	1,009.4	1,014.0
Total assets	1,168.1	1,206.3	1,121.1
Long-term liabilities	370.1	450.1	400.5
Dividends	\$ -	\$ -	\$ -

The consolidated annual financial statements for each of the three years' most recently completed financial years were prepared in accordance with IFRS. The presentation currency and functional currency are U.S. dollars.

Revenues for the year ended December 31, 2017 represent approximately ten months of operations due to the Blockade which commenced in November 2017. In April 2016, the Company transitioned to commercial production. No revenues were recognized in periods prior to April 1, 2016, as in 2015 no gold was sold from the ELG Mine Complex, and proceeds from the sale of gold during the first quarter of 2016 were offset against development costs as the ELG Mine Complex had not yet reached commercial production.

Operating expenses increased in 2017 compared to 2016 due to lower grades processed, which together with increased throughput and higher reagent utilization, led to an increase in operating costs without a corresponding increase in ounces sold. Operating expenses in 2016 increased significantly compared to 2015 as beginning in 2016 these expenses include the costs of operating the ELG Mine Complex. In 2017, general, administrative and other expenses were higher than in 2016 due to the Blockade and other charges. While net (loss) income and (loss) income per share improved from 2015 to 2016 due to the commencement of commercial production, net (loss) income decreased in 2017 due to higher operating costs and the Blockade. The Company recognized \$14.4 million in 2017 in relation to the Blockade as part of operating expenses in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

In 2016, capitalization of development costs ceased and depreciation of fixed assets began. In 2016, an increase in cash and cash equivalents, the derivative gold contracts, gold inventory and the increase in the VAT receivables contributed to the increase in current assets. In 2017, current and total assets decreased due to the Blockade. Non-current assets increased due to additions to property, plant and equipment, partially offset by decreases in restricted cash and value-added tax receivables.

In 2015 the Company drew the remaining amounts under the Loan Facility and the Equipment Loan and recorded a provision for decommissioning liabilities related to the ELG Mine Complex. Long-term liabilities increased in 2016 due to equipment financed during the year and the VAT Loan entered into in June 2016. In 2017, the Company refinanced the Loan Facility, repaid the VAT Loan and continued making repayments on the Equipment Loan and the Finance Lease. In 2016 there were no principal repayments due within 12 months under the Loan Facility, whereas as at December 31, 2017, principal repayments under the Debt Facility, of \$49.5 million, are due in 2018 and are shown as current.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

		2017				2016			
		Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
<i>In millions of U.S. dollars, unless otherwise noted</i>									
Key Operating Data									
Mining									
Ore mined	kt	633	1,140	1,164	711	853	869	684	516
Waste mined	kt	2,319	7,546	7,212	5,725	5,982	5,648	3,933	3,418
Total mined	kt	2,952	8,686	8,376	6,436	6,835	6,517	4,617	3,934
Strip ratio ⁴	waste : ore	3.7	6.7	6.2	8.1	7.0	6.5	5.8	6.6
Average gold grade of ore mined	gpt	3.03	2.53	2.37	2.19	3.03	3.08	3.18	2.60
Processing									
Tonnes processed	kt	428	1,152	1,189	941	849	932	925	670
Plant recovery	%	85	87	86	85	89	89	82	76
Head gold grade	gpt	2.72	2.35	2.37	2.49	3.49	3.13	3.15	2.73
Production and Sales									
Gold ounces produced	oz	28,162	67,337	74,487	70,887	80,955	77,915	83,256	37,811
Gold ounces sold	oz	31,398	78,254	68,398	70,747	83,259	80,064	80,772	31,518
Financial Results									
Revenue ¹	\$	40.8	100.5	86.6	87.0	102.3	108.1	102.1	-
Cost of sales	\$	34.1	83.4	71.7	71.0	68.6	63.7	60.5	-
Earnings from mining operations	\$	6.7	17.1	14.9	16.0	33.8	44.4	41.6	-
General and administrative	\$	4.2	5.2	4.2	5.5	3.8	4.4	4.2	2.9
Exploration and evaluation	\$	0.5	1.9	3.6	0.5	1.9	0.4	0.5	0.9
Blockade and other charges	\$	14.4	-	-	-	-	-	-	-
Income tax expense (recovery)	\$	(0.7)	4.1	0.5	(4.6)	16.7	5.1	2.5	(1.8)
Net (loss) income	\$	(25.0)	(1.6)	5.1	8.9	10.7	23.6	6.7	(37.8)
Per share - Basic ³	\$/share	(0.31)	(0.02)	0.06	0.11	0.13	0.30	0.08	(0.48)
Per share - Diluted ³	\$/share	(0.31)	(0.02)	0.06	0.11	0.13	0.30	0.08	(0.48)
Adjusted net (loss) earnings ²	\$	(20.0)	(1.0)	0.8	5.9	4.3	24.8	22.1	-
Per share - Basic ^{2,3}	\$/share	(0.25)	(0.01)	0.01	0.07	0.05	0.31	0.28	-
Per share - Diluted ^{2,3}	\$/share	(0.25)	(0.01)	0.01	0.07	0.05	0.31	0.28	-
Cost of sales	\$/oz	1,086	1,066	1,048	1,004	823	795	748	-
Total cash costs ²	\$/oz	755	728	706	671	539	517	571	-
All-in sustaining costs ²	\$/oz	1,016	1,035	991	923	746	699	754	-
Average realized gold price ²	\$/oz	1,284	1,277	1,241	1,227	1,232	1,308	1,252	-
Average realized margin ²	\$/oz	529	549	535	556	693	791	681	-

For each of the eight most recent completed quarters, the financial data was prepared in accordance with IFRS. The presentation and functional currency is in U.S. dollars. The quarterly results are unaudited. Sum of all the quarters may not add up to the annual total due to rounding.

1. Proceeds from sale of gold and silver prior to achieving commercial production were offset against the construction costs for the ELG Mine Complex.
2. Adjusted net (loss) 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. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.
3. Earnings per share reflect the Consolidation. Comparatives were restated.
4. Ore mined underground from the Sub-Sill of 12 kt and 13 kt is included in ore tonnes mined and excluded from the strip ratio for the three months ended December 31, 2017 and September 30, 2017.

Net (loss) income has fluctuated based on, among other factors, gold prices, foreign exchange rates, and the Blockade. Gold prices affect the Company's realized sales prices of its gold production, as well as the marked-to-market value of the Gold Contracts. Fluctuations in the value of the Mexican peso and Canadian dollar relative to the U.S. dollar affect the Company's operating and corporate expenses, 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 marked-to-market value of the Peso Contracts, as well as the tax basis of non-monetary assets and liabilities considered in the Company's deferred tax liability.

TRANSACTIONS WITH RELATED PARTIES

There were no material related party transactions during the year other than those disclosed in the Company's consolidated financial statements for the year ended December 31, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

The areas that require management to make significant judgments in applying the Company's accounting policies to determine carrying values in the audited consolidated financial statements includes, but are not limited to:

Functional currency

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

Production stage

Significant judgment is required to determine when an asset is able to operate at expected levels and requires an assessment of both qualitative and quantitative factors. The Company uses several criteria to determine when an asset is able to operate at expected levels. These are complex and depend on each development property's plan and its economic, political and environmental conditions. The criteria considered is as follows:

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

Development stage

As presented in Note 3 to the consolidated financial statements, to determine whether technical feasibility and commercial viability of extracting a mineral resource exists, the Company considers various factors. Significant judgment is required to determine when the Company's Media Luna Project entered the development stage.

Mineral reserves and resources

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

Changes in the proven and probable mineral reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, inventory valuation, the calculation of depreciation and depletion expense, the capitalization of production phase stripping costs, decommissioning liabilities and recognition of deferred tax amounts. In May 2016, the Company completed a Life of Mine (“LOM”) plan update for the ELG Mine Complex. The updated LOM affected the calculation of depreciation and depletion expense, inventory valuation, the capitalization of production phase stripping costs and decommissioning liabilities.

Inventory of ore stockpiled, in-circuit and finished goods

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

Taxes

The Company is subject to income tax in several jurisdictions. Significant judgment is required in determining the provision for income taxes, due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the ultimate tax determination is different from the amounts that were initially recorded, such differences can materially impact the current and deferred tax amounts recognized in the Consolidated Statements of Financial Position and the Consolidated Statements of Operations and Comprehensive (Loss) Income.

Deferred income taxes

The Company has historical tax losses that may be carried forward to reduce tax payments in future years. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income tax assets. The Company recognizes the deferred tax benefit related to historical losses or other deferred income to the extent there is sufficient evidence to support that recovery is probable. Changes in estimates can materially affect deferred tax balances and the related expenses and recoveries in the Consolidated Statements of Operations and Comprehensive (Loss) Income. The Company has not recorded a deferred income tax asset as at December 31, 2017.

Value added tax receivable

Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The Company assesses the recoverability of the amounts receivable at each reporting date. Changes in these estimates can materially affect the amount recognized as VAT receivable and could result in an increase in other expenses recognized in the Consolidated Statements of Operations and Comprehensive (Loss)

Income. As at December 31, 2017, the Company determined the full balance to be recoverable. Significant judgment is required to determine the presentation of current and non-current VAT receivable.

Impairment of assets

The carrying value of property, plant and equipment is reviewed at each reporting period to determine whether there is any indication of impairment. The Company evaluates both external and internal sources of information to determine if indicators of impairment exist.

If indicators of impairment are identified an impairment test is conducted. The assessment of the recoverability of an asset's carrying value requires judgment about future production and sales volumes, future commodity prices, recoverable mineral reserves, discount rates, foreign exchange rates, and future operating and capital costs. Changes in estimates and assumptions could materially impact the carrying value of property, plant and equipment, and result in an impairment loss to be recognized in the Consolidated Statements of Operations and Comprehensive (Loss) Income. At as December 31, 2017, no indicators of impairment were identified.

Decommissioning liabilities

The Company has recognized a decommissioning liability relating to its ELG Mine Complex, and has determined that no significant decommissioning liabilities exist in connection with the activities at its Media Luna Project. Assumptions have been made, based on the current economic environment, which management believes are a reasonable basis upon which to estimate the future liability. As discussed in Note 12 to the consolidated financial statements, these assumptions include a pre-tax discount rate, and the timing and nature of reclamation expenditures. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend on future market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. Significant judgment is involved in determining whether a constructive obligation has occurred. Changes in these factors can materially impact the decommissioning liability and related assets recognized in the Consolidated Statements of Financial Position.

Debt refinancing

Significant judgment is required in applying IAS 39 *Financial Instruments: Recognition and Measurement* to determine whether amended terms of the loan agreement are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original financial liability. Management must take into account both quantitative and qualitative factors in assessing whether terms have been substantially modified, and often judgment is required in conducting such an assessment. Management considered several factors in assessing whether the amended terms of its Debt Facility agreement constituted a substantial modification including, among other factors, timing of cash flows, revisions to financial and operating covenants, restrictions on use of proceeds and the nature of the revolving credit facility and management's intentions with respect to its utilization.

RECENT ACCOUNTING PRONOUNCEMENTS

New and amended standards and interpretations issued and effective:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative, the amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information for the current period in Note 9(e) to the December 31, 2017 consolidated financial statements.

Recent accounting pronouncements issued but not yet effective:

IFRS 9, *Financial Instruments* ("IFRS 9"), was issued by the International Accounting Standards Board (the "IASB") in July 2014 and will replace *IAS 39, Financial Instruments: Recognition and Measurement*. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 also introduces a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for periods beginning on or after January 1, 2018, with early adoption permitted. The Company intends to adopt IFRS 9 in its consolidated financial statements for the period beginning on January 1, 2018. The Company is currently assessing the impact of adopting this new standard.

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

IFRS 16, *Leases* ("IFRS 16"), issued in January 2016, replaces *IAS 17, Leases*. IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease. IFRS 16 is effective for periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15. The Company intends to adopt IFRS 16 in its consolidated financial statements for the period beginning on January 1, 2019. The Company is in the process of conducting a systems evaluation, developing an implementation plan and a preliminary review of leases has begun with additional analysis and impact quantification planned for 2018. The Company anticipates the impact of adopting this new standard will be to increase property, plant and equipment, debt, depreciation and amortization expense, finance costs, and cash flows from operating activities as well as decrease lease expense and financing cash flows as more lease payments will be recorded as financing outflows in the Company's statements of cash flows.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2, *Share-based Payment* ("IFRS 2")). On June 30, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for periods beginning on or after January 1, 2018. The Company does not expect any adjustments as a result of adopting this amendment.

IFRIC Interpretation 22 – *Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The interpretation is applicable for periods beginning on or after January 1, 2018. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary assets or non-monetary liability arising from the payment or receipt of advance consideration. The Company intends to adopt the interpretation in its consolidated financial statements for the period beginning on January 1, 2018. The Company does not expect any adjustments as a result of this interpretation.

IFRIC Interpretation 23 – *Uncertainty over Income Tax Treatments*. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for periods beginning on or after January 1, 2019. Under this interpretation, the key test is whether it is probable that the tax authorities will accept a chosen tax treatment. If it is probable, then the amount recorded in the consolidated financial statements must be the same as the treatment in the tax return. If it is not probable, then the amount recorded in the consolidated financial statements would be different than in the tax return and would be measured as either the most likely amount or the expected value. The interpretation also requires companies to reassess the judgments and estimates applied if facts and circumstances change, such as a result of examination or actions by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires. The Company intends to adopt the interpretation in its consolidated financial statements for the period beginning on January 1, 2019. The Company does not expect any adjustments as a result of this interpretation.

FINANCIAL RISK MANAGEMENT

The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk, foreign currency risk and interest rate risk.

Credit risk

Credit risk is the risk of a loss associated with a counterparty's inability to fulfill its contractual payment obligations. To mitigate exposure to credit risk, the Company has adopted strict investment policies, which prohibit any equity or money market investments. All of the Company's cash, cash equivalents, restricted cash, derivative contracts, and VAT receivables are with reputable financial institutions or government agencies and, as such, the Company does not consider its credit risk on these balances to be significant as at December 31, 2017.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2017, the Company had cash balances of \$44.9 million, excluding restricted cash of \$13.9 million (December 31, 2016 – cash balance of \$104.0 million, excluding restricted cash of \$23.4 million). The Company maintains its cash in fully liquid business accounts. At December 31, 2017, the cash balance held by MML totalled \$23.9 million (December 31, 2016 - \$70.1 million).

During the year ended December 31, 2017, the Company utilized a total of \$5.5 million from its Finance Lease Arrangement to finance certain mining equipment. As at December 31, 2017, the amounts outstanding under the Debt Facility, Equipment Loan and Finance Lease Arrangement, totalled \$375.0 million, \$3.2 million and \$20.3 million respectively.

As discussed in "Liquidity and Capital Resources", under the terms of the Credit Agreement, the Company was restricted from repatriating funds from MML until the FCT was achieved. These restrictions have been removed under the terms of the refinancing completed in July 2017 and described in "Debt Financing". In addition, during the term of the VAT Loan, MML was restricted from repaying loans from the parent company and an affiliate.

Cash flows that are expected to fund the ELG Mine Complex and settle current liabilities are dependent on, among other things, proceeds from gold sales and recovery of the Company's VAT receivables. The Company is exposed to liquidity and credit risk with respect to its VAT receivables if the Mexican tax authorities are unable or unwilling to

make payments in a timely manner in accordance with the Company's monthly filings. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. As at December 31, 2017, the Company expects to recover \$31.4 million over the next twelve months and a further \$23.4 million thereafter. The Company's approach to managing liquidity risk with respect to its VAT receivables is to file its refund requests on a timely basis, monitor actual and projected collections of its VAT receivables, and cooperate with the Mexican tax authorities in providing information as required. Although the Company expects a full recovery, there remains risk on the amount and timing of collection of the Company's VAT receivables, which may affect the Company's liquidity and ability to fund other priorities. The Company has mitigated the impact of potential delays in the collection of VAT receivables by securing the VAT Loan, as described in "Debt Financing".

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

On January 29, 2018, the Company announced the Offering, which closed on February 7, 2018 and resulted in aggregate net proceeds of C\$58.5 million to the Company. As part of the Offering, the underwriters partially exercised their over-allotment option and purchased an additional 12% of the Offering with the remainder of the over-allotment option being exercised and closing on February 16, 2018, for aggregate net proceeds of C\$60.0 million to the Company pursuant to the Offering.

Commodity Price Risk

Gold prices have fluctuated widely in recent years and the market price of gold has decreased significantly since 2013. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. Under requirements from the Loan Facility, the Company entered into commitments to deliver a total of 204,361 ounces of gold over an 18-month period which commenced in January 2016 to the Lenders, at an average flat forward gold price of \$1,241 per ounce. As at December 31, 2017, there were no ounces remaining to be delivered under the Gold Contracts. A 10% appreciation or depreciation of gold prices would not impact the Company's net (loss) income for the year relating to the Gold Contracts.

Foreign Currency Risk

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada and Mexico and has foreign currency exposure to non-U.S. dollar denominated transactions. The Company expects a significant amount of exploration, capital development, operating and decommissioning expenditures associated with the Morelos Gold Property to be paid in Mexican pesos and U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar and Mexican peso compared to the U.S. dollar is expected to have an effect on the Company's results of operations in the future periods.

As at December 31, 2017, the Company had cash and cash equivalents, amounts receivable, VAT receivables, accounts payable and accrued liabilities and income taxes payable that are in Mexican pesos and in Canadian dollars. As at December 31, 2017, a 10% appreciation or depreciation of the Mexican peso and Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of \$2.3 million and \$0.1 million in the Company's net (loss) income for the year, respectively.

As at December 31, 2017, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of \$2.5 million and \$1.6 million (using the spot rate as at December 31, 2017 of \$19.7 Mexican pesos per U.S. dollar) in the Company's net (loss) income for the year, as a result of the change in the value of the Peso Contracts.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument or its fair value will fluctuate because of changes in market interest rates. As at December 31, 2017, a 100-basis point change in the LIBOR rate would result in a \$4.0 million change per annum in interest expense relating to the Company's Debt Facility, Equipment Loan and Finance Lease Arrangement. The Company has not entered into any agreements to hedge against unfavourable changes in interest rates.

The Company deposits cash in fully liquid business bank accounts with reputable financial institutions or government agencies. As such, the Company does not consider its interest rate risk exposure to be significant at December 31, 2017 with respect to its cash and cash equivalent positions.

RISKS AND UNCERTAINTIES

Indebtedness risks

The level of the Company's indebtedness, as well as the financial covenants, restrictive covenants and other limitations imposed under the indebtedness, could have an adverse impact on the Company's business including limiting its ability to obtain additional financing, making it difficult to satisfy its obligations, limiting its ability to pursue additional opportunities and making the Company more vulnerable to general adverse economic and industry conditions.

There can be no assurance that the Company will be able to generate sufficient cash flow over the required period to satisfy its financial covenants and service its indebtedness on a timely basis or at all. If the Company is unable to service its indebtedness or if an event of default occurs under the Debt Facility, or other indebtedness, the amounts outstanding could become repayable in full if the Company is unable to obtain a waiver or extension. In such an event, the Company may not have sufficient cash resources or the ability to obtain additional funds in order to repay these amounts.

Safety and security risks

The ELG Mine Complex and the Media Luna Project are in the State of Guerrero, Mexico. Guerrero State suffers from high levels of criminality. The homicide rate is among the highest in the country and organized crime is active in the state, and in the region surrounding the ELG Mine Complex. Criminal activities in the region, or the perception that activities are likely, may disrupt the Company's operations, hamper the Company's ability to hire and keep qualified personnel and impair the Company's access to sources of capital. Risks associated with conducting business in the region include risks related to personnel safety and asset security. Risks may include, but are not limited to: kidnappings of employees and contractors; exposure of employees and contractors to local crime related activity and disturbances; exposure of employees and contractors to drug trade activity; and damage or theft of Company or personal assets including the Company's future gold shipments. These risks may result in serious adverse consequences including personal injuries or death, property damage or theft, limiting or disrupting operations, restricting the movements of funds, impairing contractual rights and causing the Company to shut down operations, all of which may expose the Company to costs as well as potential liability. Such events could have a material adverse effect on the Company's cash flows, earnings, results of operations and financial condition and make it more difficult for the Company to obtain financing, if needed. Although the Company has developed procedures regarding these risks, due to the unpredictable nature of criminal activities, there is no assurance that the Company's efforts are able to effectively mitigate risks and safeguard personnel and Company property effectively. And although the Mexican Federal Gendarmerie remains present at the ELG Mine Complex for the protection of the Company's assets (as their mandate is to protect the 'productive assets' within Mexico), there is no assurance that they will fulfill their mandate.

Illegal Blockades

Local communities may be influenced by external entities, groups or organizations opposed to mining activities or seeking to gain illegally from mining. Social acceptance of MML remains strong and supportive of the ELG Mine Complex, however, the ELG Mine Complex does experience blockades from time to time. Most recently, the Company's operations in the ELG Mine Complex were shut down because of the Blockade from the Los Mineros Union that was launched on November 3, 2017.

The ELG Mine Complex has been blockaded three times since production started in 2016. In most cases the blockades have been short, with the root cause traced back to inequality or perceived inequality. There was very little economic inequality before the Morelos Gold Property was identified, and poverty was widespread. The ELG Mine Complex has brought new wealth to the area, and for some, the land leases, jobs, and business opportunities have created a distinctly improved set of economic outcomes. However, not everyone has been able to take advantage of these opportunities and for those who have not seen a dramatic change in their lifestyle, they now see others in their community with wealth that they do not have. This has been perceived as unfair by some members of the

community, and most of the blockades to date have been an expression of that perceived unfairness. The Company has been working with the government to mitigate this risk of blockades, and it is expected that the economic benefits of the ELG Mine Complex will reach more local citizens once the government's mining fund, which is supported by royalties from the ELG Mine Complex, starts to invest in the region. There is no assurance that the Company's efforts will be able to effectively mitigate such risks.

Operational risks

Precious metal exploration, mine development and operations

The most significant risks and uncertainties the Company faces are: the Company's reliance on its principal assets, the ELG Mine Complex and the Media Luna Project that form part of its 100% owned Morelos Gold Property; key issues relating to the development and exploitation of the ELG Mine Complex; open pit mining risks; risks associated with the ramp-up of the processing plant, fluctuation in gold and other metal prices, commodity price risk, currency exchange rate fluctuations, capital and operational cost estimates, access to the ELG Mine Complex and the possibility of blockades, dependence on good relationships with employees and contractors and the possibility of labour unrest, strikes and similar job actions, dependence on key executives and employees, limited operating history, generating positive cash flow, the ability of the Company to secure additional financing, the safety and security of the Company properties, including criminal activity such as theft and robbery, 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, 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, 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, limitations under the 2017 Debt Facility, Equipment Loan and Finance Lease Arrangement, liquidity of parent company, conflicts of interest of certain personnel, credit and liquidity risk, compliance with anti-corruption laws, enforcement of legal rights, accounting policies and internal controls. For additional information relating to the Company, and a detailed description of risks and uncertainties refer to the Company's most recent annual information form, which is available at the Company's profile on SEDAR at www.sedar.com. See also "Cautionary Note Regarding Forward-Looking Statements."

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Based on a review of the internal controls over financial reporting at December 31, 2017 conducted by the President and Chief Executive Officer and Chief Financial Officer, the Company's internal controls and procedures are appropriately designed and operating effectively to provide reasonable assurance that the financial information is recorded, processed, summarized and reported in a timely manner.

There was no change in the Company's internal controls over financial reporting that occurred during the fourth quarter of 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design and operating effectiveness of the disclosure controls and procedures, that as of December 31, 2017, the Company's disclosure controls and procedures have been designed and operate effectively to provide reasonable assurance that material information is made known to them by others within the Company.

Limitations of Controls and Procedures

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

QUALIFIED PERSONS

Scientific and technical information contained in this MD&A has been reviewed and approved by Dawson Proudfoot, P.Eng., Vice President, Engineering of Torex Gold Resources Inc. and a Qualified Person under NI 43-101.

ADDITIONAL INFORMATION

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains “forward-looking statements” and “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future exploration, development and exploitation plans concerning the Morelos Gold Property, the adequacy of the Company’s financial resources, business plans and strategy and other events or conditions that may occur in the future, and the results set out in the Technical Report including the PEA including with respect to mineral resource and mineral reserve estimates, 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 2017 Debt Facility and service its indebtedness on a timely basis, the expected successful achievement of the restart plan, the expected successful ramp-up and achieving full production, expected metal recoveries, gold production (including without limitation the estimated gold sales by year), total cash costs per ounce of gold sold, AISC and revenues from operations, the ability to mine and process estimated mineral reserves, plans to mine and process the material in the Sub-Sill area, plans to complete the SART plant on time and budget and the expected successful start-up, commissioning and operation of the SART plant and the expected cost saving from the operation of the SART plant, the expected continued operation of the tailings filtration plant at design levels, and further advances of funds if required, pursuant to the 2017 Debt Facility and Finance Lease Arrangement (each of which is subject to certain customary conditions precedent), the expected resolution and effects of the Blockade, plants to complete a feasibility study of the Media Luna Project, and expected timing and receipt of VAT refunds. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans,” “expects,” or “does not expect,” “is expected,” “budget,” “scheduled,” “goal,” “estimates,” “forecasts,” “intends,” “anticipates,” or “does not anticipate,” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might,” or “will be taken,” “occur,” or “be achieved.” Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the ramp-up of the processing plant, fluctuation in gold and other metal prices, commodity price risk, currency exchange rate fluctuations, capital and operational cost estimates, satisfying financial covenants under the 2017 Debt Facility, ability to access to the ELG Mine Complex and the Media Luna Project, dependence on good relationships with employees and contractors and labour unions, the union selection vote, dependence on key executives and employees, limited operating history, generating positive cash flow, the ability of the Company to secure additional financing, 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, 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, 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"), 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 full production and continued operation of the tailings filtration plant at design levels, timely access to the high grade material, timely completion, start up and commissioning of the SART plant and cost savings expected and the timing and receipt of any required approvals and permits, the price of gold, sufficient cash flow to satisfy its financial covenants under the 2017 Debt Facility and service its indebtedness, the ability of the Company to access the ELG Mine Complex and the Media Luna Project without disruption, ability to resolve the Blockade relatively quickly, the ability of the Company to obtain qualified personnel, equipment, goods, consumables and services in a timely and cost-efficient manner, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to obtain financing on acceptable terms, the ability 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, as updated by the new mineral resource estimate, mineral reserve estimate and life of mine in the AIF, and geological, operational and price assumptions on which these are based and the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

February 21, 2018