TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 November 2, 2020 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2020. It should be read in conjunction with the Company's annual audited consolidated financial statements and annual management's discussion and analysis for the year ended December 31, 2019. This MD&A contains forward-looking statements that are subject to risks and uncertainties, as discussed under "Cautionary Notes". All dollar figures included therein and in the following MD&A are stated in United States dollars ("U.S. dollar") unless otherwise stated.

HIGHLIGHTS

Operational results

- **Extended record safety performance** – As of the end of September, we surpassed 8.5 million hours worked without a lost time injury and maintained a lost time injury frequency of 0 per million hours worked.
- **Labour relations** – Concluded a new 2-year collective bargaining agreement with our unionized workforce.
- **COVID-19** – Enhanced health protection protocols at site remain in place.
- **Second-highest gold production on record** in the quarter totalled 131,790 oz. Gold produced for the nine months totalled 299,835 oz.
- **Mine production** in the quarter totalled 11,618 kt, averaged 126,283 tpd. Mine production for the nine months totalled 30,313 kt, averaged 110,631 tpd[1].
- **Mine ore production** in the quarter totalled 1,521 kt, averaged 16,533 tpd. Mine ore production for the nine months totalled 4,055 kt, averaged 14,799 tpd[1].
- **Grade mined** averaged 3.15 gpt for the quarter, and 2.85 gpt for the nine months.
- **Plant throughput** averaged 12,870 tpd for the quarter, and 10,971 tpd[1] for the nine months.
- **Grade processed** averaged 3.83 gpt for the quarter, and 3.50 gpt for the nine months.
- **Gold recovery** averaged 89% for the quarter and for the nine months.

Financial results

- **Record gold sold** for the quarter was 133,036 oz for proceeds of $254.7 million at an **average realized gold price[2]** of $1,884 per ounce. Gold sold for the nine months was 304,247 oz for proceeds of $532.6 million at an **average realized gold price[2]** of $1,737 per ounce. The average realized price[2] excludes $4.0 million of realized losses on gold contracts for the three and nine months.
- **Revenue** for the quarter was $256.5 million. **Cost of sales** was $153.5 million, or $1,154 per ounce of gold sold for the quarter. **Revenue** for the nine months was $537.6 million. **Cost of sales** was $389.0 million or $1,279 per ounce of gold sold for the nine months.
- **Earnings from mine operations** were $103.0 million for the quarter, and $148.6 million for the nine months.
- **Income before income tax** was $91.8 million for the quarter and $76.5 million for the nine months.
- **Record net income** for the quarter was $60.3 million, or $0.71 per share on a basic and $0.69 on a diluted basis. Net income for the nine months was $17.1 million, or $0.20 per share on a basic and $0.18 on a diluted basis.

[1] Based on 274 days for nine months ended September 30, 2020.
[2] Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

- **Record adjusted net earnings**[1] for the quarter totalled \$51.3 million, or \$0.60 per share on a basic and \$0.59 on a diluted basis, and for the nine months totalled \$74.8 million, or \$0.88 per share on a basic and \$0.87 on a diluted basis. Adjusted net earnings for the nine months excludes \$11.1 million of care and maintenance costs incurred in the second quarter related to the COVID-19 suspension of operations.
- **Record cash flow from operations** for the quarter totalled \$173.3 million (\$138.1 million prior to changes in non-cash working capital), including income taxes paid of \$19.4 million. **Cash flow from operations** for the nine months totalled \$205.0 million (\$188.0 million prior to changes in non-cash working capital), including income taxes paid of \$81.4 million.
- **Cash balances** as at September 30, 2020 totalled \$204.0 million, which excludes short-term investments of \$32.0 million.
- **Total cash costs**[1] per ounce of gold sold for the quarter were \$633, and \$712 per ounce of gold sold for the nine months, which excludes \$8.0 million of production costs incurred during the second quarter related to the COVID-19 suspension of operations.
- **All-in sustaining costs**[1] per ounce of gold sold for the quarter totalled \$877, and \$941 for the nine months, which excludes \$8.0 million of production costs incurred in the second quarter related to the COVID-19 suspension of operations.
- **Record EBITDA**[1] for the quarter totalled \$162.9 million, and \$247.1 million for the nine months.
- **Record Adjusted EBITDA**[1] for the quarter totalled \$156.2 million, and \$272.9 million for the nine months, which excludes \$8.0 million of production costs related to the COVID-19 suspension of operations.
- **Record free cash flow**[1] for the quarter totalled \$124.2 million, and \$97.8 million for the nine months.
- **Record net cash**[1] as at September 30, 2020 totalled \$77.1 million, with cash and short-term investments exceeding outstanding debt balances.
- **Principal debt repayments** of \$113.8 million were made in the nine months year to date, including a payment of \$50.0 million on the Revolving Facility. Draws on the Revolving Facility totalled \$90.0 million in the nine months, bringing the Company's debt to \$155.0 million at quarter end. In October 2020, the Company made an additional payment of \$50.0 million on the Revolving Facility.
- **Loss on derivative contracts** in the quarter was \$2.7 million, and \$43.2 million for the nine months primarily due to depreciation of the Mexican peso and marked increase in gold price.

Muckahi (Monorail-based) Mining System[2]

- **Process and equipment testing in Mexico** continued with the excavation of a -30º steep ramp, blasting and mucking of a long hole stope and drilling out of the next long hole stope for test mucking program. During the third quarter, the steep ramp conveyor arrived at site for installation and testing at El Limón Deep.
- **Mucking container design, fabrication and testing in Canada** to determine how quickly 15-tonne mucking containers could be filled with a slusher at 0º, 7º, and 30º.

Positive results from the 2020 Exploration Program at ELG Underground[3]

- The Company announced drill results from the ongoing 2020 exploration program at the Company's ELG Underground (defined herein). 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 El Limón Deep ("ELD").
- The 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 during the transition period between ELG Mine Complex (defined herein) and Media Luna.

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

Table 1. The following table summarizes key operating and financial highlights:

		Three Months Ended					Nine Months Ended	
In millions of U.S. dollars, unless otherwise noted		Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
Operating Data								
Mining								
Ore tonnes mined	kt	1,521	697	1,837	1,573	1,416	4,055	4,379
Waste tonnes mined	kt	10,097	4,435	11,726	10,795	11,923	26,258	35,654
Total tonnes mined	kt	11,618	5,132	13,563	12,368	13,339	30,313	40,033
Strip ratio [1]	waste:ore	7.2	6.7	6.8	7.3	9.1	6.9	8.7
Average gold grade of ore mined [2]	gpt	3.15	3.07	2.52	3.06	3.19	2.85	2.88
Ore in stockpile [3]	mt	3.4	3.1	3.1	2.4	1.9	3.4	1.9
Processing								
Total tonnes processed	kt	1,184	688	1,134	1,116	1,139	3,006	3,277
Average plant throughput [8]	tpd	12,870	7,560	12,464	12,130	12,380	10,971	12,004
Average gold recovery	%	89	89	89	89	89	89	88
Average gold grade of ore processed	gpt	3.83	3.18	3.35	3.87	4.11	3.50	3.56
Production and sales								
Gold produced	oz	131,790	59,508	108,537	125,151	138,145	299,835	329,660
Gold sold	oz	133,036	63,147	108,064	126,910	132,535	304,247	322,427
Financial Data								
Revenue	$	256.5	109.1	172.0	190.0	198.2	537.6	450.8
Cost of sales [5]	$	153.5	91.4	144.1	149.0	130.1	389.0	330.9
Earnings from mine operations	$	103.0	17.7	27.9	41.0	68.1	148.6	119.9
Net income (loss)	$	60.3	3.8	(47.0)	35.1	27.4	17.1	36.1
Per share - Basic	$/share	0.71	0.04	(0.55)	0.41	0.32	0.20	0.42
Per share - Diluted	$/share	0.69	0.04	(0.57)	0.41	0.32	0.18	0.42
Adjusted net earnings [4]	$	51.3	3.6	19.9	34.0	30.8	74.8	33.8
Per share - Basic [4]	$/share	0.60	0.04	0.23	0.40	0.36	0.88	0.40
Per share - Diluted [4]	$/share	0.59	0.04	0.23	0.40	0.36	0.87	0.39
EBITDA [4]	$	162.9	44.8	39.4	102.2	116.6	247.1	228.1
Adjusted EBITDA [4]	$	156.2	49.3	67.4	105.1	115.1	272.9	227.8
Cost of sales [5]	$/oz	1,154	1,447	1,333	1,174	982	1,279	1,026
Total cash costs [4]	$/oz	633	740	794	617	561	712	620
All-in sustaining costs [4]	$/oz	877	1,015	975	767	675	941	820
Average realized gold price [4]	$/oz	1,884	1,712	1,571	1,481	1,478	1,737	1,379
Cash from operating activities	$	173.3	2.2	29.5	97.9	122.5	205.0	203.4
Cash from operating activities before changes in non-cash working capital [6]	$	138.1	28.1	21.8	101.4	116.9	188.0	225.9
Free cash flow (deficiency) [4]	$	124.2	(28.5)	2.1	71.6	96.4	97.8	109.6
Net (cash) debt [4]	$	(77.1)	53.5	26.3	21.7	97.2	(77.1)	97.2
Cash and cash equivalents [7]	$	204.0	176.9	135.7	161.8	168.0	204.0	168.0
Working capital	$	186.7	191.9	105.1	96.5	116.7	186.7	116.7
Total debt	$	155.0	225.2	155.2	174.9	255.7	155.0	255.7
Total assets	$	1,214.1	1,204.1	1,154.7	1,229.6	1,263.1	1,214.1	1,263.1
Total liabilities	$	368.8	419.2	373.7	394.8	464.6	368.8	464.6

1. Ore mined from the ELG Underground (defined herein) of 114 kt and 246 kt is included in ore tonnes mined and excluded from the strip ratio in the three and nine months ended September 30, 2020. For the three months ended June 30, 2020, March 31, 2020, December 31, 2019, and September 30, 2019, ore mined from the ELG Underground was 31 kt, 101 kt, 98 kt and 102 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 3.25 gpt and 3.01 gpt for the three and nine months ended September 30, 2020. For the three months ended June 30, 2020, March 31, 2020, December 31, 2019, and September 30, 2019, excluding the long term, low grade inventory, the average gold grade of ore mined is 3.32 gpt, 2.62 gpt, 3.23 gpt and 3.37 gpt, respectively.
3. Included within ore in stockpile is 1.0 mt of long term, low grade inventory, with a carrying value of nil at September 30, 2020. As at June 30, 2020, March 31, 2020, December 31, 2019, and September 30, 2019, the long term, low grade inventory was 1.0 mt, 0.9 mt, 0.8 mt and 0.6 mt, respectively, with nil carrying value. As at September 30, 2020, the long term, low grade inventory has an average grade of 0.87 gpt.
4. 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.
5. Cost of sales for the three months ended June 30, 2020 and the nine months ended September 30, 2020 includes $11.1 million of care and maintenance costs incurred in the second quarter related to the COVID-19 suspension.
6. Cash generated from operating activities before changes in non-cash working capital was amended to exclude current income tax expense in order to align with changes in presentation of the Company's Statement of Cash Flows.
7. Cash and cash equivalents exclude $32.0 million of short-term investments (undertaken in Q3 2020) maturing in January 2021.

8. Tonnes per day for the three months ended June 30, 2020 and the nine months ended September 30, 2020 are based on calendar days in the period of 91 and 274 days.
9. Sum of quarters may not add to the year to date amounts due to rounding.

THIRD QUARTER 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).

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COMPANY OVERVIEW AND STRATEGY

The Company is an intermediate gold producer based in Canada engaged in the mining, developing and exploring of the Morelos Gold property (the “Morelos Gold Property”). The Morelos Gold Property is located in the prolific Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and consists of 7 mineral concessions covering a total area of approximately 29,000 hectares.

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

The Company’s strategy is to grow production from high quality conventional mining assets, or those with the potential to achieve high value through the deployment of our Muckahi technology. The Morelos Gold Property provides significant opportunity to implement this strategy. The Media Luna Project is expected to provide continuity in ore production. The developing ELG Underground provides near-term growth opportunity in both the Sub-Sill and the El Limón Deep deposits. The many untested exploration targets on this prolific property provide long-term growth opportunities.

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

ORIGINAL OBJECTIVES FOR 2020 [1]

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 – 420,000 to 480,000 oz of gold produced
- Cost control:
  - Total cash costs of $640 to $670 per ounce of gold sold
  - All-in sustaining costs of $900 to $960 per ounce of gold sold
  - Sustaining capital expenditure of <$85 million
  - Non-sustaining capital expenditure of <$82 million

Prepare for 2021:

- Strip 42 million tonnes of waste in the open pits

Set up for growth:

- Complete the $13 million infill drilling program for Media Luna
- Substantially complete a Media Luna feasibility study
- Start the tunnel from ELG to Media Luna before mid Q3 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
  - Across multiple long hole open stopes, demonstrate the ability to achieve fragmentation of 95% passing 400mm
  - Across multiple long hole open stopes, demonstrate the ability to ‘remote muck’ with a slusher

[1] 2020 Operational outlook was revised in the Management’s Discussion and Analysis for the second quarter of 2020. Refer to page 6 for revision.

REVISED 2020 OPERATIONAL OUTLOOK

Following the resumption of full operations at ELG in June 2020, the Company revised its operational outlook for 2020. No revisions have been made subsequent to the revision presented in Management's Discussion and Analysis for the second quarter of 2020. The lower guided output and higher unit costs primarily reflect the impact the COVID-19 related suspension had on operations during the second quarter of 2020.

There were no changes to the safety and environmental objectives or the 'set up for growth' objectives, with the exception of timing related to the Media Luna feasibility study which is scheduled to be completed by mid-year 2021.

Table 2.

	Revised Outlook
Gold production	390,000 to 420,000 ounces
Total cash costs per ounce of gold sold	$695 to $740
All-in sustaining costs per ounce of gold sold	$965 to $1,025
Capitalized waste stripping	$46 million (38 million tonnes)
Sustaining capital expenditures	$83 million
Non-sustaining capital expenditures [1]	$92 million

1. Increase in non-sustaining capital expenditure includes $7.0 million increase in investment in the Media Luna project for the 'South Portal' and additional equipment, to ensure that the project stays on schedule; and $3.5 million to develop 'Portal 3' in order to mine the Sub-Sill Extension area and the El Limón Deep Extension in an efficient and cost-effective manner.

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 September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenue	256.5	198.2	537.6	450.8
Gold	254.7	195.9	532.6	444.5
Silver	0.5	0.8	1.3	2.2
Copper	1.3	1.5	3.7	4.1
Cost of sales	153.5	130.1	389.0	330.9
Production costs	78.4	70.7	205.7	192.8
Depreciation and amortization	67.5	53.5	156.2	124.6
Royalties	7.6	5.9	16.0	13.5
Care and maintenance	-	-	11.1	-
Earnings from mine operations	103.0	68.1	148.6	119.9
Exploration and evaluation expenses	1.6	1.2	2.9	2.0
General and administrative expenses	3.4	4.3	13.7	15.0
Loss (gain) on derivative contracts	2.7	(0.3)	43.2	1.0
Finance costs, net	3.4	3.8	10.7	16.4
Foreign exchange loss (gain)	0.1	-	1.6	(1.1)
Current income tax expense	56.7	32.8	54.7	40.4
Deferred income tax (recovery) expense	(25.2)	(1.1)	4.7	10.1
Net income	60.3	27.4	17.1	36.1
Per share - Basic ($/share)	0.71	0.32	0.20	0.42
Per share - Diluted ($/share)	0.69	0.32	0.18	0.42
Adjusted net earnings [1]	51.3	30.8	74.8	33.8
Per share - Basic ($/share) [1]	0.60	0.36	0.88	0.40
Per share - Diluted ($/share) [1]	0.59	0.36	0.87	0.39
Cost of sales ($/oz)	1,154	982	1,279	1,026
Total cash costs ($/oz) [1]	633	561	712	620
All-in sustaining costs ($/oz) [1]	877	675	941	820
Average realized gold price ($/oz) [1]	1,884	1,478	1,737	1,379
Average realized margin ($/oz) [1]	1,251	917	1,025	759

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

THIRD QUARTER 2020 FINANCIAL RESULTS

Processed gold grade was 3.83 gpt

The processed grade for the third quarter of 2020 was 3.83 gpt, compared to a mined grade of 3.15 gpt, or 3.25 gpt excluding long term, low grade inventory. For the nine months ended September 30, 2020, the processed grade was 3.50 gpt, versus a mined grade of 2.85 gpt, or 3.01 gpt excluding long term, low grade inventory.

Processed average daily tonnage of 12,870 tpd

Throughput rates based on calendar days averaged 12,870 tpd in the quarter, and 10,971 tpd for the nine months ended September 30, 2020. For the nine months, the rate reflects the suspension of operations due to COVID-19.

Revenue totalled $256.5 million

During the third quarter of 2020, the Company earned $256.5 million in revenue compared to $198.2 million for the third quarter of 2019. The Company sold 133,036 oz of gold at an average realized price of $1,884 per ounce in the third quarter of 2020, compared to 132,535 oz of gold at an average realized price of $1,478 per ounce in the third quarter of 2019. The increase in revenue is primarily due to higher average realized prices per ounce. During the nine months ended September 30, 2020, the Company earned $537.6 million in revenue compared to $450.8 million for the nine months ended September 30, 2019. The Company sold 304,247 oz of gold at an average realized price of $1,737 per ounce in the nine months ended September 30, 2020, compared to 322,427 oz of gold at an average realized price of $1,379 per ounce in the nine months ended September 30, 2019. The increase in revenue is primarily due to higher average realized prices, partially offset by lower production in the second quarter of 2020 due to the temporary suspension of operations resulting from the COVID-19 decree issued by the Mexican government.

Cost of sales was $153.5 million or $1,154 per oz sold

Cost of sales for the third quarter of 2020 was $153.5 million compared to $130.1 million in the third quarter of 2019. The increase is primarily due to higher depreciation and amortization. Cost of sales for the nine months ended September 30, 2020 was $389.0 million compared to $330.9 million in the nine months ended September 30, 2019. The increase primarily reflects higher depreciation and amortization from higher deferred stripping depreciation.

In the nine months ended September 30, 2020, 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 to respond to COVID-19.

Depreciation and amortization expense amounted to $67.5 million for the third quarter of 2020 compared to $53.5 million for the third quarter of 2019. The increase is primarily due to a greater portion of depreciation related to previously capitalized deferred stripping being amortized as the associated ore is processed. Capitalized deferred stripping is generally depreciated over 12 to 24 months. Depreciation and amortization expense in the nine months ended September 30, 2020 amounted to $156.2 million compared to $124.6 million in the nine months ended September 30, 2019. The increase is largely due to higher depreciation of capitalized stripping.

In the nine months ended September 30, 2020, $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 $7.6 million and $16.0 million for the three and nine months ended September 30, 2020 compared to $5.9 million and $13.5 million for the three and nine months ended September 30, 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[1] were $633 per oz sold

Total cash costs[1] (net of by-product sales) for the third quarter of 2020 were $633 per ounce of gold sold (133,036 oz of gold sold), an increase of $72 per ounce of gold sold compared to the third quarter of 2019 at $561 per ounce of gold sold (132,535 oz of gold sold). Total cash costs (net of by-product sales) for the nine months ended September 30, 2020 were $712 per ounce of gold sold (304,247 oz of gold sold) compared to $620 per ounce of gold sold (322,427 oz of gold sold) in the nine months ended September 30, 2019.

In the third quarter of 2020, the Company mined 11.6 million tonnes (1.5 million tonnes of ore) and processed 1.2 million tonnes of ore, compared to 13.3 million tonnes mined (1.4 million tonnes of ore) and 1.1 million tonnes of ore processed in the third quarter of 2019. In the nine months ended September 30, 2020, the Company mined 30.3 million tonnes (4.1 million tonnes of ore) and processed 3 million tonnes of ore, compared to 40.0 million tonnes mined (4.4 million tonnes of ore) and 3.3 million tonnes of ore processed in the nine months ended September 30, 2019.

Total cash costs per ounce of gold sold in the quarter were higher than the comparative period due to an increase in production costs, largely due to higher costs for the site employee profit share arrangement and lower grades processed, as well as higher royalties due to increased gold prices. Total cash costs per ounce of gold sold in the nine months ended September 30, 2020 were higher than the prior 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 nine months ended September 30, 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. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

All-in sustaining costs[1] were $877 per oz sold

All-in sustaining costs[1] for the third quarter of 2020 were $877 per ounce of gold sold compared to $675 per ounce of gold sold for the third quarter of 2019. Sustaining capital expenditures for the third quarter of 2020 and 2019 amounted to $25.2 million and $8.9 million, respectively. Sustaining capital expenditures in the third quarter of 2020 were $15.7 million for capitalized stripping activities, and $9.5 million for sustaining equipment and infrastructure.

All-in sustaining costs[1] in the nine months ended September 30, 2020 were $941 per ounce of gold sold compared to $820 per ounce of gold sold in the nine months ended September 30, 2019. Sustaining capital expenditures in the nine months ended September 30, 2020 amounted to $49.1 million, compared to $45.8 million in the nine months ended September 30, 2019. Sustaining capital expenditures were $27.2 million for capitalized stripping activities, and $21.9 million for sustaining equipment and infrastructure.

General and administrative expenses of $3.4 million

General and administrative expenses totalled $3.4 million and $13.7 million in the three and nine months ended September 30, 2020 compared to $4.3 million and $15.0 million in the three and nine months ended September 30, 2019. The decrease in the three and nine months ended September 30, 2020 compared to the comparable periods is primarily due to unrealized gains of $1.5 million and $1.9 million, respectively, related to the revaluation of share-based payment awards. Excluding the impact of the revaluation of share-based payment awards, general and administrative expenses remain comparable with the prior year.

Finance costs, net of finance income, of $3.4 million

Finance costs, net of finance income, amounted to $3.4 million and $10.7 million in the three and nine months ended September 30, 2020 compared to net finance costs of $3.8 million and $16.4 million in the three and nine months ended September 30, 2019. Net finance costs relate to interest expense on the Debt Facility and leases, net of finance income

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

earned on the value-added tax ("VAT") receivables and cash on hand. The decrease is primarily due to lower total debt balances in the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019.

Derivative loss of $2.7 million

In the three and nine months ended September 30, 2020, the Company recognized losses of $2.7 million and $43.2 million relating to the currency forwards, gold zero-cost collars and interest rate swaps, compared to a gain of $0.3 million and a loss of $1.0 million, respectively, in the three and nine months ended September 30, 2019. The $2.7 million derivative loss recognized in the third quarter of 2020 includes unrealized gains of $4.0 million offset by realized losses of $6.7 million in the period. Of the $43.2 million derivative loss recognized in the nine months ended September 30, 2020, $14.8 million is unrealized.

The Company entered into currency forwards in the nine months ended September 30, 2020 for approximately 50% of its estimated 2020 peso-denominated expenditures totaling $234.0 million or 4.6 billion Mexican pesos. The Company recognized a gain of $3.7 million and a loss of $28.9 million on the currency forwards in the three and nine months ended September 30, 2020. The loss recognized in the nine months ended September 30, 2020 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 September 30, 2020, contracts with a notional value of $59.0 million are outstanding at a weighted average rate of 20.25 pesos, $39.0 million of which will be settled in the fourth quarter of 2020. The remaining $20.0 million of contracts 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 $6.3 million and $12.6 million for the three and nine months ended September 30, 2020.

The Company entered into interest rate swap contracts in 2019 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 $0.1 million and $1.7 million for the three and nine months ended September 30, 2020.

Foreign exchange loss of $0.1 million

The Company recognized a foreign exchange loss of $0.1 million and $1.6 million in the three and nine months ended September 30, 2020 respectively, compared to no significant gains or losses in the three months ended September 30, 2019 and a gain of $1.1 million in the nine months ended September 30, 2019. Based on closing exchange rates, the Mexican peso appreciated by 2.2% in the third quarter of 2020.

Current income and mining tax expense of $56.7 million

The Company recognized a current income tax expense of $56.7 million and $54.7 million in the three and nine months ended September 30, 2020 related to Mexican corporate income tax and the 7.5% Mexican mining royalty, compared to a current tax expense of $32.8 million and $40.4 million in the three and nine months ended September 30, 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 as expected, 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 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 $25.2 million

The Company recognized a deferred income tax recovery of $25.2 million and a deferred income tax expense of $4.7 million for the three and nine months ended September 30, 2020, compared to a deferred income tax recovery of $1.1 million and expense of $10.1 million, respectively, for the three and nine months ended September 30, 2019. For the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 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.

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 September 30, 2020 was 15.1 billion Mexican pesos.

For the three months ended September 30, 2020, the deferred income tax recovery of $25.2 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 $15.4 million, as well as due to the appreciation of the Mexican peso by 2.2% to 22.5 pesos relative to the U.S. dollar which resulted in an estimated recovery of $4.2 million in respect of the book value of non-monetary assets and liabilities. For the nine months ended September 30, 2020, deferred income tax expense of $4.7 million was primarily driven by the depreciation of the Mexican peso by 19.2% which resulted in an estimated expense of $37.5 million related to the effect of foreign exchange on the book value of non-monetary assets and liabilities, which was offset by the reduction in the temporary difference between the accounting book value and tax value of the non-monetary assets due to higher accounting depreciation.

Net income of $60.3 million

Net income for the third quarter of 2020 was $60.3 million, or $0.71 per share on a basic and $0.69 on a diluted basis, while adjusted net earnings[1] amounted to $51.3 million, or $0.60 per share on a basic and $0.59 diluted basis. In the third quarter of 2019, the Company had net income of $27.4 million, or $0.32 per share on a basic and diluted basis while adjusted net earnings[1] amounted to $30.8 million, or $0.36 per share on a basic and diluted basis. Net income is higher in the third quarter of 2020 compared to the third quarter of 2019, primarily due to higher average realized gold prices. Net income for the nine months ended September 30, 2020 was $17.1 million, or $0.20 per share on a basic and $0.18 on a diluted basis, while adjusted net earnings[1] amounted to $74.8 million, or $0.88 per share on a basic and $0.87 on a diluted basis. In the nine months ended September 30, 2019, net income was $36.1 million, or $0.42 per share on a basic and diluted basis, while adjusted net earnings[1] was $33.8 million, or $0.40 per share on a basic and $0.39 on a diluted basis. Net income is lower in the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 largely due to the temporary suspension of operations due to COVID-19 and the impact of derivative losses, partially offset by higher average realized 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 11,618 kt were mined in the third quarter of 2020, including 11,504 kt from the ELG Open Pits and 114 kt from the ELG Underground. Average waste to ore strip ratio in the open pits was 7.2:1. In total, 57% of the material mined in the third quarter was mined from El Limón and 42% from Guajes Open Pits. The remaining 1% was from the ELG Underground.

A total of 30,313 kt were mined in the nine months ended September 30, 2020, including 30,067 kt from the ELG Open Pits and 246 kt from the ELG Underground. Average waste to ore strip ratio in the open pits was 6.9:1. In total, 63% of the material mined in the first nine months of 2020 was from El Limón and 36% from Guajes Open Pits. The remaining 1% was from the ELG Underground.

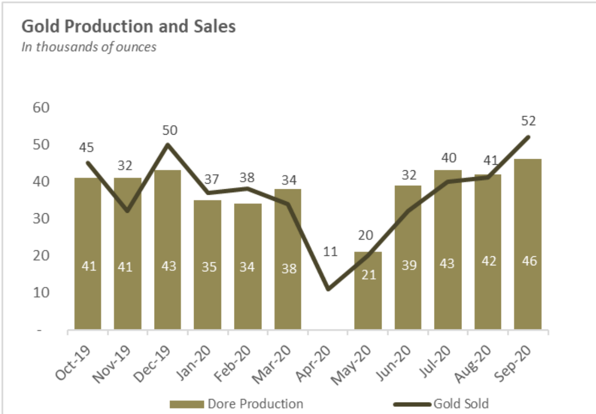
At September 30, 2020, there were 3.4 mt of ore in stockpiles at an average grade of 1.33 gpt. Excluding 1.0 mt of long term, low grade stockpiles at an average grade of 0.87 gpt, the remaining 2.4 mt of ore in stockpiles are at an average grade of 1.52 gpt.

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

Table 4.

		Three Months Ended					Nine Months Ended	
		Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
Mining								
Guajes								
Ore tonnes mined	kt	465	229	584	445	412	1,278	532
Waste tonnes mined	kt	4,421	1,969	3,297	3,799	5,483	9,687	12,131
Total tonnes mined	kt	4,886	2,198	3,881	4,244	5,895	10,965	12,663
Strip ratio	w:o	9.5	8.6	5.6	8.5	13.3	7.6	22.8
Average gold grade of ore mined	gpt	2.99	2.61	2.10	2.85	2.16	2.52	1.96
El Limón								
Ore tonnes mined	kt	942	437	1,152	1,030	902	2,531	3,545
Waste tonnes mined	kt	5,676	2,466	8,429	6,996	6,440	16,571	23,523
Total tonnes mined	kt	6,618	2,903	9,581	8,026	7,342	19,102	27,068
Strip ratio	w:o	6.0	5.6	7.3	6.8	7.1	6.5	6.6
Average gold grade of ore mined	gpt	2.79	2.86	2.29	2.70	3.20	2.57	2.60
Total ELG Open Pits								
Ore tonnes mined	kt	1,407	666	1,736	1,475	1,314	3,809	4,077
Waste tonnes mined	kt	10,097	4,435	11,726	10,795	11,923	26,258	35,654
Total tonnes mined	kt	11,504	5,101	13,462	12,270	13,237	30,067	39,731
Strip ratio	w:o	7.2	6.7	6.8	7.3	9.1	6.9	8.7
Average gold grade of ore mined	gpt	2.86	2.77	2.23	2.75	2.87	2.56	2.51
ELG Underground								
Ore tonnes mined	kt	114	31	101	98	102	246	302
Average gold grade of ore mined	gpt	6.76	9.49	7.50	7.65	7.26	7.41	7.80

Gold Production and Sales



In the third quarter of 2020, 131,790 oz of gold were produced and 133,036 oz of gold were sold, for a total of 299,835 gold ounces produced and 304,247 oz of gold sold year-to-date. Lower production for the nine months in 2020 relative to the prior year of 329,660 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; as of the end of September, the Company surpassed 8.5 million hours and more than one year worked without a lost time injury. There were no fatalities in the quarter. Similar to the end of the second quarter, the Company exited the third quarter with an annualized lost time injury frequency of zero per million hours worked, with the last reported lost time injury on April 22, 2019. Incident reporting continues to be robust, and the number of minor injuries remains low.

The enhanced protocols that have been implemented and multi-layered approach to screening has helped mitigate the impact of COVID-19 on our operations, our workforce, and the surrounding communities. At the end of the third quarter, there were 43 confirmed cases of COVID-19 within our workforce. Of these, 40 individuals displayed symptoms and tested positive at home while away from site. Three individuals tested positive after displaying symptoms at site and were quarantined as outlined in the Company's COVID-19 protocols, and contact tracing was completed to isolate anyone potentially at risk.

Labour Relations

In October 2020, the Company signed a new two-year Collective Bargaining Agreement ("CBA") with unionized employees at its ELG Mine Complex operations in Mexico. The new CBA was negotiated between a Commission of individuals from both the Company and the Mining Union of the Confederation of Mexican Workers ("CTM Union"). While the norm in Mexico is for mining companies and unions to negotiate CBAs on an annual basis, the Company and CTM Union came together to sign a 2-year agreement. This is another demonstration of the innovative approach the Company takes to build productive and mutually beneficial relationships with key stakeholders. The 2-year agreement will last from January 1, 2021 through to the end of 2022.

Environmental

There were no reportable environmental incidents in the third quarter of 2020. The Company remains on track to meet 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.

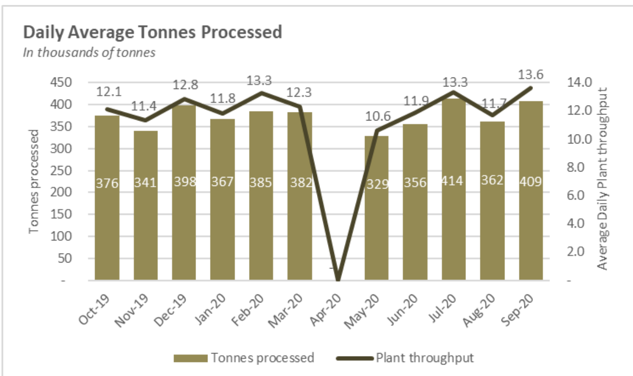
The Company participated in the CDP Climate Change Questionnaire, a global disclosure system for investors, companies and governments to assess and manage their energy and carbon-related impacts. Submission to the CDP was completed in August 2020 with results expected to be released to participating companies in December 2020.

Corporate Social Responsibility

The Company's 2019 Responsible Gold Mining Report (RGMR) was released in August 2020. The RGMR included enhanced ESG disclosures for a variety of topics of greatest interest to our stakeholders, as identified in the Company's 2019 materiality assessment. The RGMR was prepared in alignment with the Global Reporting Initiative (GRI) Standards and the Sustainability Accounting Standards Board (SASB) Standards, two leading global sustainability reporting frameworks. The Report can be found on the Company's website at www.torexgold.com/corporate-responsibility.

Relationships with local communities continue to be positive and productive. There were no recorded grievances by the community during the third quarter and various infrastructure projects in local communities continued to advance.

Plant Performance



The plant produced 131,790 oz of gold, which is the second-highest quarter of production the Company has achieved to date. Plant throughput continued to improve from prior quarters achieving an average run rate of 12,870 tpd in the third quarter of 2020, closing in on the target of 13,000 tpd. Performance was largely driven by improved availability of the grinding circuit, hitting a record 92% in the quarter. This level of availability was achieved inclusive of a 78-hour planned maintenance shut down in August for liner changes in both the SAG and ball mills. This demonstrates the effectiveness of both the scheduled maintenance planning and execution processes, and the work being done on preventative and predictive maintenance with a view to minimizing unplanned down time. Gold recoveries remained stable at 89%.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

The Company's plan for the Media Luna Project is to advance the project from early stage development to production in 2024. 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 subsequent infill drill program is currently underway, with the intent to upgrade 7 million to 9 million tonnes of Inferred Resources to the Indicated category in time to be incorporated into the feasibility study.

Only the 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 September 30, 2020, the Company has capitalized $62.5 million of expenditures since the commencement of development, including $11.6 million in the quarter ended September 30, 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. A feasibility study with a budget of $11.0 million commenced in early 2020 and is expected to be completed in mid-2021. During the second half of 2020, an early works program will start excavating the 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 road access and Portal #1 platform development. South Portal #1 earthworks scope award and contractor mobilization are scheduled in the fourth quarter of 2020.

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, net of pre-commercial revenues, are estimated at $411.4 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.

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.

Muckahi (Monorail-based) Mining System Update

Process and equipment testing, and personnel training activities, resumed late in the second quarter of 2020. On site in Mexico, the Company continued with the excavation of a -30º ramp, blasted a long hole stope and mucked it out using a slusher, and completed drilling of the next long hole test stope. Production blasting is scheduled in the fourth quarter of 2020. The first version of a 15-tonne mucking container (the "muck box") was designed and fabricated in Canada during the third quarter of 2020 and testing commenced to test the filling of the 15-tonne mucking containers with a slusher at 0º, 7º, and 30º.

During the fourth quarter of 2020, testing will continue on the monorail-based system elements. This will include mining a 30-metre high long hole stope, mucking it out with a slusher and testing the installation process for the conveyor in the -30º ramp. This is to be followed in the first quarter of 2021 with testing of the loading process for the conveyor. Over the fourth quarter of 2020 and first quarter of 2021, the connect/disconnect and dumping processes for mucking containers will be tested, including establishing cycle times for container transport for various travel distances at various gradients. Mine design work is ongoing for the option of using monorail-based transport systems at Media Luna.

Morelos Gold Property Exploration Update

The Morelos property covers 29,000 hectares of highly prospective terrain in the relatively under-explored 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 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.

The 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 a 2021 start-up. For more information on the 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.

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 September 30, 2020, the Company is in compliance with all financial and other covenants.

Summary Balance Sheet

The following table summarizes key balance sheet items at September 30, 2020:

Table 5.

In millions of U.S. dollars		September 30, 2020		December 31, 2019
Cash and cash equivalents	$	204.0	$	161.8
Short-term investments		32.0		-
Value-added tax receivables		25.9		37.7
Inventory		110.7		129.2
Property, plant and equipment		820.9		874.4
Other assets		20.6		26.5
Total assets	$	1,214.1	$	1,229.6
Accounts payable and accrued liabilities	$	88.9	$	90.6
Income tax payable		42.0		68.7
Debt		155.0		174.9
Derivative contracts		16.4		1.6
Deferred income tax liabilities		38.4		33.7
Other liabilities		28.1		25.3
Total liabilities	$	368.8	$	394.8
Total shareholders' equity	$	845.3	$	834.8

Cash and cash equivalents and restricted cash

The Company ended the third quarter of 2020 with cash on hand of $204.0 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 has $32.0 million in short-term investments at September 30, 2020. This balance represents a 180-day non-redeemable GIC entered during the third quarter of 2020.

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 nine months ended September 30, 2020, the Company collected $18.0 million in VAT receivables, and interest of $0.2 million.

Inventory

The decrease in inventory of $19.6 million is largely due to the accounting for stockpile inventory for open pit and underground material separately and on a per ounce basis.

Property, plant and equipment

Property, plant and equipment decreased by $53.5 million due to depreciation and amortization of $174.1 million, offset by additions to infrastructure, equipment, capitalized stripping costs and net closure and rehabilitation asset movement of $120.6 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were $88.9 million at September 30, 2020 compared to $90.6 million at December 31, 2019.

Income tax payable

Income tax payable decreased from $68.7 million at December 31, 2019 to $42.0 million at September 30, 2020. Income tax payable at September 30, 2020 included $38.0 million related to the 7.5% mining royalty and $4.0 million related to income tax payable on taxable income in 2020 whereas the 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 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 $16.9 million on September 30, 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 $28.2 million includes derivative liabilities of $0.5 million for contracts to be settled after the next 12 months.

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. The Revolving Facility will mature on June 30, 2022 and the Term Facility will mature on March 31, 2022, as amended from June 30, 2022. The Term Facility may be repaid in full at any time without penalty or premium.

During the nine months ended September 30, 2020, the Company made principal repayments of $63.8 million under the Term Facility, bringing the total outstanding balance to $66.3 million. During the nine months ended September 30, 2020, the Company drew $90.0 million on the Revolving Facility, and subsequently made a payment to the Revolving Facility for $50.0 million, bringing the total outstanding balance to $90.0 million. In October 2020, the Company made an additional payment of $50.0 million on the Revolving Facility.

The Debt Facility permits, including by use of the Revolving Facility, potential spending to facilitate the development of the Media Luna Project, the Muckahi Mining System, and other existing and future projects of the Company, subject to the conditions of the Debt Facility, including compliance with (i) financial covenants related to maintaining a net leverage ratio of 3.0, a debt service coverage ratio of 1.15 and minimum liquidity of $50.0 million and (ii) certain thresholds with respect to the quantum of development expenditures and the amount spent on the Muckahi Mining System. The Debt Facility also includes a Reserve Tail Test that replaces the Reserve Tail Ratio. Non-compliance with the Reserve Tail Test is not an event of default, but instead restricts the amount that can be drawn under the Revolving Facility, and, depending on the amount drawn, may also require payments of the Debt Facility. As at September 30, 2020, the full amount of the Revolving Facility ($150.0 million) was available based on the Reserve Tail Test, of which $90.0 million was drawn.

As at September 30, 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 September 30, 2020 were $1,214.1 million (December 31, 2019 - $1,229.6 million), which includes $204.0 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 nine months ended September 30, 2020 was $188.0 million compared to $225.9 million for the nine months ended September 30, 2019. Cash flow generated from operating activities after non-cash working capital for the nine months ended September 30, 2020 was $205.0 million compared to $203.4 million for the nine months ended September 30, 2019. The decrease in cash generated from operating activities prior to changes in non-cash working capital is largely due to 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 $126.3 million in the nine months ended September 30, 2020, compared with net cash outflows of $58.5 million for the nine months ended September 30, 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 $31.7 million for the nine months ended September 30, 2020 compared with net cash outflows of $98.7 million in the nine months ended September 30, 2019. Net cash flows from financing activities for the nine months ended September 30, 2020 resulted from draws on the Revolving Facility totalling $90.0 million for the nine months ended September 30, 2020 offset by payments under the Debt Facility and leases totalling $115.3 million, and interest paid of $6.6 million. In comparison, for the nine months ended September 30, 2019, net cash flows used in financing activities relate primarily to repayment of debt of $81.9 million, transaction costs of $2.6 million and interest paid of $16.4 million, partially offset by cash flows of $2.2 million from exercise of stock options.

As at September 30, 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 of the long-term land lease agreements can be terminated within a year at the Company's discretion at any time without penalty.

In addition, production revenue from concessions are subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and payable on a quarterly basis. In 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 $4.3 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 $7.3 million relating to the 2.5% royalty for the third 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 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	54.2	54.2	-	-	-
ELG Mine Complex capital commitments	20.9	20.9	-	-	-
Debt	159.0	52.5	105.6	0.6	0.3
Total	**$ 234.1**	**$ 127.6**	**$ 105.6**	**$ 0.6**	**$ 0.3**

OUTSTANDING SHARE DATA

Table 7.

Outstanding Share Data at November 2, 2020	**Number**
Common shares	85,531,067
Share purchase options [1]	229,423
Restricted share units [2, 3]	543,906
Performance share units [4]	618,278

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. Total cash costs are calculated in accordance with the standard developed by the Gold Institute. Adoption of the standard is voluntary and other companies may quantify this measure differently as a result of different underlying principles and policies applied.

All-In Sustaining Costs (AISC)

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.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Gold sold	oz	133,036	132,535	304,247	322,427
Total cash costs per ounce sold					
Production costs and royalties [1]	$	86.0	76.6	221.7	206.3
Less: Silver sales	$	(0.5)	(0.8)	(1.3)	(2.2)
Less: Copper sales	$	(1.3)	(1.5)	(3.7)	(4.1)
Total cash costs	$	84.2	74.3	216.7	200.0
Total cash costs per ounce sold	$/oz	633	561	712	620
All-in sustaining costs per ounce sold					
Total cash costs	$	84.2	74.3	216.7	200.0
General and administrative costs [2]	$	4.7	4.2	15.1	14.7
Reclamation and remediation costs	$	1.0	0.9	2.6	2.2
Sustaining exploration costs	$	1.6	1.2	2.7	1.8
Sustaining capital expenditure [3]	$	25.2	8.9	49.1	45.8
Total all-in sustaining costs	$	116.7	89.5	286.2	264.5
Total all-in sustaining costs per ounce sold	$/oz	877	675	941	820

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 $0.2 million or $2/oz and $1.1 million or $4/oz for the three and nine months ended September 30, 2020 (for the three and nine months ended September 30, 2019, $2.3 million or $17/oz and $9.4 million or $29/oz).
2. This amount excludes a gain of $1.5 million and $1.9 million for the three and nine months ended September 30, 2020 in relation to the remeasurement of share-based compensation, and corporate depreciation and amortization expenses totalling $0.1 million and $0.3 million for the three and nine months ended September 30, 2020 recorded within general and administrative costs. Included in general and administrative costs is share-based compensation expense in the amount of $1.1 million or $8/oz and $4.2 million or $14/oz for the three and nine months ended September 30, 2020 (for the three and nine months ended September 30, 2019, $1.3 million or $10/oz and $3.9 million or $12/oz).
3. Based on additions to property, plant and equipment per the Statement of Cash Flows for the three and nine months ended September 30, 2020 of $40.8 million and $93.3 million. Before changes in net working capital, capital expenditures for the three and nine months ended September 30, 2020 totalled $47.0 million and $100.6 million. Sustaining capital expenditures of $25.2 million and $49.1 million in the three and nine months ended September 30, 2020 are related to $15.7 million and $27.2 million for the cash component of capitalized stripping activities, and $9.5 million and $21.9 million for sustaining equipment and infrastructure expenditures. Non-sustaining capital expenditures of $21.8 million and $51.5 million in the three and nine months ended September 30, 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 third quarter of 2020 was $1,884 per ounce of gold sold compared to $1,478 per ounce of gold sold for the third quarter of 2019. The average realized price for the nine months ended September 30, 2020 was $1,737 per ounce of gold sold compared to $1,379 per ounce of gold sold for the nine months ended September 30, 2019. The increase is a result of higher average spot prices.

The average realized margin for the third quarter of 2020 was $1,251 per ounce of gold sold compared to $917 per ounce of gold sold for the third quarter of 2019. The average realized margin for the nine months ended September 30, 2020 was $1,025 per ounce of gold sold compared to $759 per ounce of gold sold for the nine months ended September 30, 2019. The increase primarily reflects higher average spot prices, partially offset by higher total cash costs per ounce of gold sold.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

Table 9.

		Three Months Ended		Nine Months Ended	
In millions of U.S. dollars, unless otherwise noted		**September 30, 2020**	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Gold sold	oz	133,036	132,535	304,247	322,427
Revenue	$	256.5	198.2	537.6	450.8
Less: Silver sales	$	(0.5)	(0.8)	(1.3)	(2.2)
Less: Copper sales	$	(1.3)	(1.5)	(3.7)	(4.1)
Less: Realized loss on gold contracts	$	(4.0)	-	(4.0)	-
Total proceeds	$	250.7	195.9	528.6	444.5
Total average realized price per ounce	$/oz	1,884	1,478	1,737	1,379
Less: Total cash costs per ounce	$/oz	633	561	712	620
Total average realized margin per ounce	$/oz	1,251	917	1,025	759

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 third quarter of 2020 was $51.3 million, compared to $30.8 million for the third quarter of 2019. The increase in adjusted net earnings is primarily due to higher net income, the unrealized impact of derivative contracts and the tax effect of currency translation on tax base. Adjusted net earnings for the nine months ended September 30, 2020 was $74.8 million compared to adjusted net earnings of $33.8 million for nine months ended September 30, 2019. The increase in adjusted net earnings is largely due to the 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 lower net income and 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 September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Basic weighted average shares outstanding	shares	85,527,218	85,315,517	85,497,317	85,219,953
Diluted weighted average shares outstanding	shares	86,266,996	85,482,826	86,084,631	85,650,592
Net income	$	60.3	27.4	17.1	36.1
Adjustments, after-tax:					
Care and maintenance costs	$	-	-	11.1	-
Unrealized foreign exchange (gain) loss	$	(1.2)	(1.2)	4.9	(1.3)
Unrealized (gain) loss on derivative contracts	$	(4.0)	(0.3)	14.8	1.0
Modification of debt	$	-	(1.8)	-	(1.8)
Remeasurement of share-based payments	$	(1.5)	-	(1.9)	-
Tax effect of adjustments	$	2.0	1.1	(8.7)	0.6
Tax effect of currency translation on tax base	$	(4.3)	5.6	37.5	(0.8)
Adjusted net earnings	$	51.3	30.8	74.8	33.8
Per share - Basic	$/share	0.60	0.36	0.88	0.40
Per share - Diluted	$/share	0.59	0.36	0.87	0.39

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 September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income	$	60.3	27.4	17.1	36.1
Finance costs, net	$	3.4	3.8	10.7	16.4
Depreciation and amortization [1]	$	67.7	53.7	159.9	125.1
Current income tax expense	$	56.7	32.8	54.7	40.4
Deferred income tax (recovery) expense	$	(25.2)	(1.1)	4.7	10.1
EBITDA	$	162.9	116.6	247.1	228.1
Adjustments:					
Care and maintenance	$	-	-	8.0	-
Unrealized foreign exchange (gain) loss	$	(1.2)	(1.2)	4.9	(1.3)
Unrealized (gain) loss on derivative contracts	$	(4.0)	(0.3)	14.8	1.0
Remeasurement of share-based payments	$	(1.5)	-	(1.9)	-
Adjusted EBITDA	$	156.2	115.1	272.9	227.8

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 September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net cash generated from operating activities	$	173.3	122.5	205.0	203.4
Less:					
Sustaining capital expenditures	$	(25.2)	(8.9)	(49.1)	(45.8)
Interest paid	$	(2.1)	(4.8)	(6.6)	(16.4)
Free cash flow before non-sustaining capital expenditures	$	146.0	108.8	149.3	141.2
Less:					
Non-sustaining capital expenditures	$	(21.8)	(12.4)	(51.5)	(31.6)
Free cash flow	$	124.2	96.4	97.8	109.6

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.

Net cash at September 30, 2020 was $77.1 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		September 30, 2020	December 31, 2019
Debt	$	155.0	174.9
Add: Deferred financing charges	$	3.9	8.6
Less: Cash and cash equivalents	$	(204.0)	(161.8)
Less: Short-term investments	$	(32.0)	-
Net (cash) debt	$	(77.1)	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.

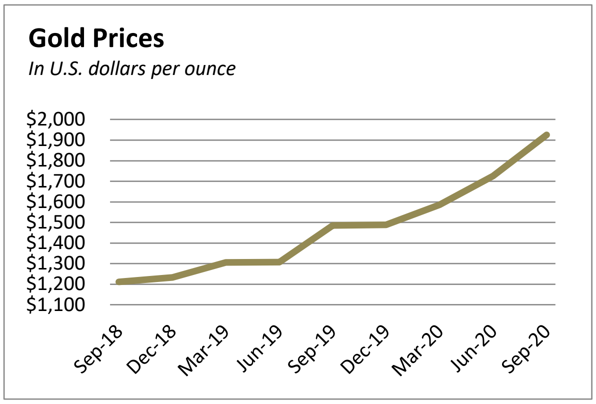
ECONOMIC TRENDS

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.

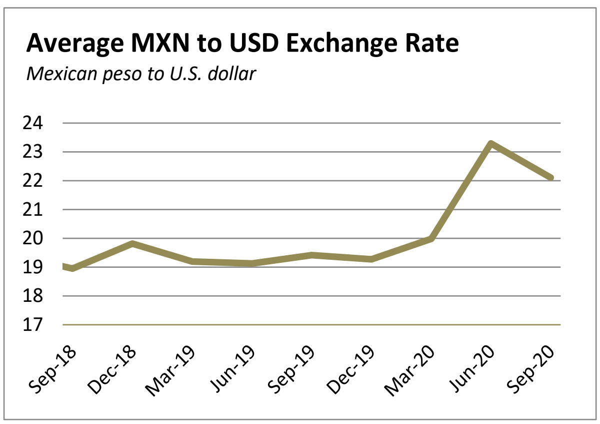
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
Average market spot prices					
Gold	$/oz	1,911	1,485	1,737	1,365
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : $	22.1	19.4	21.8	19.3
Canadian dollar : U.S. dollar	C$: $	1.33	1.32	1.35	1.33

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 nine months ended September 30, 2020, and averaged $1,737 per ounce of gold, up 27% over the average price for the nine months ended September 30, 2019. Since the beginning of the year and based on closing prices, gold prices increased 25%. As at September 30, 2020, the Company has protected 8,000 oz per month, for a total of 96,000 oz, through the third quarter of 2021 at an average floor price of $1,450 per ounce and an average ceiling price of $2,036. Gold contracts for 24,000 oz are to be settled in the fourth quarter of 2020 have an average floor of $1,400 per ounce and average ceiling of $1,718 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 55% of the Company's costs for nine months ended September 30, 2020 were incurred in Mexican pesos. In the nine months ended September 30, 2020, 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 September 30, 2020, $59.0 million are outstanding at a weighted average rate of 20.25 pesos, $39.0 million of which will be settled in the fourth quarter of 2020. The remaining $20.0 million of contracts 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 22.1 and 19.4 pesos during the nine months ended September 30, 2020 and nine months ended September 30, 2019, representing a depreciation of 14% in the Mexican peso.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

Table 15.

In millions of U.S. dollars, unless otherwise noted		2020			2019				2018
		Sep 30	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**
Financial Results									
Revenue	$	256.5	109.1	172.0	190.0	198.2	150.7	101.9	130.7
Net income (loss)	$	60.3	3.8	(47.0)	35.1	27.4	10.0	(1.3)	1.4
Per share - Basic	$/share	0.71	0.04	(0.55)	0.41	0.32	0.12	(0.02)	0.02
Per share - Diluted	$/share	0.69	0.04	(0.57)	0.41	0.32	0.12	(0.02)	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. For more information on the IP Agreements, please see the Company's annual management's discussion and analysis for the financial year ended December 31, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes in the accounting policies adopted by the Company or significant judgments, estimates and assumptions made by the Company from those detailed in Note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2019.

RECENT ACCOUNTING PRONOUNCEMENTS

There have been no changes in the accounting policies adopted by the Company from those detailed in Note 3 in the Company's audited consolidated financial statements for the year ended December 31, 2019.

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 12 of the Company's unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2020.

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 September 30, 2020, the Company had cash balances of $204.0 million (excluding short-term investments of $32.0 million) compared to $161.8 million at December 31, 2019. The Company maintains its cash in fully liquid business accounts. At September 30, 2020, the cash balance held by MML was $193.2 million compared to $101.4 million at December 31, 2019.

As at September 30, 2020, the amount outstanding under the Debt Facility, excluding unamortized deferred financing fees, totalled $156.3 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 September 30, 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 $0.4 million in the Company's net income for the nine months ended September 30, 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 $0.2 million in the Company's net income for the nine months ended September 30, 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 third quarter of 2020, with a total notional value of $24.0 million, to future periods ranging from 7 to 11 months. There were $59.0 million of contracts remaining at September 30, 2020 at a weighted average rate of 20.25. A 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $4.1 million in the Company's net income for the nine months ended September 30, 2020 in relation to the forward contracts.

As at September 30, 2020, based on ending spot rates compared to the end of the prior quarter at June 30, 2020, 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 September 30, 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. Each quarter since, the Company extended the hedges to deliver 8,000 oz of gold per month. As at September 30, 2020, the contracts extend until September 2021. The remaining gold collar contracts have an average floor price of $1,450 per ounce and an average ceiling price of $2,036 per ounce.

As at September 30, 2020, a 10% change in the gold price would result in a decrease or increase of $0.7 million (using the spot rate as at September 30, 2020 of $1,888 per ounce) in the Company's net income for the nine months ended September 30, 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 September 30, 2020, a 100 basis points change in the LIBOR would result in a decrease or increase of $0.7 million (using the LIBOR rate as at September 30, 2020 of 0.3%) in the Company's net income for the nine months ended September 30, 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. As of May 1, 2020, we started to introduce stockpiled ore to the processing plant to test the effectiveness and durability of the repairs that were made during the maintenance shutdown and partial operations resumed on May 18, 2020. 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 to be 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; could adversely impact the Company's ability to raise capital; could cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive; and could 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.

There was no change in the Company's internal controls over financial reporting that occurred during the third 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 of the disclosure controls and procedures, that as of September 30, 2020, the Company's disclosure controls and procedures have been designed to provide reasonable assurance that material information is made known to them by others within the Company.

Limitations of Controls and Procedures

The Company's management, including the 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

Preliminary Economic Assessment

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

The Media Luna PEA includes information on Muckahi. It is important to note that Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the system are conceptual, and proof of concept has not been demonstrated. Drill and blast fundamentals, standards and best practices for underground hard rock mining are applied in the Muckahi, where applicable. The proposed application of a monorail system for underground transportation for mine development and production mining is unique to underground hard rock mining. There are existing underground hard rock mines that use a monorail system for transportation of materials and equipment, however not in the capacity described in the Technical Report. The mine design, equipment performance and cost estimations in the PEA are conceptual in nature, and do not demonstrate technical or economic viability. Aspects of Muckahi mining equipment are currently in the design stage. The Company has completed the development and the first phase of testing the concept for the mine development and production activities in 2019 (including the system's elements to break rock) and in 2020 the focus is on optimization to further verify the viability of Muckahi (including the system's elements to move rock as an integrated system).

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, the strategy to grow production from high quality conventional mining assets, or those with the potential to achieve high value through the deployment of Muckahi, if proven, and other events or conditions that may occur in the future; the results set out in the Technical Report including the PEA including with respect to mineral resource and mineral reserve estimates, the ability to exploit estimated mineral reserves, the Company's expectation that the ELG Mine Complex will be profitable with positive economics from mining, 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; the planned Muckahi process and equipment testing; near term growth opportunities in both the Sub-Sill and El Limón Deep zone and the expected continuity of ore production of Media Luna; plans to seek opportunities to acquire assets in the Americas that enable profitable and productive geographic diversification; achieving planned production levels, development and exploration activities with the COVID-19 prevention efforts; the original objectives for 2020 as updated by the revised 2020 operational outlook set out herein; of the currency contracts with a notional value of $59.0 million outstanding as at September 30, 2020, at a weighted average rate of 20.25 pesos, $39.0 million will be settled in the fourth quarter of 2020 and the remaining $20.0 million of contracts will be settled in the first half of 2021; the expectation that the effect on total cash costs per ounce of gold sold of accounting for the open pit and underground ore for separately and on a per ounce basis (compared to on a per tonne basis previously) will continue to decline quarter over quarter in 2020; the assessment that 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); expected effectiveness of the enhanced COVID-19 control measures; a feasibility study for the Media Luna Project with a budget of $11.0 million being completed in mid-2021; expected metal recoveries; expected gold production, total cash costs per ounce of gold sold, AISC per ounce of gold sold and revenues from operations, and capital costs; goals of the Muckahi test program to successfully demonstrate the ability to load a conveyor on a 30-degree ramp and convey up that ramp, demonstrate the functionality of the tramming conveyor, across multiple long hole open stopes, demonstrate the ability to achieve fragmentation of 95% passing 400mm, across multiple long hole open stopes, demonstrate the ability to 'remote muck' with a slusher; the ability to mine and process estimated mineral reserves; expected recovery and timing of receipt of value-added tax; further advances of funds if required, pursuant to the Debt Facility (which is subject to certain customary conditions precedent); continued unimpeded operations; expectation of achieving goal of demonstrating the effectiveness of the Muckahi mining system; plans for Muckahi testing and training activities including, continued development of the 30-degree decline ramp to access the ELD deposit, and upon its completion, expected in the fourth quarter of 2020, the installation of the 30-degree conveyor, the expected installation and commissioning of a second locomotive system for use on the decline ramp, the expected continued drilling a new long hole stope to further test the ore fragmentation, and after blasting, the expectation that this stope will also be mucked out with the slusher under test conditions for optimization of the production method; the tramming conveyor testing and pre-commissioning at the manufacturer is planned to resume early in the third quarter and once complete it will be transported to ELD for installation, commissioning and field trails; Muckahi production blasting is scheduled in the fourth quarter of 2020; muck box testing commenced to test the filling of the 15-tonne mucking containers with a slusher at 0^o, 7^o, and 30^o: continued testing during the fourth quarter of 2020, testing on the monorail-based system elements including mining a 30-meter high long hole stope, mucking it out with a slusher and testing the installation process for the conveyor in the -30^o ramp, followed by with testing of the loading process for the conveyor in the first quarter of 2021; over the fourth quarter of 2020 and first quarter of 2021, the connect/disconnect and dumping processes for mucking containers will be tested, including establishing cycle times for container transport for various travel distances at various gradients; mine design work is ongoing for the option of using monorail-based transport systems at Media Luna; plan to advance the Media Luna Project from early stage development to production; plans to complete the infill drilling programs on Media Luna and related budgets; expectation that the infill drill program in 2020 at Media Luna will upgrade a greater proportion of mineral resources to indicated confidence category and in time to incorporate into the feasibility study; expectation that additional infill drill programs will be completed at Media Luna and that the programs will be successful in upgrading inferred tonnes to indicated confidence category; plans to complete key trade off studies; plans to complete early field survey and technical study work in support of the permitting and approval process for Media Luna; plans to start the tunnel from the ELG Mine Complex to Media Luna in the second half of 2020 and expectation that this early start to the tunnel will de-risk this component of the development schedule; South Portal #1 earthworks scope award and contractor mobilization scheduled in the fourth quarter of 2020; expectation that the Company will be able to secure required permits in order to commence commercial production on schedule; plan and timeline to complete a feasibility study and subject to the outcome of the feasibility study, among other things, projected timeline for commencement of production; plans to fund expenditures to construct Media Luna from cash flows from the existing operations or other financing arrangements; the estimate of Media Luna's precommercial expenditures, net of precommercial revenues; plans to diversify the Company's single asset risk; the focus of exploration programs on advancing known mineralization and mineral resources to production, and remediation plans and estimated associated costs; status of the patent application for Muckahi as patent pending; plans to advance known mineralization and resources to production, including, infill drilling programs on Sub-Sill and El Limon Deep to with a purpose of upgrading resource confidence class; identification of six, well-supported target areas in the near-mine environment and plans to develop a detailed drill evaluation program; priority has been given to targets that may influence open pit life extension, and, which includes the direct down-dip extension to current underground workings; expectation that the total proposed ELG "brownfields" program will continue over the next three years, with the intention to add extension to the mine operations at the ELG Mine Complex; 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; drill results from the ongoing 2020 exploration program at the Company's ELG Underground included results from step-out drilling which successfully extended known mineralization at Sub-Sill below the previous deepest hole, while continuing to extend the strike length of ELD; these results from the exploration program at the Company's ELG Underground, 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 ELG Mine Complex and Media Luna; and plans for further evaluation of the known regional targets is under preparation for a 2021 start-up. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," "believes" or "potential" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "occur," or "be achieved." Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the COVID-19 pandemic; risks associated with the adequacy of the Company's liquidity position; 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; the continued benefit expected from the operation of the SART plant; ability to successfully manage the soluble iron in the mill feed; the price of gold; sufficient cash flow to satisfy its financial covenants under the Debt Facility and service its indebtedness, 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 systems under applicable regulations; the ability of the Company to operate in a safe, efficient and effective manner; the ability of the Company to fund the development and testing of Muckahi; the ability of the Company to obtain additional financing on acceptable terms if required; the ability to conclude the land access agreements for the additional target areas on the Morelos 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.

November 2, 2020