

TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

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 23, 2021 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2020. This MD&A contains forward-looking statements that are subject to risks and uncertainties, as discussed under "Cautionary Notes". All dollar figures included herein are United States dollars ("U.S. dollar") unless otherwise stated.

HIGHLIGHTS

Operational results

- **Record safety performance** – Surpassed 10 million hours worked without a lost time injury in November. In December, a contractor suffered an injury to his right index finger, marking the Company's first lost time injury since April 22, 2019.
- **Gold production** in the quarter totalled 130,649 oz. Gold produced for the year totalled 430,484 oz, exceeding the upper end of revised guidance issued following the mandated suspension of operations in the second quarter due to COVID-19, and exceeding the lower end of original guidance.
- **COVID-19** – Since resumption of mining activities in June, operations have continued uninterrupted with enhanced health protection protocols in place.
- **Mine production** in the quarter totalled 12,208 kt, and averaged 132,696 tpd. Mine production for the year totalled 42,521 kt, and averaged 116,178 tpd[1].
- **Mine ore production** in the quarter totalled 1,809 kt, and averaged 19,663 tpd. Mine ore production for the year totalled 5,864 kt, and averaged 16,022 tpd[1].
- **Grade mined** averaged 3.14 gpt for the quarter, and 2.94 gpt for the year.
- **Plant throughput and availability** averaged 12,565 tpd and 90% for the quarter, and 11,372 tpd[1] and 82% for the year.
- **Grade processed** averaged 4.01 gpt for the quarter, and 3.64 gpt for the year.
- **Gold recovery** averaged 89% both for the quarter and the year.

Financial results

- **Record gold sold** for the quarter at 133,063 oz for proceeds of $249.6 million at an **average realized gold price[2]** of $1,847 per ounce. Gold sold for the year was 437,310 oz for proceeds of $782.2 million at an **average realized gold price[2]** of $1,771 per ounce. The average realized price[2] includes $3.8 million of realized losses on gold contracts for the quarter and $7.8 million for the year.
- **Revenue** for the quarter was $251.6 million. **Cost of sales** was $143.0 million, or $1,075 per ounce of gold sold for the quarter. **Record revenue** for the year was $789.2 million. **Cost of sales** was $532.0 million or $1,217 per ounce of gold sold for the year.
- **Record earnings from mine operations** were $108.6 million for the quarter, and $257.2 million for the year.
- **Income before income tax** was $98.6 million for the quarter and $175.1 million for the year.
- **Record net income** for the quarter was $91.9 million, or $1.07 per share on a basic and $1.05 on a diluted basis. Net income for the year was a record $109.0 million, or $1.27 per share on a basic and $1.25 on a diluted basis.
- **Record adjusted net earnings[2]** for the quarter totalled $60.9 million, or $0.71 per share on a basic and diluted basis, and for the year totalled a record $135.7 million, or $1.59 per share on a basic and $1.58 on a diluted basis. Adjusted net earnings for the year excludes $11.1 million of care and maintenance costs incurred in the second quarter related to the COVID-19 suspension of operations.

[1] Based on 366 days for the year ended December 31, 2020.
[2] Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

- **Cash flow from operations** for the quarter totalled $137.1 million ($140.8 million prior to changes in non-cash working capital), including income taxes paid of $21.9 million. **Record cash flow from operations** for the year totalled $342.1 million ($328.8 million prior to changes in non-cash working capital), including income taxes paid of $103.3 million.
- **Cash and short-term investments** as at December 31, 2020 totalled $206.2 million.
- **Total cash costs**[1] per ounce of gold sold for the quarter were $579, and $672 per ounce for the year, which excludes $8.0 million of production costs incurred during the second quarter related to the COVID-19 suspension of operations. Total cash costs were lower than the lower end of revised guidance.
- **All-in sustaining costs**[1] per ounce of gold sold for the quarter totalled $886, and $924 for the year, which excludes $8.0 million of production costs incurred in the second quarter related to the COVID-19 suspension of operations. All-in sustaining costs were lower than the lower end of revised guidance and inline with original guidance.
- **Record EBITDA**[1] for the quarter totalled $165.9 million, and a record $413.0 million for the year.
- **Record adjusted EBITDA**[1] for the quarter totalled $158.5 million, and a record $431.4 million for the year, which excludes $8.0 million of production costs related to the COVID-19 suspension of operations.
- **Free cash flow**[1] for the quarter totalled $70.3 million, and $168.1 million for the year.
- **Net cash**[1] as at December 31, 2020 totalled $161.6 million, a $183.3 million increase year over year, with debt of $40.0 million, excluding leases.
- **Debt repayments** of $230.0 million were made in 2020, including the repayment of $90.0 million drawn on the Revolving Facility during the second quarter to maintain liquidity during the COVID-19 mandated shutdown. In December, the remaining amount outstanding on the Term Facility was repaid early, bringing the Company's debt to $43.4 million, including leases, at year end.
- **Gain on derivative contracts** in the quarter was $6.8 million, and a loss of $36.4 million for the year primarily due to depreciation of the Mexican peso in the second quarter and a marked increase in gold price.

Muckahi (Monorail-based) Mining System

- Process and equipment testing in Mexico continued, including commissioning of the mining containers (muck box, slusher box and gear box) and initial civil work for the installation of the steep ramp conveyor. Work to develop and evaluate the system will continue in the first half of 2021.

Media Luna Project

- An early works program started excavating an access tunnel to Media Luna, thereby de-risking this component of the development schedule. The South Portal early works program commenced with a focus on platform development. South Portal earthworks scope award and contractor mobilization commenced in the fourth quarter of 2020.
- For 2021, investment in Media Luna is guided between $90.0 million and $100.0 million, a majority of which relates to a full year of development of the 7 kilometre long Guajes tunnel. An additional $14.0 million will be invested in an expanded infill drill program and a further $12.0 million to advance the feasibility study, which is expected to be completed in the first quarter of 2022.

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

Table 1.

The following table summarizes key operating and financial highlights:

In millions of U.S. dollars, unless otherwise noted		Three Months Ended Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Year Ended Dec 31, 2020	Dec 31, 2019
Operating Data								
Mining								
Ore tonnes mined	kt	1,809	1,521	697	1,837	1,573	5,864	5,952
Waste tonnes mined	kt	10,399	10,097	4,435	11,726	10,795	36,657	46,449
Total tonnes mined	kt	12,208	11,618	5,132	13,563	12,368	42,521	52,401
Strip ratio [1]	waste:ore	6.2	7.2	6.7	6.8	7.3	6.7	8.4
Average gold grade of ore mined [2]	gpt	3.14	3.15	3.07	2.52	3.06	2.94	2.92
Ore in stockpile [3]	mt	4.1	3.4	3.1	3.1	2.4	4.1	2.4
Processing								
Total tonnes processed	kt	1,156	1,184	688	1,134	1,116	4,162	4,393
Average plant throughput [4]	tpd	12,565	12,870	7,560	12,464	12,130	11,372	12,036
Average gold recovery	%	89	89	89	89	89	89	88
Average gold grade of ore processed	gpt	4.01	3.83	3.18	3.35	3.87	3.64	3.64
Production and sales								
Gold produced	oz	130,649	131,790	59,508	108,537	125,151	430,484	454,811
Gold sold	oz	133,063	133,036	63,147	108,064	126,910	437,310	449,337
Financial Data								
Revenue	$	251.6	256.5	109.1	172.0	190.0	789.2	640.8
Cost of sales	$	143.0	153.5	91.4	144.1	149.0	532.0	479.9
Earnings from mine operations	$	108.6	103.0	17.7	27.9	41.0	257.2	160.9
Net income (loss)	$	91.9	60.3	3.8	(47.0)	35.1	109.0	71.2
Per share - Basic	$/share	1.07	0.71	0.04	(0.55)	0.41	1.27	0.84
Per share - Diluted	$/share	1.05	0.69	0.04	(0.57)	0.41	1.25	0.83
Adjusted net earnings [5]	$	60.9	51.3	3.6	19.9	34.0	135.7	67.8
Per share - Basic [5]	$/share	0.71	0.60	0.04	0.23	0.40	1.59	0.80
Per share - Diluted [5]	$/share	0.71	0.59	0.04	0.23	0.40	1.58	0.79
EBITDA [5]	$	165.9	162.9	44.8	39.4	102.2	413.0	330.3
Adjusted EBITDA [5]	$	158.5	156.2	49.3	67.4	105.1	431.4	332.9
Cost of sales [6]	$/oz	1,075	1,154	1,447	1,333	1,174	1,217	1,068
Total cash costs [5]	$/oz	579	633	740	794	617	672	619
All-in sustaining costs [5]	$/oz	886	877	1,015	975	767	924	805
Average realized gold price [5]	$/oz	1,847	1,884	1,712	1,571	1,481	1,771	1,408
Cash from operating activities	$	137.1	173.3	2.2	29.5	97.9	342.1	301.3
Cash from operating activities before changes in non-cash working capital	$	140.8	138.1	28.1	21.8	101.4	328.8	327.3
Free cash flow (deficiency) [5]	$	70.3	124.2	(28.5)	2.1	71.6	168.1	181.2
Net (cash) debt [5]	$	(161.6)	(77.1)	53.5	26.3	21.7	(161.6)	21.7
Cash and cash equivalents and short-term investments	$	206.2	236.0	176.9	135.7	161.8	206.2	161.8
Working capital	$	166.7	186.7	191.9	105.1	96.5	166.7	96.5
Total debt	$	43.4	155.0	225.2	155.2	174.9	43.4	174.9
Total assets	$	1,252.4	1,214.1	1,204.1	1,154.7	1,229.6	1,252.4	1,229.6
Total liabilities	$	306.3	368.8	419.2	373.7	394.8	306.3	394.8

1. Ore mined from the ELG Underground (defined herein) of 120 kt and 366 kt is included in ore tonnes mined and excluded from the strip ratio in the three and twelve months ended December 31, 2020. For the three months ended September 30, 2020, June 30, 2020, March 31, 2020, and December 31, 2019, ore mined from the ELG Underground was 114 kt, 31 kt, 101 kt, and 98 kt, respectively.
2. Included within average gold grade of ore mined is the mined long term, low grade inventory. Excluding the long term, low grade inventory, the average gold grade of ore mined is 3.62 gpt and 3.18 gpt for the three and twelve months ended December 31, 2020. For the three months ended September 30, June 30, 2020, March 31, 2020, and December 31, 2019, excluding the long term, low grade inventory, the average gold grade of ore mined is 3.25 gpt, 3.32 gpt, 2.62 gpt, and 3.23 gpt, respectively.
3. Included within ore in stockpile is 1.4 mt of long term, low grade inventory, with a carrying value of nil at December 31, 2020. As at September 30, 2020, June 30, 2020, March 31, 2020, and December 31, 2019, the long term, low grade inventory was 1.0 mt, 1.0 mt, 0.9 mt, and 0.8 mt, respectively, with nil carrying value. As at December 31, 2020, the long term, low grade inventory has an average grade of 0.91 gpt.
4. Tonnes per day for the three months ended June 30, 2020 and the twelve months ended December 31, 2020 are based on calendar days in the period of 91 and 366 days.
5. Adjusted net earnings, total cash costs, all-in sustaining costs, average realized gold price, EBITDA, adjusted EBITDA, free cash flow (deficiency) and net (cash) debt 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.
6. Cost of sales for the three months ended June 30, 2020 and the year ended December 31, 2020 includes $11.1 million of care and maintenance costs incurred in the second quarter related to the COVID-19 suspension.
7. Sum of quarters may not add to the year to date amounts due to rounding.

2020 REPORT

The following abbreviations are used throughout this document: $ (United States dollar), C$ (Canadian dollar), AISC (all-in sustaining costs), Au (gold), Ag (silver), Cu (copper), oz (ounce), gpt (grams per tonne), kt (thousand tonnes), mt (million tonnes), m (metres), km (kilometres), and tpd (tonnes per day).

TABLE OF CONTENTS

HIGHLIGHTS 1
2020 REPORT 4
TABLE OF CONTENTS 4
COMPANY OVERVIEW 5
2020 OBJECTIVES 5
OBJECTIVES FOR 2021 6
FINANCIAL RESULTS 7
FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020 8
FOURTH QUARTER 2020 FINANCIAL RESULTS 11
RESULTS OF OPERATIONS 13
EXPLORATION AND DEVELOPMENT ACTIVITIES 16
FINANCIAL CONDITION REVIEW 18
DEBT FINANCING 19
LIQUIDITY AND CAPITAL RESOURCES 20
OUTSTANDING SHARE DATA 21
NON-IFRS FINANCIAL PERFORMANCE MEASURES 21
ADDITIONAL IFRS FINANCIAL MEASURES 26
ECONOMIC TRENDS 26
SUMMARY OF ANNUAL INFORMATION 28
SUMMARY OF QUARTERLY RESULTS 28
TRANSACTIONS WITH RELATED PARTIES 29
OFF-BALANCE SHEET ARRANGEMENTS 29
CRITICAL ACCOUNTING POLICIES AND ESTIMATES 29
RECENT ACCOUNTING PRONOUNCEMENTS 29
FINANCIAL RISK MANAGEMENT 29
RISKS AND UNCERTAINTIES 30
INTERNAL CONTROL OVER FINANCIAL REPORTING 31
QUALIFIED PERSONS 32
ADDITIONAL INFORMATION 32
CAUTIONARY NOTES 32

COMPANY OVERVIEW

Torex Gold Resources Inc. is an intermediate gold producer based in Canada, engaged in the mining, developing and exploring of its 100% owned Morelos Gold Property (the "Morelos Gold Property"), an area of 29,000 hectares in the highly prospective Guerrero Gold Belt located 180 kilometres southwest of Mexico City.

The Company's principal assets are the El Limón Guajes mining complex ("ELG" or the "ELG Mine Complex"), comprising 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 ELD (collectively, the "ELG Underground"), and the processing plant and related infrastructure, which commenced commercial production as of April 1, 2016, and the Media Luna deposit (the "Media Luna Project"), which is an early stage development project, and for which the Company issued an updated preliminary economic assessment in September 2018 (the "PEA"). The property remains 75% unexplored.

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

2020 OBJECTIVES[1] (UPDATED WITH REVISED GUIDANCE FOLLOWING COVID INTERRUPTIONS)

	Objective	Performance
Production within constraints	**Safety** – no fatalities, lost time injury frequency of <1 per million hours worked	Met target with no fatalities and a lost time injury frequency of 0.15
	Environmental protection – zero reportable spills of 1,000 litres or more, that report to the river or reservoir	Met target with no reportable spills that reported to the river or reservoir
	Production[1] – 390,000 to 420,000 oz of gold produced	Exceeded target with 430,484 oz
	Cost Control: Total cash costs[1] of $695 to $740 per ounce All-in sustaining costs[1] of $965 to $1,025 per ounce Sustaining capital expenditure[1] of <$83 million Non-sustaining capital expenditure[1] of <$92 million	 Exceeded target with TCC of $672/oz Exceeded target with AISC of $924/oz Met target with $80.7 million Met target with $85.3 million
Prepare for 2021	Strip[1] 38 million tonnes of waste in the open pits	Did not meet target at 37 million tonnes
Set up for growth	Complete the $13 million infill drilling program for Media Luna	$12 million spent, program delayed 3 months due to COVID-19
	Substantially complete a Media Luna feasibility study	In progress, expected to be released in Q1 2022
	Start the tunnel from ELG to Media Luna before mid Q3 2020	Tunnel started in Q4 2020
	Test Muckahi: • Successfully demonstrate the ability to load a conveyor on a 30-degree ramp and to convey up that ramp • Successfully demonstrate the functionality of the tramming conveyor	 Conveyor designed, manufactured, and on site. Installation delayed to Q1 2021 due to COVID-19 Tramming conveyor designed, built and in early commissioning until COVID-19

[1] The Company's internal performance objectives and external capital market guidance were revised in Q2 2020, following the suspension of operations at the ELG complex in response to the decree from the Government of Mexico.

		stopped the work. Work was not restarted post COVID-19 due to the muck box providing a more cost-effective solution
	• Across multiple long hole open stopes, demonstrate the ability to achieve fragmentation of 95% passing 400mm	Successfully completed
	• Across multiple long hole open stopes, demonstrate the ability to 'remote muck' with a slusher	Successfully demonstrated

OBJECTIVES FOR 2021

	Objective
Production within constraints	**Safety** – no fatalities, lost time injury frequency of <1 per million hours worked
	Environmental protection – zero reportable spills of 1,000 litres or more, that report to the river or reservoir
	Production – 430,000 to 470,000 oz of gold produced
	Cost Control: Total cash costs of $680 to $720 per ounce All-in sustaining costs of $920 to $970 per ounce Sustaining capital expenditure of $70 million to $85 million Non-sustaining capital expenditure of $125 million to $150 million
	Conduct self-assessment against World Gold Council's Responsible Gold Mining Principles, independently verified and assured by a third party
Prepare for 2022	Strip 38 million tonnes of waste in the open pits; 10,000 metres of development in the underground
Set up for growth	Complete 44,000 metre infill drilling program for Media Luna Advance Media Luna feasibility study for release in the first quarter of 2022 Complete 2021 Media Luna early works program • Guajes tunnel 2,700 metres developed • South portal 1 collared and 1,600 metres developed Complete a pre-feasibility level study for El Limón pit expansion Complete Muckahi rate test program by the end of the first half of 2021

FINANCIAL RESULTS

The following table summarizes the financial results of the Company:

Table 3.

In millions of U.S. dollars, unless otherwise noted	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenue	251.6	190.0	789.2	640.8
Gold	249.6	188.0	782.2	632.5
Silver	0.5	0.5	1.8	2.7
Copper	1.5	1.5	5.2	5.6
Cost of sales	143.0	149.0	532.0	479.9
Production costs	71.5	74.6	277.2	267.4
Depreciation and amortization	63.9	68.7	220.1	193.3
Royalties	7.6	5.7	23.6	19.2
Care and maintenance	-	-	11.1	-
Earnings from mine operations	108.6	41.0	257.2	160.9
Exploration and evaluation expenses	1.6	1.7	4.5	3.7
General and administrative expenses	7.2	5.1	20.9	20.1
(Gain) loss on derivative contracts	(6.8)	1.2	36.4	2.2
Finance costs, net	3.2	1.9	13.9	18.3
Foreign exchange loss (gain)	4.8	(0.3)	6.4	(1.4)
Current income tax expense	60.2	24.1	114.9	64.5
Deferred income tax recovery	(53.5)	(27.8)	(48.8)	(17.7)
Net income	91.9	35.1	109.0	71.2
Per share - Basic ($/share)	1.07	0.41	1.27	0.84
Per share - Diluted ($/share)	1.05	0.41	1.25	0.83
Adjusted net earnings [1]	60.9	34.0	135.7	67.8
Per share - Basic ($/share) [1]	0.71	0.40	1.59	0.80
Per share - Diluted ($/share) [1]	0.71	0.40	1.58	0.79
Cost of sales ($/oz)	1,075	1,174	1,217	1,068
Total cash costs ($/oz) [1]	579	617	672	619
All-in sustaining costs ($/oz) [1]	886	767	924	805
Average realized gold price ($/oz) [1]	1,847	1,481	1,771	1,408
Average realized margin ($/oz) [1]	1,268	864	1,099	789

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

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

Processed gold grade was 3.64 gpt

The processed grade for the year was 3.64 gpt, compared to a mined grade of 2.94 gpt, or 3.18 gpt excluding long term, low grade inventory.

Processed average daily tonnage of 11,372 tpd

Throughput rates based on calendar days averaged 11,372 tpd for the year. The rate reflects the temporary suspension of operations in the second quarter due to the COVID-19 decree issued by the Mexican government.

Revenue totalled $789.2 million

The Company earned $789.2 million in revenue for the year compared to $640.8 million for the year ended December 31, 2019. The Company sold 437,310 oz of gold at an average realized price of $1,771 per ounce in 2020, compared to 449,337 oz of gold at an average realized price of $1,408 per ounce in 2019. The increase in revenue is primarily due to higher average realized prices, partially offset by lower production in the second quarter due to the temporary suspension of operations due to COVID-19.

Cost of sales was $532.0 million or $1,217 per oz sold

Cost of sales for the year was $532.0 million compared to $479.9 million in the year ended December 31, 2019. The increase primarily reflects higher depreciation and amortization and higher costs related to the employee profit share arrangement.

Production costs totalling $8.0 million, related to the COVID-19 suspension of operations, have been excluded from production costs and are presented as 'care and maintenance' costs, which appear as a separate expense line within cost of sales. These costs include abnormally high production costs on a per ounce basis, due to the suspension of operations plus incremental costs incurred due to COVID-19.

Depreciation and amortization expense in the year amounted to $220.1 million compared to $193.3 million in the year ended December 31, 2019. The increase is largely due to higher depreciation of capitalized stripping as the Company mined ore from areas with higher previously capitalized stripping. For 2021, depreciation is expected to range between $200 to $250 million.

$3.1 million of depreciation was incurred during the temporary suspension of operations due to COVID-19. These costs are presented as 'Care and maintenance' costs, which appear as a separate expense within cost of sales.

Royalties were $23.6 million for year compared to $19.2 million for the year ended December 31, 2019, representing 3% of proceeds from gold and silver sales. The fluctuation in the royalties correlates with the change in revenue and the average realized price. Of the 3% royalty expense, 2.5% is payable to the Mexican Geological Survey agency and 0.5% is payable annually to the Ministry of Finance.

Total cash costs were $672 per oz sold

Total cash costs[1] (net of by-product sales) for the year were $672 per ounce of gold sold (437,310 oz of gold sold) compared to $619 per ounce of gold sold (449,337 oz of gold sold) for the year ended December 31, 2019.

The Company mined 42.5 million tonnes (5.9 million tonnes of ore) and processed 4.2 million tonnes of ore in 2020, compared to 52.4 million tonnes mined (6.0 million tonnes of ore) and 4.4 million tonnes of ore processed in the year ended December 31, 2019.

Total cash costs per ounce of gold sold in 2020 were higher than the previous year largely due to the temporary suspension of operations related to COVID-19, reducing the comparative ounces of gold sold and deferred stripping costs capitalized, as well as higher production costs and royalties.

As the temporary suspension of operations stemming from COVID-19 led to partial operations in the second quarter of 2020, total cash costs for the year ended December 31, 2020 exclude $8.0 million of production costs incurred during the temporary suspension of operations, including incremental costs, during which time operating activities could not take place.

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

All-in sustaining costs[1] were $924 per oz sold

All-in sustaining costs were $924 per ounce of gold sold compared to $805 per ounce of gold sold in the year ended December 31, 2019. Sustaining capital expenditures for the year amounted to $80.7 million, compared to $58.0 million in the year ended December 31, 2019. Sustaining capital expenditures were $43.7 million for capitalized stripping activities, and $37.0 million for sustaining equipment and infrastructure.

General and administrative expenses of $20.9 million

General and administrative expenses totalled $20.9 million in the year compared to $20.1 million in the year ended December 31, 2019.

Finance costs, net of finance income, of $13.9 million

Finance costs, net of finance income, amounted to $13.9 million in the year compared to net finance costs of $18.3 million in the year ended December 31, 2019. Net finance costs relate to interest expense on the Debt Facility and leases, net of finance income earned on the value-added tax ("VAT") receivables and cash on hand. The decrease is primarily due to lower total debt balances in 2020 compared to 2019.

Derivative loss of $36.4 million

In 2020, the Company recognized a loss of $36.4 million relating to currency forwards, gold collars and interest rate swaps, compared to a loss of $2.2 million in the year ended December 31, 2019. Of the $36.4 million derivative loss recognized in 2020, $3.3 million is unrealized.

The Company entered into currency forwards in the year for approximately 50% of its estimated 2020 peso-denominated expenditures totaling $234.0 million or 4.6 billion Mexican pesos. The Company recognized a loss of $24.4 million on the currency forwards in the year ended December 31, 2020. The loss recognized is due to the impact of the devaluation in the Mexican peso since the contracts were entered into in early 2020 and the corresponding impact on peso forward rates. As at December 31, 2020, contracts with a notional value of $20.0 million are outstanding at a weighted average rate of 19.52 pesos, which will be settled in the first half of 2021.

The Company has entered into a series of zero-cost collars to hedge against changes in gold prices for a total of 8,000 oz of gold per month. In the third quarter of 2020, the Company extended the gold hedging arrangements to September 2021 and no further commodity hedges are in place beyond the third quarter of 2021. The Company recognized derivative losses of $10.5 million on the zero-cost collars in the year ended December 31, 2020.

The Company entered into interest rate swap contracts in 2019 until mid-2022 for a fixed LIBOR of 2.492% on interest payments related to $150.0 million of the Debt Facility to hedge against unfavourable changes in interest rates. The Company recognized derivative losses of $1.5 million on the interest rate swap contracts in the year ended December 31, 2020.

Foreign exchange loss of $6.4 million

The Company recognized a foreign exchange loss of $6.4 million in the year compared to a gain of $1.4 million in the year ended December 31, 2019. The change is due to the depreciation of the Mexican peso and the liquidation of a subsidiary in the fourth quarter of 2020. Based on closing exchange rates, the Mexican peso depreciated by 5.9% in the year ended December 31, 2020.

Current income and mining tax expense of $114.9 million

The Company recognized a current income tax expense of $114.9 million in 2020 related to Mexican corporate income tax and the 7.5% Mexican mining royalty, compared to a current tax expense of $64.5 million in the year ended December 31, 2019. The increase is primarily due to higher revenue from higher gold prices, resulting in higher corporate income tax and higher 7.5% Mexican mining royalty, combined with the utilization of tax loss carryforwards in 2019. The 7.5% Mexican mining royalty is considered an income tax for IFRS purposes. During 2019, the remaining Mexican tax loss carryforwards were fully utilized and, as a result, the Company is subject to Mexican federal income tax beginning 2019. Instalment payments commenced in December 2019 (in respect of November) with the remaining balance related to 2019 paid in the first quarter of 2020. Monthly

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

instalment payments continued in 2020 with respect to 2020 Mexican federal income tax. Instalments are not made in respect of the 7.5% Mexican mining royalty, which is paid on an annual basis within 90 days of year end.

Deferred income tax recovery of $48.8 million

The Company recognized a deferred income tax recovery of $48.8 million in the year compared to a deferred income tax recovery of $17.7 million in the year ended December 31, 2019. The deferred income tax recovery is primarily driven by an increase in depreciation which reduces the difference between the book value and tax value of the assets, the tax effect of currency translation on the tax base, and the recognition of a deferred tax asset at the parent company level.

The Company's deferred tax expense is sensitive to the foreign exchange fluctuations of the Mexican peso relative to the U.S. dollar because the tax reporting currency of its Mexican subsidiaries is the Mexican peso while the accounting functional currency is the U.S. dollar. Therefore, the U.S. dollar value of Mexican tax attributes available for future deduction will change as the value of the Mexican peso changes relative to the U.S. dollar. Generally, a decline in the value of the Mexican peso relative to the U.S. dollar will increase deferred tax expense (or decrease deferred tax recovery), while an increase in the value of the Mexican peso relative to the U.S. dollar will reduce deferred tax expense (or increase deferred tax recovery). The closing value of property, plant and equipment, and inventory for tax purposes at December 31, 2020 was 15.8 billion Mexican pesos.

Net income of $109.0 million

Net income for the year was $109.0 million, or $1.27 per share on a basic and $1.25 on a diluted basis, while adjusted net earnings[1] amounted to $135.7 million, or $1.59 per share on a basic and $1.58 on a diluted basis. In the year ended December 31, 2019, net income was $71.2 million, or $0.84 per share on a basic and $0.83 per share on a diluted basis, while adjusted net earnings[1] was $67.8 million, or $0.80 per share on a basic and $0.79 on a diluted basis. Net income is higher in the year ended December 31, 2020 compared to the year ended December 31, 2019 largely due to the higher average realized prices, partially offset by the temporary suspension of operations due to COVID-19 and the impact of derivative losses.

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

FOURTH QUARTER 2020 FINANCIAL RESULTS

Processed gold grade was 4.01 gpt

The processed grade for the fourth quarter was 4.01 gpt, compared to a mined grade of 3.14 gpt, or 3.62 gpt excluding long term, low grade inventory.

Processed average daily tonnage of 12,565 tpd

Throughput rates averaged 12,565 tpd in the quarter.

Revenue totalled $251.6 million

In the fourth quarter, the Company earned $251.6 million in revenue compared to $190.0 million for the fourth quarter of 2019. The Company sold 133,063 oz of gold at an average realized price of $1,847 per ounce in the fourth quarter, compared to 126,910 oz of gold at an average realized price of $1,481 per ounce in the fourth quarter of 2019. The increase in revenue is primarily due to higher average realized prices per ounce and higher ounces of gold sold.

Cost of sales was $143.0 million or $1,075 per oz sold

Cost of sales for the fourth quarter was $143.0 million compared to $149.0 million for the fourth quarter of 2019. The decrease is primarily due to lower depreciation and amortization.

Depreciation and amortization expense amounted to $63.9 million for the fourth quarter compared to $68.7 million for the fourth quarter of 2019. The decrease is primarily due to higher depreciation capitalized in relation to deferred stripping.

Royalties were $7.6 million in the fourth quarter compared to $5.7 million in the fourth quarter of 2019, representing 3% of proceeds from gold and silver sales.

Total cash costs were $579 per oz sold

Total cash costs[1] (net of by-product sales) for the fourth quarter were $579 per ounce of gold sold (133,063 oz of gold sold), a decrease of $38 per ounce of gold sold compared to the fourth quarter of 2019 at $617 per ounce of gold sold (126,910 oz of gold sold).

Total cash costs per ounce of gold sold in the quarter were lower than the comparative period due to higher grade ore processed, partially offset by higher production costs largely due to higher costs for the site employee profit share arrangement and higher royalties due to increased gold prices.

All-in sustaining costs were $886 per oz sold

All-in sustaining costs for the fourth quarter were $886 per ounce of gold sold compared to $767 per ounce of gold sold for the fourth quarter of 2019. Sustaining capital expenditures for the fourth quarter of 2020 and 2019 amounted to $31.6 million and $12.2 million, respectively. Sustaining capital expenditures in the fourth quarter of 2020 were $16.5 million for capitalized stripping activities, and $15.1 million for sustaining equipment and infrastructure. Capitalized stripping activities increased by $10.2 million in the fourth quarter of 2020 compared to the fourth quarter of 2019 due to increased stripping of the El Limón D and Guajes X phases of the open pits. Sustaining equipment and infrastructure increased by $9.2 million in the fourth quarter of 2020 compared to the fourth quarter of 2019 due to higher expenditures related to the underground development, mine components and mobile equipment.

General and administrative expenses of $7.2 million

General and administrative expenses totalled $7.2 million in the fourth quarter compared to $5.1 million in the fourth quarter of 2019. The increase is primarily due to severance and higher consulting costs, including those incurred in relation to the liquidation of a subsidiary in the fourth quarter of 2020.

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

Finance costs, net of finance income, of $3.2 million

Finance costs, net of finance income, amounted to $3.2 million in the fourth quarter compared to net finance costs of $1.9 million in the fourth quarter of 2019. The increase is primarily due to deferred financing fees expensed upon the full repayment of the Term Facility in the quarter ended December 31, 2020 compared to the quarter ended December 31, 2019.

Derivative gain of $6.8 million

In the fourth quarter, the Company recognized a derivative gain of $6.8 million relating to the currency forwards, gold zero-cost collars and interest rate swaps, compared to a loss of $1.2 million in the quarter ended December 31, 2019. The $6.8 million derivative gain recognized in the fourth quarter of 2020 includes unrealized gains of $11.5 million offset by realized losses of $4.7 million in the period.

The Company recognized a gain of $4.5 million on the currency forwards in the three months ended December 31, 2020. The Company recognized derivative gains of $2.1 million for the three months ended December 31, 2020 on the zero cost gold collars. The Company recognized derivative gains of $0.2 million for the three months ended December 31, 2020 on the interest rate swaps.

Foreign exchange loss of $4.8 million

The Company recognized a foreign exchange loss of $4.8 million in the fourth quarter compared to a foreign exchange gain of $0.3 million in the three months ended December 31, 2019. The increased foreign exchange loss is primarily related to the liquidation of a subsidiary in the fourth quarter of 2020. Based on closing exchange rates, the Mexican peso appreciated by 11.2% in the fourth quarter of 2020.

Current income and mining tax expense of $60.2 million

The Company recognized a current income tax expense of $60.2 million in the fourth quarter related to Mexican corporate income tax and the 7.5% Mexican mining royalty, compared to a current tax expense of $24.1 million in the three months ended December 31, 2019. The increase is primarily due to higher revenue from higher gold prices, resulting in higher corporate income tax and 7.5% Mexican mining royalty.

Deferred income tax recovery of $53.5 million

The Company recognized a deferred income tax recovery of $53.5 million in the fourth quarter compared to a deferred income tax recovery of $27.8 million in the fourth quarter of 2019. The deferred income tax is primarily driven by an increase in depreciation which reduces the difference between the book value and tax value of the assets in the deferred tax calculation, and the tax effect of currency translation on the tax base.

For the three months ended December 31, 2020, the deferred income tax recovery of $53.5 million was largely due to higher depreciation for IFRS purposes than for tax purposes, which resulted in a reduction in the temporary difference between the asset book value and tax value driving an estimated recovery of $11.5 million, the recognition of a deferred tax asset at the parent company level of $8.0 million as well as due to the appreciation of the Mexican peso by 11.2% to 19.9 pesos relative to the U.S. dollar which resulted in an estimated recovery of $26.0 million in respect of the book value of non-monetary assets and liabilities.

Net income of $91.9 million

Net income for the fourth quarter was $91.9 million, or $1.07 per share on a basic and $1.05 on a diluted basis, while adjusted net earnings[1] amounted to $60.9 million, or $0.71 per share on a basic and diluted basis. In the fourth quarter of 2019, the Company had net income of $35.1 million, or $0.41 per share on a basic and diluted basis while adjusted net earnings[1] amounted to $34.0 million, or $0.40 per share on a basic and diluted basis. Net income is higher in the fourth quarter of 2020 compared to the fourth quarter of 2019, primarily due to higher average realized gold prices.

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

RESULTS OF OPERATIONS

Mining

A total of 12,208 kt was mined in the fourth quarter of 2020, including 12,088 kt from the ELG open pits and 120 kt from the ELG underground. Average waste to ore strip ratio in the open pits was 6.2:1. In total, 43% of the material mined in the fourth quarter was mined from El Limón and 56% from Guajes open pits. The remaining 1% was from the ELG underground.

A total of 42,521 kt was mined in the year ended December 31, 2020 including 42,155 kt from the ELG open pits and 366 kt from the ELG underground. Average waste to ore strip ratio in the open pits was 6.7:1. In total, 57% of the material mined in the year ended December 31, 2020 was from El Limón and 42% from Guajes open pits. The remaining 1% was from the ELG underground.

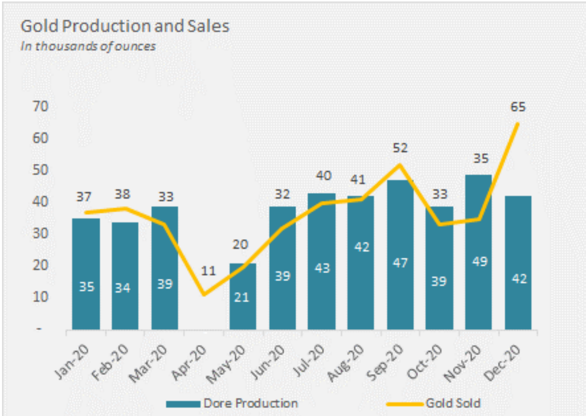
At December 31, 2020, there were 4.1 mt of ore in stockpiles at an average grade of 1.38 gpt. Excluding 1.4 mt of long term, low grade stockpiles at an average grade of 0.91 gpt, the remaining 2.7 mt of ore in stockpiles are at an average grade of 1.62 gpt.

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

Table 4.

		Three Months Ended					Year Ended	
		Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Mining								
Guajes								
Ore tonnes mined	kt	605	465	229	584	445	1,883	977
Waste tonnes mined	kt	6,202	4,421	1,969	3,297	3,799	15,889	15,930
Total tonnes mined	kt	6,807	4,886	2,198	3,881	4,244	17,772	16,907
Strip ratio	w:o	10.3	9.5	8.6	5.6	8.5	8.4	16.3
Average gold grade of ore mined	gpt	2.09	2.99	2.61	2.10	2.85	2.38	2.37
El Limón								
Ore tonnes mined	kt	1,084	942	437	1,152	1,030	3,615	4,575
Waste tonnes mined	kt	4,197	5,676	2,466	8,429	6,996	20,768	30,519
Total tonnes mined	kt	5,281	6,618	2,903	9,581	8,026	24,383	35,094
Strip ratio	w:o	3.9	6.0	5.6	7.3	6.8	5.7	6.7
Average gold grade of ore mined	gpt	3.30	2.79	2.86	2.29	2.70	2.79	2.62
Total ELG Open Pits								
Ore tonnes mined	kt	1,689	1,407	666	1,736	1,475	5,498	5,552
Waste tonnes mined	kt	10,399	10,097	4,435	11,726	10,795	36,657	46,449
Total tonnes mined	kt	12,088	11,504	5,101	13,462	12,270	42,155	52,001
Strip ratio	w:o	6.2	7.2	6.7	6.8	7.3	6.7	8.4
Average gold grade of ore mined	gpt	2.87	2.86	2.77	2.23	2.75	2.85	2.58
ELG Underground								
Ore tonnes mined	kt	120	114	31	101	98	366	400
Average gold grade of ore mined	gpt	7.02	6.76	9.49	7.50	7.65	7.28	7.76

Gold Production and Sales

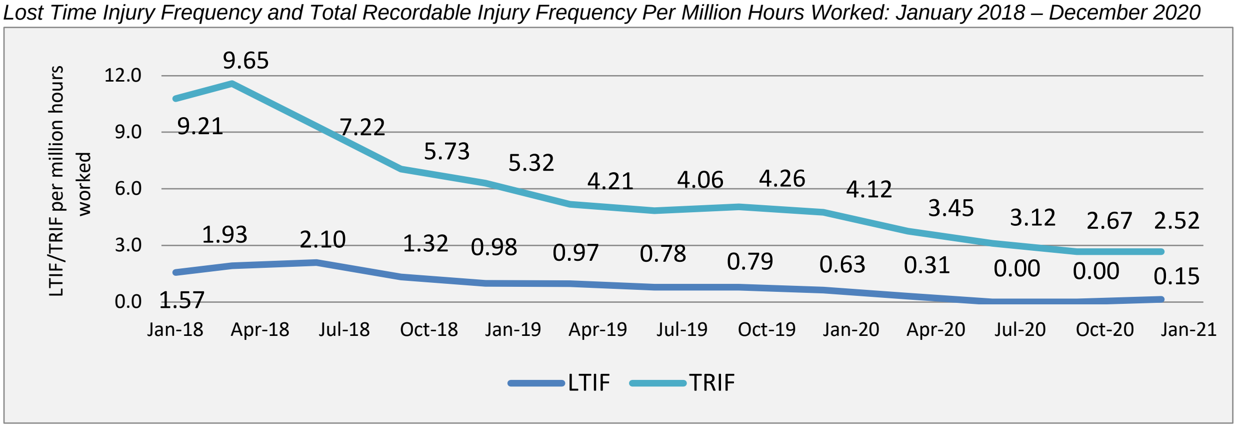


In the fourth quarter of 2020, 130,649 oz of gold were produced and 133,063 oz of gold were sold, for a total of 430,484 gold ounces produced and 437,310 oz of gold sold for the year. Lower production in 2020, relative to the prior year of 454,811 oz, was a result of the temporary suspension of operations due to COVID-19 in the second quarter of 2020.

Safety

The Company continued to extend its industry-leading safety performance, and in November 2020 reached the threshold of 10 million hours worked without a lost time injury. There were no employee or contractor fatalities during the year. On December 10, 2020, a contractor suffered an injury to his right index finger, marking the Company's first lost time injury since April 22, 2019. The Company exited the fourth quarter with an annualized lost time injury frequency (LTIF) of 0.15 per million hours worked and an annualized total recordable injury frequency (TRIF) of 2.52 per million hours worked. Excellence in safety and operational discipline continues, with a sharp focus on ensuring no lives are ever lost or changed due to a workplace injury.

Lost Time Injury Frequency and Total Recordable Injury Frequency Per Million Hours Worked: January 2018 – December 2020



COVID-19 Update

Throughout the COVID-19 pandemic, the Company has worked very hard to mitigate the spread of the virus by maintaining a safe work environment to protect the health and safety of employees and contractors as well as neighboring communities. The multiple layers of controls the Company has put in place includes a 3-tiered COVID-19 screening process for anyone rotating into site with a mobile testing lab set up on our property and COVID-19 clearance testing prior to return to work for anyone who has had the virus or is showing any symptoms.

While these measures haven't kept the Company COVID-free for the duration, they have made operations very much COVID resistant. As at the end of the fourth quarter, there were 81 confirmed cases of COVID-19 within the workforce, with 70 of these individuals fully recovered. Of these, 78 individuals displayed symptoms and tested positive at home while away from site. The three individuals who tested positive at site were quarantined as outlined in the Company's COVID-19 protocols, with contact tracing completed to isolate anyone potentially at risk.

In light of the Company's efforts, in the fourth quarter of 2020 the Company was proud to be recognized by the national Mexican Institute of Social Security (IMSS) due to leadership on the development of COVID-19 Precautionary Measures and the protocols implemented to mitigate risks of contagion. The Company will continue to provide leadership in this area as the pandemic continues.

Environmental

There were no reportable environmental incidents in the year ended December 31, 2020. The Company met its environmental targets for 2020, namely zero reportable spills of 1,000 liters or more that access the river or reservoir, and full compliance with environmental regulations and quality standards. Environmental initiatives undertaken by the Company to monitor water quality, air quality and biodiversity continue. There are currently no material claims, demands or legal proceedings against the Company related to Environment and Corporate Social Responsibility.

Corporate Social Responsibility

Relationships with local communities continue to be very positive and productive. During the fourth quarter of 2020, various infrastructure projects and social programs in local communities continued to advance.

Of note, in December 2020, the Company along with government officials marked the opening of the newly renovated Nuevo Balsas Health Centre, representing an investment by the Company to provide healthcare services to approximately 3,000 individuals from neighbouring communities.

In addition, a Collaboration Agreement was signed between the Company and local fishermen in the fourth quarter of 2020. To mark the Agreement, fishing cages were donated and an event was attended by state and municipal government authorities, representatives of the National Commission of Aquaculture and Fisheries (CONAPESCA), and representatives of the fishing cooperatives of Nuevo Balsas.

Continued support has been provided for COVID-19 management in the local communities, including the implementation of infection prevention education campaigns for adults and children. There were 10 recorded grievances by the community during the fourth quarter all of which have either been addressed or are in process of resolution.

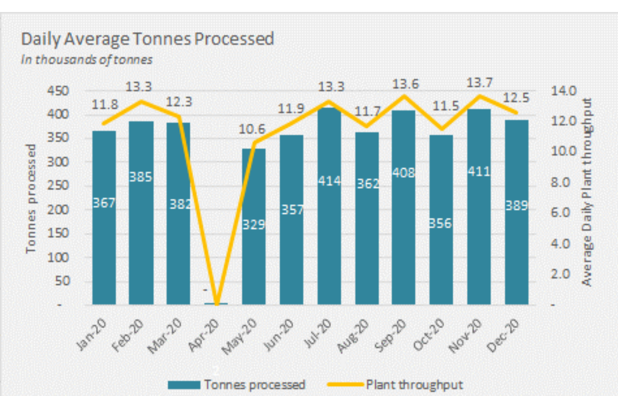
Governance

The Company recently amended its Share Ownership Policy. The share ownership targets were increased as follows:

Role	New Target % of Salary/Base Retainer	Previous Target % of Salary/Base Retainer
CEO	4.2x	3x
CFO	3x	1x
CEO direct reports	1x	N/A
Non-executive directors	4.2x	3x

The Executive Chair's target is a fixed amount based on the new CEO target as at December 31, 2021. The common shares and 50% of restricted share units and performance share units (vested and unvested) held by the director or executive count towards the target.

Plant Performance



The plant produced 129,034 oz of gold in the fourth quarter of 2020. Plant throughput achieved an average run rate of 12,560 tpd, slightly lower than the previous quarter. Availability of the grinding circuit dropped to 90% in the quarter impacted by an unexpected failure of the main feed belt conveyor. The metallurgical performance of the plant was excellent throughout the period, gold recoveries remained stable at 89% and cyanide consumption remained under control despite high values of soluble copper and iron in ore feed.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

The Company intends to advance the Media Luna project from early stage development to production in the first quarter of 2024. In 2019, the infill drilling program at Media Luna was completed, successfully upgrading 25% of the previous Inferred resource to the Indicated confidence resource category, suitable for use in a feasibility study and the estimation of a Mineral Reserve. The objective of the infill drill program was to upgrade sufficient resources to generate a reserve that would pay back the initial capital investment. A $13 million infill drilling program in 2020 focused on upgrading a greater portion of the inferred resources to the indicated category, in order to enhance the mine life within the upcoming feasibility study.

Only the Measured and Indicated portion of a Mineral Resource estimate can be included in a feasibility study to generate a Mineral Reserve. As such, the mineable tonnes presented in the feasibility study will be significantly lower than the 2018 PEA, since all of the Inferred tonnes considered in the PEA will not have been upgraded to Indicated for inclusion in the study. Future infill drill programs will target the remaining Inferred tonnes for upgrading to the Indicated confidence category.

As at December 31, 2020, the Company has capitalized $87.0 million of expenditures since the commencement of development, including $24.5 million in the fourth quarter of 2020 related to development activities for the Media Luna Project.

Key trade-off studies are nearing completion and early field survey and technical study work in support of the permitting/approval process has commenced. During the fourth quarter of 2020, an early works program started excavating an access tunnel to Media Luna, thereby de-risking this component of the development schedule. The South Portal early works program commenced in the second half of 2020, with a focus on platform development. South Portal earthworks scope award and contractor mobilization commenced in the fourth quarter of 2020.

Investment in Media Luna is guided between $90.0 million and $100.0 million for 2021. A majority of the guided spend ($60.0 million to $65.0 million) relates to a full year of development of the 7 kilometre long Guajes tunnel (including development, equipment purchases and other infrastructure) and commencement of the South Portal, which allows for access to the upper portions of the deposit from the south side. These two projects are key to maintain the schedule for first production in the first quarter of 2024. An additional $14.0 million will be invested in an expanded infill drill program and a further $12.0 million to advance the feasibility study, which is expected to be completed in the first quarter of 2022. The remaining spend relates to environmental and permitting costs. Capital expenditure on Media Luna will increase in 2022 and peak in 2023, with a moderate spend in 2024 to finalize construction and commissioning.

Before the commencement of commercial production from Media Luna, the Company is required to secure appropriate environmental, exploitation, land use, water and infrastructure construction permits, all of which are tracking to schedule.

Pre-commercial capital expenditures were estimated at $496.5 million as per the Technical Report (as defined below). The Company intends to fund these expenditures from cash flows generated from the existing mining operations or other financing arrangements. The Company is currently working on a feasibility study, which will provide an updated estimate on the pre-commercial capital expenditures expected.

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

The release of the updated Morelos Technical Report including the Media Luna feasibility study, has been rescheduled from mid-2021 to the first quarter of 2022. Rescheduling the release of the updated technical report will allow for the inclusion of additional results from the 2021 infill drill program at Media Luna, an updated mine plan for El Limón Guajes, including a potential layback in the El Limón pit if deemed economic, as well as more complete data on Muckahi following completion of rate-related field testing later this year.

Muckahi (Monorail-based) Mining System Update

Activities at the Muchaki pilot underground mine in El Limón Deep during the fourth quarter were focused on preparation for the testing of the integrated system, scheduled for the first half of 2021. The excavation of the access for loading the steep ramp was completed, the installation of the steep ramp conveyor commenced, monorail installation was completed on the 980 level and the new diesel hydraulic locomotive was installed. The Company commissioned and commenced work on that elevation, the 6-inch compressed air line was installed into the first test production long hole stope, production drilling commenced using a drill equipped with a reaming head to cut the slot raise and the 288 area was prepared for the horizontal development test. New lifting beams, slusher box, gear box and muck boxes were installed in the area and pre-development commissioning was started.

During the fourth quarter "Gen-1" Muckahi mining containers, including the muck boxes and slusher equipment boxes required for testing were fabricated in both Mexico and Canada and shipped to site in Mexico. Static testing on the "Gen-2" rapid connect disconnect equipment and the dumping process for mucking containers was completed and final designs confirmed prior to "Gen-2" manufacturing. Mine design, planning and scheduling work is ongoing to evaluate the potential benefits of the option of a monorail-based transportation system at Media Luna. Upon completion of the testing, additional information will be available to quantify the benefits of a monorail-based transportation system and to determine whether or to what extent such system may be utilized at Media Luna. Capital expenditure in Muckahi field testing is guided at $8 million for 2021.

Morelos Gold Property Exploration Update

The Morelos property covers 29,000 hectares of highly prospective terrain in the prolific Guerrero Gold Belt in Mexico. More than ten well-supported target areas have been identified through a combination of surface mapping, sampling and remote sensing work. The Media Luna deposit, currently in feasibility-level evaluation, was the first discovery on the property by the Torex team. Subsequent near mine exploration efforts identified and drilled out down dip extensions to the near-surface ore bodies, two of which, El Limón Deep and Sub-Sill, are being mined today from underground and contributing high-grade feed in addition to the open pit ore.

Over the last year, the site geology and exploration teams have conducted an extensive evaluation of the potential for additional discovery in the El Limón-Guajes area. Six well-supported target areas in the near-mine environment have been identified, which include the direct down-dip extension to current underground workings. The total proposed ELG "brownfields" program is expected to continue over the next three years, with the intention to add additional mine life to the operations at the ELG Mine Complex.

Drilling under this new near-mine program commenced in the first quarter of 2020 but was suspended in the second quarter of 2020 due to COVID-19 contagion prevention measures. Drilling recommenced early in the third quarter of 2020, as did the 2020 resource delineation drilling at Media Luna. In October 2020, the Company announced drill results from the ongoing 2020 exploration program at the Company's ELG Underground. Infill drilling at Sub-Sill returned positive results, with drilling intersecting similar grades and widths as within previous drill holes. Step-out drilling successfully extended known mineralization at Sub-Sill below the previous deepest hole, while continuing to extend the strike length of ELD. Highlighted intercepts include 30.7 g/t Au over 9.1 m in borehole SST 162; 13.1 g/t Au over 28.5 m in borehole SST-180; 23.9 g/t Au over 12.2 m and 14.9 g/t Au over 18.9 m in borehole SST-169; 17.0 g/t Au over 15.4 m in borehole SST 177; 21.6 g/t Au over 11.8 m in borehole SST-189; and 16.0 g/t over Au 13.2 m in borehole LDUG-071. For more information on these drill results, see the Company's news release titled "Torex Gold Reports Positive Drill Results from the 2020 Exploration Program at ELG Underground" issued on October 29, 2020, and filed on SEDAR at www.sedar.com and on the Company's website at www.torexgold.com.

The positive results reinforce confidence in the Company's ability to extend the life of both Sub-Sill and ELD beyond current reserves, and to maintain a consistent underground production profile in 2023 and into 2024 during the transition period between the ELG Mine Complex and Media Luna. Further evaluation of the known regional targets is under preparation for start-up in 2021.

The Company has allocated $2.4 million in the 2021 budget to fund the expansion of a "greenfields" exploration program within the MML tenement. We currently have 15 recognized targets with the MML fence-line, several of which are in close proximity to the ELG processing facilities. The 2021 "greenfields" exploration program will explore three of the most prospective targets. This forms part of a 3 to 4 year exploration strategy intended to identify and prove up sources of ore feed to extend the life of MML or increase the annual production.

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. As at December 31, 2020, the Company is in compliance with all financial and other covenants.

Summary Balance Sheet

The following table summarizes key balance sheet items at December 31, 2020:

Table 5.

In millions of U.S. dollars	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ 174.1	$ 161.8
Short-term investments	32.1	-
Deferred tax asset	5.3	-
Value-added tax receivables	45.4	37.7
Inventory	112.2	129.2
Property, plant and equipment	827.3	874.4
Other assets	56.0	26.5
Total assets	$ 1,252.4	$ 1,229.6
Accounts payable and accrued liabilities	$ 119.9	$ 90.6
Income tax payable	77.9	68.7
Debt	43.4	174.9
Derivative contracts	5.2	1.6
Deferred income tax liabilities	24.3	33.7
Other liabilities	35.6	25.3
Total liabilities	$ 306.3	$ 394.8
Total shareholders' equity	$ 946.1	$ 834.8

Cash and cash equivalents

The Company ended the fourth quarter of 2020 with cash on hand of $174.1 million. The Company holds cash balances in both Canadian dollars and Mexican pesos, as well as U.S. dollar holdings.

Short-term investments

The Company had $32.1 million in short-term investments at December 31, 2020. This balance represents a 180-day non-redeemable GIC entered during the third quarter of 2020, which matured in January 2021.

Value-added tax ("VAT") receivables

The Company has VAT receivables primarily denominated in Mexican pesos. The VAT receivables balance fluctuates as additional VAT is paid and refunds are received, as well as with the movement of the Mexican peso exchange rate relative to the U.S. dollar and any provisions. During the year ended December 31, 2020, the Company collected $50.7 million in VAT receivables, and interest of $3.1 million.

Inventory

The decrease in inventory of $13.2 million is largely due to the accounting for stockpile inventory for open pit and underground material separately and on a per ounce basis, and lower finished goods on hand at year end.

Property, plant and equipment

Property, plant and equipment decreased by $47.1 million due to depreciation and amortization of $246.8 million, offset by additions to infrastructure, equipment, capitalized stripping costs and net closure and rehabilitation asset movement of $199.7 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were $119.9 million at December 31, 2020 compared to $90.6 million at December 31, 2019. The increase is primarily related to accruals for royalties and the site-based employee profit-sharing program.

Income tax payable

Income tax payable increased from $68.7 million at December 31, 2019 to $80.2 million at December 31, 2020. Income tax payable at December 31, 2020 included $56.4 million related to the 7.5% mining royalty and $23.8 million related to income tax payable on taxable income in 2020; income tax payable at December 31, 2019 included $35.3 million related to the 7.5% mining royalty and $33.4 million related to income tax payable on taxable income in 2019. The increase is primarily due higher revenues from higher gold prices. The remaining tax loss carryforwards available to offset current income tax payable were fully utilized in the third quarter of 2019 and the Company commenced accruing current income taxes payable. The Company commenced paying income tax instalments in December 2019.

Derivative contracts

The liability for outstanding derivative contracts increased from $1.6 million at December 31, 2019 to $5.2 million on December 31, 2020. This balance is primarily made up of currency contracts and zero-cost collar gold contracts that will be settled within the next 12 months. The Company's other non-current liabilities of $35.2 million includes derivative liabilities of $0.3 million for contracts to be settled after the next 12 months. The increase in the liability is primarily due to a marked increase in gold prices in 2020, which negatively affected the valuation of the Company's zero-cost gold contracts.

DEBT FINANCING

Debt Facility

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

The Debt Facility bears interest at a rate of LIBOR +3%. It includes standard and customary finance terms and conditions including with respect to fees, representations, warranties, covenants and conditions precedent to additional draws under the Revolving Facility. The Debt Facility is secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries with a direct or indirect interest in the ELG Mine Complex and/or the Media Luna Project. The total borrowing capacity under the Revolving Facility will be reduced to $100.0 million on December 31, 2021.

On December 19, 2019, the Company executed an amendment to the SARCA, increasing the proceeds allowable for development expenditure and accelerating the Term Facility repayment schedule to March 31, 2022. On December 24, 2020, the Company executed the second amendment to the SARCA, further increasing the proceeds allowable for development expenditure and accelerating the Term Facility to be fully repaid no later than January 29, 2021. On December 30, 2020, the Company fully repaid the remaining balance on the Term Facility without penalty or premium. The Revolving Facility will mature on June 30, 2022.

During the year ended December 31, 2020, the Company fully repaid the Term Facility by making principal repayments of $130.0 million. During the year ended December 31, 2020, the Company drew $90.0 million on the Revolving Facility, and subsequently made a payment to the Revolving Facility for $100.0 million, bringing the total outstanding balance to $40.0 million.

The Debt Facility permits, including by use of the Revolving Facility, potential spending to facilitate the development of the Media Luna Project, the Muckahi Mining System, and other existing and future projects of the Company, subject to the conditions of the Debt Facility, including compliance with (i) financial covenants related to maintaining a net leverage ratio of 3.0, a debt service coverage ratio of 1.15 and minimum liquidity of $50.0 million and (ii) certain thresholds with respect to the quantum of development expenditures and the amount spent on the Muckahi Mining System. The Debt Facility includes a Reserve Tail Test wherein non-compliance is not an event of default, but instead restricts the amount that can be drawn under the Revolving Facility, and, depending on the amount drawn, may also require payments of the Debt Facility. As at December 31, 2020, the full amount of the Revolving Facility ($150.0 million) was available based on the Reserve Tail Test, of which $40.0 million was drawn.

As at December 31, 2020, the Company is in compliance with the financial and other covenants under the Debt Facility.

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

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at December 31, 2020 were $1,252.4 million (December 31, 2019 - $1,229.6 million), which includes $174.1 million in cash and cash equivalents (December 31, 2019 - $161.8 million).

Cash flow generated from operating activities, excluding changes in non-cash working capital, for the year ended December 31, 2020 was $328.8 million compared to $327.3 million for the year ended December 31, 2019. Cash flow generated from operating activities after non-cash working capital for the year ended December 31, 2020 was $342.1 million compared to $301.3 million for the year ended December 31, 2019. The increase in cash generated from operating activities before changes in non-cash working capital is largely due to a higher average realized price, partially offset by the temporary suspension of operations in relation to COVID-19 and the income taxes paid in 2020 to settle taxes payable related to 2019 and 2020.

Investing activities resulted in net cash outflows of $177.6 million in the year ended December 31, 2020, compared with net cash outflows of $77.4 million for the year ended December 31, 2019. The increase in cash outflows is largely due to the increase in additions to property, plant and equipment and short-term investments in 2020, combined with the release of restricted cash of $26.8 million in 2019.

Financing activities resulted in net cash outflows of $150.0 million for the year ended December 31, 2020 compared with net cash outflows of $184.4 million in the year ended December 31, 2019. Net cash used in financing activities for the year ended December 31, 2020 resulted from payments under the Debt Facility and leases totalling $232.2 million, and interest paid of $8.0 million, partially offset by draws on the Revolving Facility of $90.0 million. In comparison, for the year ended December 31, 2019, net cash flows used in financing activities relate primarily to repayment of debt of $164.4 million, transaction costs of $2.6 million and interest paid of $19.6 million, partially offset by cash flows of $2.2 million from exercise of stock options.

As at December 31, 2020, the Company's contractual obligations included office lease agreements; office equipment leases; long-term land lease agreements with the Rio Balsas, the Real del Limón, Atzcala, the Puente Sur Balsas and the Valerio Trujano Ejidos and the individual owners of land parcels within certain of those Ejido boundaries; and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine Complex and the Media Luna Project. All long-term land lease agreements can be terminated within one year at the Company's discretion at any time without penalty.

In addition, production revenue from concessions 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 January 2020, the Company paid $4.8 million relating to the 2.5% royalty for the fourth quarter of 2019; in April 2020, the Company paid $3.5 million relating to the 2.5% royalty for the first quarter of 2020; in July 2020, the Company paid $2.7 million relating to the 2.5% royalty for the second quarter of 2020; in October 2020, the Company paid $6.4 million relating to the 2.5% royalty for the third quarter of 2020; and in January 2021, the Company paid $6.3 million relating to the 2.5% royalty for the fourth quarter of 2020.

The Company is subject to a mining tax of 7.5% on earnings before the deduction of taxes, interest, depreciation and amortization, and a royalty of 0.5% on sales of gold, silver and platinum. Both the mining tax and 0.5% royalty are payable on an annual basis. In March 2020, the Company paid $17.5 million in respect of the 7.5% and 0.5% royalties for 2019.

The Company does not anticipate any significant seasonality in production in 2021, with any minor quarter-over-quarter deviations driven by the natural variability of skarn-hosted deposits. However, given timing of payments, the Company expects cash flow from operations to be weighted towards the second half of the year as was the case in 2020. Cash flow from operations in the first quarter of 2021 will be impacted by payment of the Mexican based mining tax of $30.9 million (accrued throughout the year and paid out the following March) as well as corporate income tax owing at year-end of $22.7 million, after accounting for monthly instalments made during 2020. Taxes paid will be reflected in cash flow from operations prior to changes in non-cash working capital. In the second quarter of 2021, the Company expects cash flow from operations after changes in non-cash working capital to be impacted by payment of the employee profit sharing arrangement of $29.7 million, which is accrued through the year and paid out in full by May the following year. The final payments for the Mexican based mining tax, corporate income tax and the employee profit sharing arrangement are subject to the foreign exchange rates at the time of payment.

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.

For discussion of liquidity risks, refer to sections "Financial Risk Management" and "Risks and Uncertainties" of this MD&A.

Contractual Commitments

Table 6.

	Payments Due by Period				
In millions U.S. dollars	Total	Less than 1 year	1-3 years	4-5 years	Greater than 5 years
ELG Mine Complex operating commitments	38.9	38.9	-	-	-
ELG Mine Complex capital commitments	24.5	24.1	0.4	-	-
Debt	45.4	2.5	41.2	1.2	0.5
Total	**$ 108.8**	**$ 65.5**	**$ 41.6**	**$ 1.2**	**$ 0.5**

OUTSTANDING SHARE DATA

Table 7.

Outstanding Share Data at February 23, 2021	Number
Common shares	85,672,972
Share purchase options [1]	243,139
Restricted share units [2, 3]	519,493
Performance share units [4]	597,566

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 shareholder return relative to a group of comparable companies over the applicable period. Under the terms of the plan, the Board of Directors is authorized to determine the adjustment factor.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

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

Total cash costs

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

All-In Sustaining Costs (AISC)

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

Torex reports AISC in accordance with the guidance issued by the World Gold Council ("WGC"). The WGC definition of AISC seeks to extend the definition of total cash costs by adding corporate general and administrative costs, reclamation and remediation costs (including accretion and amortization), exploration and study costs (capitalized and expensed), capitalized stripping costs, sustaining capital expenditures and sustaining leases and represents the total costs of producing gold from current operations. AISC excludes income tax payments, interest costs, costs related to business acquisitions and certain items needed to normalize earnings. Consequently, these measures are not representative of all of the Company's cash expenditures. In addition, the calculation of AISC does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability. Other companies may quantify these measures differently because of different underlying principles and policies applied. Differences may also occur due to different definitions of sustaining versus non-sustaining capital. In November 2018, the WGC updated its guidance for AISC. The Company adopted the updated guidance beginning January 1, 2019.

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

Table 8.

		Three Months Ended		Year Ended	
In millions of U.S. dollars, unless otherwise noted		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Gold sold	oz	133,063	126,910	437,310	449,337
Total cash costs per ounce sold					
Production costs and royalties [1]	$	79.1	80.3	300.8	286.6
Less: Silver sales	$	(0.5)	(0.5)	(1.8)	(2.7)
Less: Copper sales	$	(1.5)	(1.5)	(5.2)	(5.6)
Total cash costs	$	77.1	78.3	293.8	278.3
Total cash costs per ounce sold	$/oz	579	617	672	619
All-in sustaining costs per ounce sold					
Total cash costs	$	77.1	78.3	293.8	278.3
General and administrative costs [2]	$	7.0	5.0	22.1	19.7
Reclamation and remediation costs	$	1.0	0.8	3.6	3.0
Sustaining exploration costs	$	1.2	1.1	3.9	2.9
Sustaining capital expenditure [3]	$	31.6	12.2	80.7	58.0
Total all-in sustaining costs	$	117.9	97.4	404.1	361.9
Total all-in sustaining costs per ounce sold	$/oz	886	767	924	805

1. Included within production costs and royalties is the cash component of an inventory impairment charge for long-term, low-grade stockpiles planned for processing at the end of the Company's life of mine of $1.2 million or $9/oz and $2.3 million or $5/oz for the three and twelve months ended December 31, 2020 (for the three and twelve months ended December 31, 2019, $3.4 million or $27/oz and $12.8 million or $28/oz).
2. This amount excludes a gain of $1.8 million and a loss of $0.1 million for the three and twelve months ended December 31, 2020 in relation to the remeasurement of share-based compensation, and corporate depreciation and amortization expenses totalling $0.1 million and $0.4 million for the three and twelve months ended December 31, 2020 within general and administrative costs. Included in general and administrative costs is share-based compensation expense in the amount of $1.3 million or $10/oz and $5.6 million or $13/oz for the three and twelve months ended December 31, 2020 (for the three months ended December 31, 2019, $1.4 million or $11/oz and $5.3 million or $12/oz).
3. Based on additions to property, plant and equipment per the Statement of Cash Flows for the three and twelve months ended December 31, 2020 of $48.8 million and $142.1 million. Before changes in net working capital, capital expenditures for the three and twelve months ended December 31, 2020 totalled $62.7 million and $163.3 million. Sustaining capital expenditures of $31.6 million and $80.7 million in the three and twelve months ended December 31, 2020 are related to $16.5 million and $43.7 million for the cash component of capitalized stripping activities, and $15.1 million and $37.0 million for sustaining equipment and infrastructure expenditures. Non-sustaining capital expenditures of $33.8 million and $85.3 million in

the three and twelve months ended December 31, 2020 relating to Muckahi, El Limón Deep, the Sub-Sill, and the Media Luna Project, have been excluded from AISC.

Average Realized Price and Average Realized Margin

Average realized price and average realized margin per ounce of gold sold are non-IFRS financial measures that do not have a standard meaning under IFRS. Management and certain investors use these measures to better understand the gold price and margin realized throughout a period.

Average realized price is quantified as revenue per the Statement of Operations and Comprehensive Income less silver sales and copper sales, adjusted for realized gains and losses on gold contracts. 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 2020 was $1,847 per ounce of gold sold compared to $1,481 per ounce of gold sold for the fourth quarter of 2019. The average realized price for the year ended December 31, 2020 was $1,771 per ounce of gold sold compared to $1,408 per ounce of gold sold for the year ended December 31, 2019. The increase is a result of higher average spot prices.

The average realized margin for the fourth quarter of 2020 was $1,268 per ounce of gold sold compared to $864 per ounce of gold sold for the fourth quarter of 2019. The average realized margin for the year ended December 31, 2020 was $1,099 per ounce of gold sold compared to $789 per ounce of gold sold for the year ended December 31, 2019. The increase primarily reflects higher average spot prices, and lower total cash costs per ounce of gold sold.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

Table 9.

		Three Months Ended		Year Ended	
In millions of U.S. dollars, unless otherwise noted		**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Gold sold	oz	133,063	126,910	437,310	449,337
Revenue	$	251.6	190.0	789.2	640.8
Less: Silver sales	$	(0.5)	(0.5)	(1.8)	(2.7)
Less: Copper sales	$	(1.5)	(1.5)	(5.2)	(5.6)
Less: Realized loss on Gold Contracts	$	(3.8)	-	(7.8)	-
Total proceeds	$	245.8	188.0	774.4	632.5
Total average realized price per ounce	$/oz	1,847	1,481	1,771	1,408
Less: Total cash costs per ounce	$/oz	579	617	672	619
Total average realized margin per ounce	$/oz	1,268	864	1,099	789

Adjusted Net Earnings

Adjusted net earnings and adjusted net earnings per share (basic and diluted) are non-IFRS financial measures with no standard meaning under IFRS. Management and certain investors use these metrics to measure the underlying operating performance of the Company. Presenting these measures from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods.

Adjusted net earnings is defined as net income adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as: the impact of care and maintenance costs, unrealized foreign exchange gains and losses, non-cash unrealized gains and losses on derivative contracts, certain impairment provisions, remeasurement of share-based payments and the tax effect of currency translation on tax base, net of tax.

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

Adjusted net earnings for the fourth quarter of 2020 were $60.9 million, compared to $34.0 million for the fourth quarter of 2019. The increase in adjusted net earnings is primarily due to higher net income, partially offset by the unrealized impact of derivative contracts and the tax effect of currency translation on tax base. Adjusted net earnings for the year ended December 31, 2020 were $135.7 million compared to adjusted net earnings of $67.8 million for the year ended December 31, 2019. The increase in adjusted net earnings is largely due to higher net income, the tax effect of currency translation on tax base, unrealized loss on derivative contracts, unrealized foreign exchange loss, and care and maintenance costs, partially offset by the remeasurement of share-based payments.

Reconciliation of Adjusted Net Earnings to Net Income

Table 10.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Year Ended December 31, 2020	Year Ended December 31, 2019
Basic weighted average shares outstanding	shares	85,531,067	85,388,310	85,505,801	85,262,388
Diluted weighted average shares outstanding	shares	86,222,526	86,057,998	86,078,935	85,785,991
Net income	$	91.9	35.1	109.0	71.2
Adjustments, after-tax:					
Care and maintenance costs	$	-	-	11.1	-
Unrealized foreign exchange (gain) loss	$	(1.9)	(0.5)	3.0	(1.8)
Unrealized (gain) loss on derivative contracts	$	(11.5)	1.4	3.3	2.4
Impairment provisions	$	-	12.1	-	12.1
Modification of debt	$	-	(1.0)	-	(2.8)
Currency translation adjustment	$	5.9	-	5.9	-
Remeasurement of share-based payments	$	0.1	-	(1.8)	-
Tax effect of adjustments	$	2.3	(3.6)	(6.4)	(3.0)
Tax effect of currency translation on tax base	$	(25.9)	(9.5)	11.6	(10.3)
Adjusted net earnings	$	60.9	34.0	135.7	67.8
Per share - Basic	$/share	0.71	0.40	1.59	0.80
Per share - Diluted	$/share	0.71	0.40	1.58	0.79

Earnings before Interest, Taxes, Depreciation and Amortization "EBITDA" and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-IFRS measures with no standard meaning under IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use these measures to evaluate the operating performance of the Company. Presenting these measures from period to period helps identify and evaluate earnings trends more readily in comparison with results from prior periods. EBITDA is defined as net income adjusted to exclude depreciation and amortization, net finance costs and income tax expense (recovery). Adjusted EBITDA is defined as EBITDA adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as the impact of care and maintenance costs, unrealized foreign exchange gains and losses, non-cash unrealized gains and losses on derivative contracts, remeasurement of share-based payments, and certain impairment provisions (if applicable).

Reconciliation of EBITDA and Adjusted EBITDA to Net Income

Table 11.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Year Ended December 31, 2020	Year Ended December 31, 2019
Net income	$	91.9	35.1	109.0	71.2
Finance costs, net	$	3.2	1.9	13.9	18.3
Depreciation and amortization [1]	$	64.1	68.9	224.0	194.0
Current income tax expense	$	60.2	24.1	114.9	64.5
Deferred income tax (recovery) expense	$	(53.5)	(27.8)	(48.8)	(17.7)
EBITDA	$	165.9	102.2	413.0	330.3
Adjustments:					
Care and maintenance	$	-	-	8.0	-
Unrealized foreign exchange (gain) loss	$	(1.9)	(0.5)	3.0	(1.8)
Unrealized (gain) loss on derivative contracts	$	(11.5)	1.4	3.3	2.4
Remeasurement of share-based payments	$	0.1	-	(1.8)	-
Impairment provisions	$	-	2.0	-	2.0
Currency translation adjustment	$	5.9	-	5.9	-
Adjusted EBITDA	$	158.5	105.1	431.4	332.9

1. Includes depreciation and amortization included in cost of sales, general and administrative, care and maintenance and exploration and evaluation expenses.

Free cash flow

Free cash flow is a non-IFRS measure with no standardized meaning under IFRS. The Company defines free cash flow as free cash flow before non-sustaining capital expenditures less cash outlays for non-sustaining capital expenditures. Free cash flow before non-sustaining capital expenditures is defined as net cash generated from operating activities less cash outlays for sustaining capital expenditure and interest payments. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's operating performance and its ability to fund operating and capital expenditures without reliance on additional borrowing.

Table 12.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Year Ended December 31, 2020	Year Ended December 31, 2019
Net cash generated from operating activities	$	137.1	97.9	342.1	301.3
Less:					
Sustaining capital expenditures	$	(31.6)	(12.2)	(80.7)	(58.0)
Interest paid	$	(1.4)	(3.2)	(8.0)	(19.6)
Free cash flow before non-sustaining capital expenditures	$	104.1	82.5	253.4	223.7
Less:					
Non-sustaining capital expenditures	$	(33.8)	(10.9)	(85.3)	(42.5)
Free cash flow	$	70.3	71.6	168.1	181.2

Net (cash) debt

Net (cash) debt is a non-IFRS measure with no standardized meaning under IFRS. Net (cash) debt is defined as total debt adjusted for unamortized deferred financing charges less cash and cash equivalents and short-term investments at the end of the period. These measures are used by management, and may be used by certain investors, to measure the Company's debt leverage.

Torex Gold
RESOURCES INC.

Net cash at December 31, 2020 was $161.6 million, compared to net debt of $21.7 million at December 31, 2019. The increase in net cash is largely due to the increase in the average realized price of gold.

Table 13.

In millions of U.S. dollars, unless otherwise noted		December 31, 2020	December 31, 2019
Debt	$	43.4	174.9
Add: Deferred financing charges	$	1.2	8.6
Less: Cash and cash equivalents	$	(174.1)	(161.8)
Less: Short-term investments	$	(32.1)	-
Net (cash) debt	$	(161.6)	21.7

ADDITIONAL IFRS FINANCIAL MEASURES

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

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

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

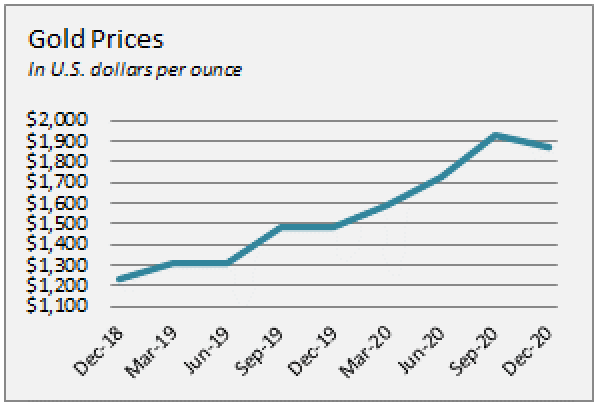
ECONOMIC TRENDS

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

Table 14.

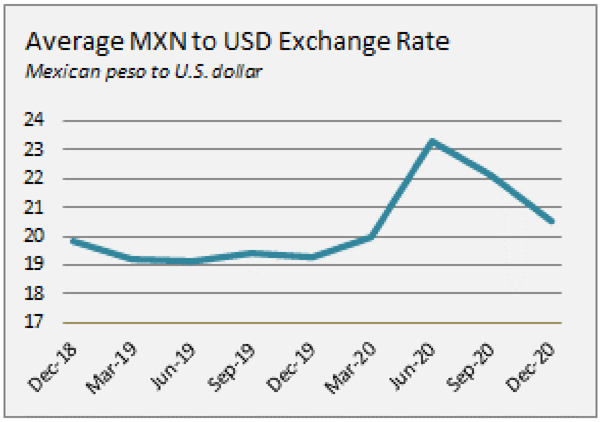
		Three Months Ended December 31,		Year Ended December 31,	
		2020	2019	2020	2019
Average market spot prices					
Gold	$/oz	1,876	1,488	1,772	1,395
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : $	20.5	19.3	21.5	19.3
Canadian dollar : U.S. dollar	C$: $	1.30	1.32	1.34	1.33

Metal prices



The Company's profitability and operating cash flows are significantly impacted by the price of gold. The market price of gold continued to exhibit volatility during the twelve months ended December 31, 2020, and averaged $1,772 per ounce of gold, up 27% from the average price for the twelve months ended December 31, 2019. From January 2020 to December 2020 and based on closing prices, gold prices increased 23%. As at December 31, 2020, the Company protected 8,000 oz of gold per month, for a total of 72,000 oz, through the third quarter of 2021 at an average floor price of $1,467 per ounce and an average ceiling price of $2,142. Gold contracts for 24,000 oz to be settled in the first quarter of 2021 have an average floor of $1,450 per ounce and average ceiling of $1,847 per ounce. An increasing gold price will tend to increase the liability recorded for the fair market value of contracts due to settle in future periods.

Foreign exchange rates



The functional currency of the Company and its subsidiaries is the U.S. dollar and it is therefore exposed to financial risk related to foreign exchange rates. In particular, approximately 56% of the Company's costs for twelve months ended December 31, 2020 were incurred in Mexican pesos. The Company entered into currency forwards to hedge approximately 50% of its estimated 2020 peso-denominated expenditures for a total of $234.0 million. As at December 31, 2020, $20.0 million are outstanding at a weighted average rate of 19.52 pesos, which will be settled in the first half of 2021. Changes in exchange rates are expected to have an impact on the Company's results. In addition, the Company is exposed to foreign exchange risk on its non-U.S. dollar denominated monetary assets and liabilities. The average exchange rate of the Mexican peso relative to the U.S. dollar was 20.5 and 19.3 pesos during the years ended December 31, 2020 and 2019, representing a depreciation of 6% in the Mexican peso.

SUMMARY OF ANNUAL INFORMATION

Selected Annual Information

Table 15.

In millions, except per share amounts of U.S. dollars		December 31, 2020		December 31, 2019		December 31, 2018
Revenues	$	**789.2**	$	640.8	$	442.9
Net income		**109.0**		71.2		23.2
Income per share - basic		**1.27**		0.84		0.27
Income per share - diluted		**1.25**		0.83		0.27
Total assets		**1,252.4**		1,229.6		1,271.4
Long-term liabilities		**101.1**		152.2		317.3
Dividends	$	**-**	$	-	$	-

The consolidated annual financial statements for each of the three years' most recently completed financial years were prepared in accordance with IFRS. The presentation currency and functional currency are U.S. dollars. The Company adopted IFRS 16, Leases in the annual period beginning January 1, 2019. The Company elected to apply IFRS 16 using a modified retrospective approach and therefore, comparative amounts were not restated. The impact of the adoption of the new standard was not material to the Company's consolidated financial statements.

Revenue for the year ended December 31, 2020 was higher due to higher gold prices compared to prior years. Revenue for the year ended December 31, 2019 represents a full year of operations while revenue for the year ended December 31, 2018 represents approximately eleven and a half months of operations, including approximately three months of partial operations during a blockade.

In 2020 and 2019, despite the increase in cash flow from operating activities, total assets decreased due to higher depreciation and amortization on property, plant and equipment.

Long-term liabilities decreased year over year due to schedule repayments and voluntary repayments made on the Company's debt facilities, finance leases and equipment loan.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

Table 16.

In millions of U.S. dollars, unless otherwise noted		2020				2019			
		Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Financial Results									
Revenue	$	251.6	256.5	109.1	172.0	190.0	198.2	150.7	101.9
Net income (loss)	$	91.9	60.3	3.8	(47.0)	35.1	27.4	10.0	(1.3)
Per share - Basic	$/share	1.07	0.71	0.04	(0.55)	0.41	0.32	0.12	(0.02)
Per share - Diluted	$/share	1.05	0.69	0.04	(0.57)	0.41	0.32	0.12	(0.02)

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

Net income (loss) has fluctuated based on, among other factors, the temporary suspension of operations due to COVID-19, the quantity and grade of ore mined and processed, gold prices, foreign exchange rates, current and deferred income tax expenses, interest income on VAT receivables, cost of reagents consumed, and impairment provisions. Gold prices affect the Company's realized sales prices of its gold production and gains and losses on the gold collar 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, derivative gains and losses, income taxes, and the value of non-U.S. dollar denominated monetary assets and liabilities such as cash, amounts receivable, accounts payable and debt. Changes in the value of the Mexican peso also impact the tax basis of non-monetary assets and liabilities considered in the Company's deferred tax liability.

TRANSACTIONS WITH RELATED PARTIES

In June 2018, Fred Stanford, the Company's President and Chief Executive Officer ("CEO") at that time, sold, assigned and transferred to the Company (the "Assignment"), with the exception of trademarks, his entire right, title and interest in a proprietary mining system (the "Mining System" which is sometimes referred to as "Muckahi") for use in underground mines for nominal consideration. The Company has granted an irrevocable license (the "License" and together with the Assignment, the "IP Agreements"), in any intellectual property associated with the Mining System, including any improvements, to Muckahi Inc., an entity controlled by Fred Stanford. The License restricted Muckahi Inc. from making use of the License during Fred Stanford's tenure as CEO. On June 17, 2020, the License was amended such that Muckahi Inc. may not make use of the License while Fred Stanford, now Executive Chairman, holds any position with the Company as employee, officer or director.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to Note 4 in the Company's audited consolidated financial statements for the year ended December 31, 2020.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 3 in the Company's audited consolidated financial statements for the year ended December 31, 2020.

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 liquidity risk, foreign currency risk, commodity price risk and interest rate risk, and are detailed in Note 16 of the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company is exposed to liquidity risks in meeting its operating expenditures in instances where cash positions are unable to be maintained or appropriate financing is unavailable. The primary sources of funds available to the Company are cash flow generated by the ELG Mine Complex, its cash reserves, short-term investments and any available funds under the Revolving Facility.

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, 2020, the Company had cash balances of $174.1 million (excluding short-term investments of $32.1 million) compared to $161.8 million at December 31, 2019. The Company maintains its cash in fully liquid business accounts. At December 31, 2020, the cash balance held by MML was $141.4 million compared to $101.4 million at December 31, 2019.

As at December 31, 2020, the amount outstanding under the Debt Facility, excluding unamortized deferred financing fees, totalled $40.0 million. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Cash flows that are expected to fund the operation of the ELG Mine Complex and settle current liabilities are dependent on, among other things, proceeds from gold sales. If operations at the ELG Mine Complex are shut down for a prolonged period of time, the Company may not be able to generate sufficient cash flow to meet its obligations or satisfy certain requirements of the Debt Facility. The Company may also have various options available to mitigate the risk of breaching requirements under the SARCA, including seeking a waiver from the Lenders, which is outside the Company's direct control and failing that, settling the loan entirely and so removing the requirements under the SARCA.

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.

As at December 31, 2020, the Company had cash and cash equivalents, VAT receivables, accounts payable and accrued liabilities and income taxes payable that are denominated in Mexican pesos and in Canadian dollars. A 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $0.7 million in relation to foreign exchange on the Company's financial instruments in the Company's net income for the twelve months ended December 31, 2020. This excludes the impact of the Mexico peso forward contracts. A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $0.1 million in the Company's net income for the twelve months ended December 31, 2020.

In the first quarter of 2020, the Company entered into forward contracts for approximately 50% of its estimated Mexico peso expenditures for 2020 or $234.0 million at a weighted average rate of 19.70 until December 2020. In the second quarter, the Company extended the maturity dates of certain currency contracts due to settle in the year ended December 31, 2020, with a total notional value of $24.0 million, to future periods ranging from 7 to 11 months. There were $20.0 million of contracts remaining at December 31, 2020 at a weighted average rate of 19.52. A 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $0.1 million in the Company's net income for the twelve months ended December 31, 2020 in relation to the forward contracts.

As at December 31, 2020, based on ending spot rates compared to the year ended December 31, 2019, the Mexican peso appreciated by 2.2%. This led to an increase in the U.S. dollar equivalent tax value of the Company's property, plant and equipment, which for tax purposes is denominated in Mexican pesos. This increase in value for tax purposes, without a change in the value of the property, plant and equipment for IFRS purposes (as it is denominated in U.S. dollars) decreased the temporary difference between the values. The difference in these values at December 31, 2020, multiplied by the applicable Mexican tax rate, derives an associated deferred tax liability. This value was higher than the equivalent deferred tax liability value calculated for the prior year. The difference in these liabilities contributed to a deferred tax recovery for the quarter.

Commodity Price Risk

Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. In the third quarter of 2019, the Company entered into zero-cost collar hedges to deliver 8,000 oz of gold per month over a 12-month period commencing in September 2019. As at December 31, 2020, the contracts extend until September 2021. The remaining gold collar contracts have an average floor price of $1,467 per ounce and an average ceiling price of $2,142 per ounce.

As at December 31, 2020, a 10% change in the gold price would result in a decrease or increase of $0.2 million (using the spot rate as at December 31, 2020 of $1,894 per ounce) in the Company's net income for the twelve months ended December 31, 2020 relating to the zero-cost collar hedges.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument or its fair value will fluctuate because of changes in market interest rates. The Debt Facility bears interest at a rate of LIBOR +3%.

In the first quarter of 2019, the Company entered into interest rate swap contracts for a fixed LIBOR of 2.492% on interest payments related to $150.0 million of the Debt Facility to hedge against unfavourable changes in interest rates. As at December 31, 2020, a 100 basis points change in the LIBOR would result in a decrease or increase of $0.6 million (using the LIBOR rate as at December 31, 2020 of 0.3%) in the Company's net income for the twelve months ended December 31, 2020 relating to the interest rate swap contracts.

RISKS AND UNCERTAINTIES

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

COVID-19 and Other Global Pandemics

On April 2, 2020, in response to the Decree issued by the Government of Mexico for all non-essential businesses in the country to temporarily suspend operations in order to mitigate the spread of COVID-19, the Company announced that operations would not re-start at the conclusion of a planned maintenance shutdown of the processing plant that was underway at the time the Decree was issued. In May 2020, partial operations were resumed, initially through the introduction of stockpiled ore to the processing plant to test the effectiveness and durability of the repairs that were made during the maintenance shutdown. Full operations resumed in June 2020.

COVID-19 may have a material adverse impact on the Company as it may result in disruptions to production, delays in the development timeline and increased costs. In addition, Mexican authorities could impose new or additional requirements resulting in further limitations on the activities, or the suspension of all activities, at the ELG Mine Complex and Media Luna. Alternatively, in the event of an outbreak of COVID-19 at the ELG Mine Complex or Media Luna, Mexican authorities, either federally or in the State of Guerrero, or the Company could determine that a full suspension of all of its operations is necessary for the safety and protection of the workers. A complete suspension of operations at the ELG Mine Complex or Media Luna could result in further delays in production, the development of the project, result in additional increases in costs and have a material adverse effect on the financial position of the Company. If Mexican authorities were to re-introduce suspension orders caused by the COVID-19 virus outbreak, or if there is a full suspension of operations at the ELG Mine Complex or Media Luna for an undefined period of time there could be additional medical and other costs incurred, project delays, cost overruns, and operational restart costs.

Moreover, the actual and threatened further spread of COVID-19 globally could negatively impact stock markets, including the trading price of the Company's Common Shares. The ongoing pandemic could also adversely impact the Company's ability to raise capital; cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive; and result in any operations affected by COVID-19 becoming subject to quarantine. Any of these developments, and others, could have a material adverse effect on the Company's business and results of operations.

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, 2020 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 2020 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, 2020, 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 Chief Executive Officer and President and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

QUALIFIED PERSONS

Scientific and technical information contained in this MD&A has been reviewed and approved by Clifford Lafleur, P.Eng., Director, Resource Management and Mine 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 NOTES

Medial Luna

As reported in the MD&A, the Company intends to advance the Media Luna project from early stage development to production in the first quarter of 2024 and the Company has taken the decision to commence the Guajes tunnel and South portal in advance of completing the feasibility study to maintain the schedule to first production. Also as reported, an infill drilling program at Media Luna was completed, successfully upgrading 25% of the previous Inferred resource to the Indicated confidence resource category, with the objective of upgrading sufficient resources to generate a mineral reserve that would pay back the initial capital investment. Further, an additional $13 million infill drilling program in 2020 focused on upgrading a greater portion of the inferred resources to the indicated category, in order to enhance the mine life within the upcoming feasibility study. It cannot be assumed that any part of the Inferred or Indicated mineral resource will be upgraded to a higher category or that the drilling programs will achieve the objectives. Further, a feasibility study is based on a number of factors and there can be no assurance that the feasibility study will be successful in demonstrating within a reasonable confidence that the Media Luna project can be constructed and operated in a technically sound and economically viable manner.

Muckahi

The Media Luna PEA includes information on Muckahi. It is important to note that Muckahi is experimental in nature and has not yet been tested in an operating mine. Since the date of the Technical Report, the majority of the components of the Muckahi system have been tested by Torex and their functionality demonstrated. Although, the components have not yet been tested together as a system to demonstrate the rates per day in which tunnels can be excavated and material removed from long hole open stopes. Testing of the integrated system will continue and is expected to be completed in the second quarter of 2021. Drill and blast fundamentals, standards and best practices for underground hard rock mining are applied in the Muckahi system as described in of the Technical Report, where applicable. The proposed application of a monorail system for underground transportation for mine development and production mining is unique to underground mining. There are existing underground mines that use a monorail system for transportation of materials and equipment, however not in the capacity of Muckahi which is described in detail in the Technical Report. The mine design, equipment performance and cost estimations involving Muckahi in the Technical Report are conceptual in nature, and do not demonstrate technical or economic viability.

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

Forward-Looking Statements

This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future mining, development and exploration plans concerning the Morelos Gold Property; the adequacy of the Company's financial resources, particularly in light of the COVID-19 pandemic; the Company's business plans and strategy, including without limitation, plans to realize the full potential of the Morelos Gold Property and opportunities to acquire assets in the Americas that enable profitable and productive geographic diversification; 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 continue to be profitable with positive economics from mining, expected 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 expected gold prices; achieving planned production levels, development and exploration activities with the COVID-19 prevention efforts; the objectives for 2021; work to develop and evaluate the Muckahi mining system will continue in the first half of 2021; 2021 investment in Media Luna guided between $90.0 million and $100.0 million with the allocations as set in the MD&A; expectation the Media Luna feasibility study will be released in the first quarter of 2022; expectation that a decline in the value of the Mexican peso relative to the U.S. dollar will increase deferred tax expense (or decrease deferred tax recovery), while an increase in the value of the Mexican peso relative to the U.S. dollar will reduce deferred tax expense (or increase deferred tax recovery); intention to advance the Media Luna project from early stage development to production in the first quarter of 2024; expectation that upgrading 25% of the previous Inferred resource of the Media Luna deposit to the Indicated confidence resource category, will be suitable for use in a feasibility study and the estimation of a Mineral Reserve; the objective of the infill drill program to upgrade sufficient resources to generate a reserve that would pay back the initial capital investment; objective of the $13 million infill drilling program in 2020 focusing on upgrading a greater portion of the Inferred resources to the Indicated category, in order to enhance the mine life within the upcoming feasibility study; as only the Measured and Indicated portion of a Mineral Resource estimate can be included in a feasibility study to generate a Mineral Reserve, expectation that the mineable tonnes presented in the feasibility study will be significantly lower than the 2018 PEA because all of the Inferred tonnes considered in the PEA will not have been upgraded to Indicated for inclusion in the study; intention that future infill drill programs will target the remaining Inferred tonnes for upgrading to the Indicated confidence category; nearing completion of key trade-off studies; expectation that capital expenditure on Media Luna will increase in 2022 and peak in 2023, with a moderate spend in 2024 to finalize construction and commissioning; environmental, exploitation, land use, water and infrastructure construction permits required for the commencement of Media Luna are tracking to schedule; pre-commercial capital expenditures were estimated at $496.5 million as per the Technical Report; intention to fund these expenditures from cash flows generated from the existing mining operations or other financing arrangements; the updated Morelos Technical Report including the Media Luna feasibility study, is expected to be released in the first quarter of 2022; rescheduling the release of the updated technical report expected to allow for the inclusion of additional results from the 2021 infill drill program at Media Luna, an updated mine plan for El Limón Guajes, including a potential layback in the El Limón pit if deemed economic, as well as more complete data on Muckahi following completion of rate-related field testing later this year; expectation that the testing of the integrated mining system will be completed in the second quarter of 2021; the ongoing mine design, planning and scheduling work to evaluate the potential benefits of the option of a monorail-based transportation system at Media Luna; capital expenditure in Muckahi field testing guided at $8 million for 2021; the identification of six well-supported target areas in the near-mine environment, which include the direct down-dip extension to current underground workings; the expected continuation of the total proposed ELG "brownfields" program over the next three years, with the intention to add additional mine life to the operations at the ELG Mine Complex; the positive results reinforce confidence in the Company's ability to extend the life of both Sub-Sill and ELD beyond current reserves, and to maintain a consistent underground production profile in 2023 and into 2024 during the transition period between the ELG Mine Complex and Media Luna; further evaluation of the known regional targets is under preparation for start-up in 2021; the allocation of $2.4 million in the 2021 budget to fund the expansion of a "greenfields" exploration program within the MML tenement; the 2021 "greenfields" exploration program will explore three of the most prospective targets which forms part of a 3 to 4 year exploration strategy intended to identify and prove up sources of ore feed to extend the life of MML or increase the annual production; no expectation of any significant seasonality in production in 2021, with any minor quarter-over-quarter deviations driven by the natural variability of skarn-hosted deposits; given timing of payments, the Company expects cash flow from operations to be weighted towards the second half of the year as was the case in 2020; cash flow from operations in the first quarter of 2021 will be impacted by payment of the Mexican based mining tax of $30.9 million (accrued throughout the year and paid out the following March) as well as corporate income tax owing at year-end of $22.7 million, after accounting for monthly instalments made during 2020; the Company expects cash flow from operations after changes in non-cash working capital to be impacted by payment of the employee profit sharing arrangement; an increasing gold price will tend to increase the liability recorded for the fair market value of gold contracts due to settle in future periods; changes in exchange rates are expected to have an impact on the Company's results and, 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. 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", "potential", "objective", "target", "guided" or "tends" 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 COVID-19 pandemic; predictability of the grade; ability to achieve design gold recovery levels; fluctuation in gold and other metal prices; commodity price risk; currency exchange rate fluctuations; risks associated with hedging programs; capital and operational cost estimates; satisfying financial covenants under the Debt Facility; illegal blockades; dependence on good relationships with employees and contractors and labour unions; dependence on key executives and employees; limited operating history; generating positive cash flow; the ability of the Company to secure additional financing if required; the safety and security of the Company properties; servicing of the indebtedness of the Company; the ability to secure necessary permits and licenses, title to the land on which the Company operates, including surface and access rights; foreign operations and political and country risk; the uncertainty of diversifying the Company's single asset risk; government policies and practices in respect of the administration of recovery of VAT funds and recovery of VAT funds; exploration, development, exploitation and the mining industry generally; environmental risks and hazards; decommissioning and reclamation costs; parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect; actual results of current exploration, development and exploitation activities not being consistent with expectation; risks associated with skarn deposits; potential litigation; hiring the required personnel and maintaining personnel relations; future commodity prices; infrastructure; single property focus; use and reliance of experts outside Canada; competition; hedging contracts; interest rate risk; price and volatility of public stock; conflicts of interest of certain personnel; credit and liquidity risk; compliance with anti-corruption laws; enforcement of legal rights; accounting policies and internal controls as well as those risk factors included herein and elsewhere in the Company's public disclosure.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A and in the Company's annual information form ("AIF") and Technical Report, assumptions have been made regarding, among other things: the Company's ability to carry on its mining, development and exploration activities planned for the Morelos Gold Property; the Company's ability to complete the feasibility study for the Media Luna Project on the timing and budget set out herein; material assumptions with respect to the COVID-19 pandemic, including, but not limited to: the Company being able to continue planned mining, development and exploration operations at the ELG Mine Complex and the Media Luna Project; the effectiveness of the COVID-19 mitigation measures in respect of limiting the spread of COVID-19 in the Company's workforce; the responses of the relevant governments to the COVID-19 pandemic being sufficient to contain the impact of the COVID-19 pandemic; and there being no material disruption to the Company's supply chains and workforce that would interfere with the Company's mining and exploration operations at the ELG Mine Complex and the Media Luna Project; and the long-term economic effects of the COVID-19 pandemic not having a material adverse impact on the Company's operations or liquidity position; the ability to achieve design gold recovery levels; timely access to the high grade material; ability to successfully manage the soluble iron and copper in the mill feed; the price of gold; sufficient cash flow to satisfy its financial covenants under the Debt Facility and service its indebtedness, particularly in light of the COVID-19 pandemic; the ability of the Company to satisfy other covenants under the Debt Facility; the ability of the Company to access the ELG Mine Complex and the Media Luna Project without disruption; the ability of the Company to obtain qualified personnel, equipment, goods, consumables and services in a timely and cost-efficient manner; the timing and receipt of any required approvals and permits; the equivalency of the Muckahi mining system under applicable regulations; the ability of the Company to operate in a safe, efficient and effective manner; the ability of the Company to obtain additional financing on acceptable terms if required; the ability to conclude the land access agreements for the additional target areas on the Morelos Gold Property, if needed; the accuracy of the Company's mineral resource and mineral reserve estimates, annual production, the financial analysis contained in the Technical Report including the PEA, and geological, operational and price assumptions on which these are based, and the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

February 23, 2021