



TOREX TOTAL TAX EXPENSE REVIEW

Prepared as at Dec 16 2019

Safe Harbour Statement



Total cash costs and all-in sustaining costs ("**AISC**") are financial performance measures with no standard meaning under International Financial Reporting Standards ("**IFRS**"). Refer to "Non-IFRS Financial Performance Measures" in the management's discussion and analysis for the year ended December 31, 2018 ("**Q4 2018 MD&A**"), for the three months ended March 31, 2019 ("**Q1 2019 MD&A**"), for the three and six month periods ended June 30, 2019 ("**Q2 2019 MD&A**"), and for the three and nine months ended September 30, 2019 ("**Q3 2019 MD&A**") of Torex Gold Resources Inc. ("**Torex**" or the "**Company**") for further information and a detailed reconciliation regarding historical performance measures.

The analyses and examples in this presentation (the "**Presentation**") are based on historical information derived from the Company's financial statements for the periods referred to in the Presentation. Historical information may not be indicative of future results. There can be no assurance that the application of the concepts, methodologies and algorithms referred to in the Presentation will result in forecasts which approximate actual results.

This Presentation 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, statements excerpted from the previous presentations that were forward-looking at the time they were made, information with respect to the ability to exploit estimated mineral reserves, the Company's expectation that the ELG Mine Complex will be profitable with positive economics from mining, expectations that depreciation would generally increase subject to quarter to quarter variations, the expectation of increased expenses associated with depreciation and amortization commencing in Q2 2019 related to a greater portion of capitalized waste incurred in prior quarters being amortized as the associated ore begins to be processed, expectations regarding G&A expenses, revenues from operations, the ability to mine and process estimated mineral reserves, continued unimpeded operations, plans to further examine the potential of the new mining system technology ("**Muckahi**") and capitalize all costs pertaining to the development of such technology starting in Q1 2019, expectation that foreign exchange differences between the Mexican Peso and the USD will not have a significant impact on the amount of royalties included in the "Cost of Sales", expectations that this Presentation may enhance investors' understanding of the Company's profit and loss statement, expectation of continued focus on Media Luna and Sub-sill development, the estimate of the unrealized portion of the derivative costs, the estimates of deferred income tax liabilities ("**DTL**", and deferred income tax assets ("**DTA**"), as the case may be) and the Company's expected future loss carryforwards and their effect on the Company's tax expense and effective tax rate, the forecasted impact on DTL (or DTA) of a change in the Mexican Peso to the USD based on historical data. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," "believes" or "potential" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "should", "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, risk of change in tax laws, commodity price risk, currency exchange rate fluctuations, capital and operational cost estimates, illegal blockades, dependence on good relationships with employees and contractors and labour unions, limited operating history, hedging contracts, interest rate risk, accounting policies as well as those risk factors included herein and elsewhere in the Q4 2018 MD&A, the Q1 2019 MD&A, the Q2 2019 MD&A, the Q3 2019 MD&A, the Annual Information Form ("**AIF**") dated March 29, 2019 and the Company's other public disclosure which are available on www.sedar.com and www.torexgold.com. Certain material assumptions regarding such forward-looking information and forward-looking statements are discussed in the Presentation, the Q4 2018 MD&A, the Q1 2019 MD&A, the Q2 2019 MD&A, the Q3 2019 MD&A, the AIF and elsewhere in the Company's public disclosure. Readers are cautioned that the foregoing, together with the risks and assumptions set out in the Q4 2018 MD&A, the Q1 2019 MD&A, the Q2 2019 MD&A, the Q3 2019 MD&A, the AIF and elsewhere in the Company's public disclosure, 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 and forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information or statements 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.

Safe Harbour Statement continued

The forward-looking information and forward-looking statements contained herein are 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 any other purpose(s). The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

The Muckahi system is experimental in nature and has not been tested in an operating mine. Many aspects of the system are conceptual, and proof of concept has not been demonstrated. The proposed application of a monorail system for underground transportation for mine development and production mining is unique to underground hard rock mining. There are existing underground hard rock mines that use a monorail system for transportation of materials and equipment, however not in the capacity described in the technical report entitled "Morelos Property, NI 43-101 Technical Report, ELG Mine Complex Life of Mine Plan and Media Luna Preliminary Economic Assessment, Guerrero State, Mexico" dated effective March 31, 2018, and filed on September 4, 2018. Aspects of Muckahi mining equipment are currently in the design stage. The mine design, equipment performance and cost estimations are conceptual in nature, and do not demonstrate technical or economic viability. The Company expects to complete the development and test the concept by the end of 2019 for the mine development and production activities. Further studies would be required to verify the viability of Muckahi.

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Mexico Tax Overview

The principal taxes payable in Mexico are levied by the federal government. State and municipal governments have limited tax powers and receive allocations of some federal taxes.

1. Federal

- 30% Income Tax (1)(2)
- 7.5% Special Mining Duty (1)(3)
- 0.5% Extraordinary Mining Duty(1)(3)
- VAT (16%)
- Custom Duties (3)
- Payroll Taxes (3)
- Social Security (3)

- (1) Balance remaining, in excess of monthly installments, payable in March of the following year
- (2) Monthly installments based on the tax figures of previous year, payable 17th of following month
- (3) Deductible for Income Tax

2. Local Taxes

- On Salaries
- On Property

Income Tax

- Taxable Income = Gross income – allowable deductions, tax losses and PTU (employee profit share)
- FX and inflation are taxable/deductible
- Taxes calculated in MXP
- Monthly installments

MML

- Tax losses fully utilized in Q3 2019
- Tax depreciation straight-line vs book depreciation using units of production
- PP&E tax value vs IFRS value
- First installment in December 2019
- Annual income tax payable in March 2020 less installments paid in 2019
- For 2020, installments are required, in addition to the remainder of the 2019 income tax balance payable
- Intercompany transactions
- G&A expense per P&L is only related to Canada and not deductible

Royalties

1) 7.5% Special Mining Royalty

- Taxable Income = Income from mining activities – allowable deductions (excluding interest and depreciation) therefore a proxy of EBITDA
- Considered an Income Tax for IFRS purposes

2) 0.5% Extraordinary Mining Royalty

- Base of Royalties = Revenues arising from the sale of silver and gold

3) 2.5% Mining Royalty to Mexican Geological Survey Agency

- Base of Royalties = Revenues arising from the sale of minerals
- Applicable to our concession
- Included in production costs

Purpose

The purpose of this presentation is to apply historical information, observations and methodologies to derive the Q3 2019 current and deferred income tax expense (income) of the Company and compare these to the actual Q3 2019 current and deferred income tax expense (income).

INCOME TAXES

Current income taxes – based on Q3 actual P&L

(All figures in US dollars unless otherwise noted)



Prior to Q3, current tax was primarily the 7.5% royalty. Starting in Q3, current tax is now comprised of the 7.5% mining royalty and current corporate income tax

Metal Sales (\$M) A	Less: Production Costs (\$M) B	Less: Others (\$M) C	=Basis *7.5%	Current tax expense – 7.5% Royalty (\$M)
\$198.2	(\$70.7)	(\$3.0)	\$*7.5%	\$9.3

A – This amount is “Metal Sales” per the Q3 2019 Income Statement.

B – This amount is “Production costs” per the Q3 2019 Income Statement.

C – Consistent with prior quarters, this represents various tax deductions allowed in respect of the 7.5% mining royalty

At end of Q2 2019, the Company had \$33M of tax loss carry forwards remaining, utilized in Q3, and results in corporate income tax accrued beginning in Q3 2019.

Foreign exchange in deferred income taxes – Based on Q3 2019 actual P&L

(All figures in US dollars unless otherwise noted)



The most significant element affecting deferred taxes (other than earnings from mine operations) is the translation of tax base from Mexican Pesos to USD

- Historically, a 1% movement in the value of the Mexican Peso compared to USD resulted in approximately \$1.6 million aggregate impact on the deferred tax liability.

		Analysis
Earnings from mine operations*	\$68.1	Actual per Q3 2019 Financial Statements
Tax rate	27.75%	Excluding the 7.5% royalty which is current, but including the tax deductibility effect of the 7.5% royalty
Expected deferred tax before FX	\$18.9 ⁽¹⁾	Earnings from mine operations * tax rate
Foreign exchange depreciation (appreciation)	\$4.2	'2.6%' depreciation of peso times \$1.6 million = \$4.2 million
Expected deferred tax expense	\$23.1	

* Rev. less Prod Costs, less Dep. Less 2.5%/0.5% Royalties.

(1) Going forward, income tax payable on earnings from mine operations will comprise a part of current tax expense as tax losses were fully utilized in Q3 2019.

PUTTING IT ALL TOGETHER FOR UNADJUSTED EPS

Putting it all together – unadjusted net income

(All figures in US dollars unless otherwise noted)



Full utilization of tax losses results in Current Income Tax in Mex for the first time, however total tax expense was as predicted

(millions)	Q3 Actual PBT used to estimate tax	Actuals	Est. bef. Q3 Actuals Release
Revenues	\$198.2	\$198.2	197.6
Production costs	(70.7)	(70.7)	(73.8)
Depreciation	(53.5)	(53.5)	(52.7)
Royalties	(5.9)	(5.9)	(5.9)
Earnings from mine operations	68.1	68.1	65.2
General and admin	(4.3)	(4.3)	(5.0)
Exploration	(1.2)	(1.2)	(1.0)
Derivative cost	0.3	0.3	1.1
Finance costs, net	(3.8)	(3.8)	(5.2)
Foreign exchange gain	-	-	(0.4)
Income before tax	59.1	59.1	54.7
Current tax (expense)	(9.3)	(32.8)	(9.1)
Deferred tax (expense) income	(23.1)	1.1	(22.3)
Total tax expense	(32.4)	(31.7)	(31.4)
Net income	26.7	27.4	23.3
Net income, unadjusted per share	0.31	0.32	0.27