TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

This management's discussion and analysis of the financial condition and results of operations ("MD&A") for Torex Gold Resources Inc. ("Torex" or the "Company") was prepared as at February 20, 2019 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2018. All dollar figures included therein and in the following MD&A are stated in United States dollars ("U.S. dollar") unless otherwise stated.

HIGHLIGHTS

- **Record gold production at the top end of guidance** of 353,947 ounces. Gold production in the quarter totalled 96,316 ounces.
- **Mine production** in the quarter totalled 11,299 kt, averaged 122,815 tpd. Mine production for the year totalled 32,625 kt, averaged 93,214 tpd.
- **Mine ore production** in the quarter totalled 1,234 kt, averaged 13,413 tpd. Mine ore production for the year totalled 4,329 kt, averaged 12,368 tpd.
- **Grade mined** in the quarter averaged 2.76 gpt, and 2.69 gpt for the year.
- **Plant throughput** continued to accelerate in the quarter achieving 1,197 kt, averaged 13,011 tpd. Plant throughput in the year of 4,152 kt, averaged 11,863 tpd.
- **Grade processed** in the quarter averaged 2.93 gpt and 2.97 gpt for the year.
- **Gold recovery** averaged 85% in the quarter and 87% in the year, consistent with design expectations.

Initial results from the Media Luna in-fill diamond drilling program[1]

- Highlighted intercepts from the first 23 holes include 10.5 gpt Au Eq. over 39.2m in borehole ML18-222A, 7.0 gpt Au Eq. over 49.6m in borehole ML18-215, 7.1 gpt Au Eq. over 45.9m in borehole ML18-219W and 8.3 gpt Au Eq. over 22.6m in borehole ML18-208W.
- There are currently 6 drills active on the Media Luna Project. On average each drill completes two holes per month, which indicates completion of the program by the end of 2019.

Continued exploration success in the Sub-Sill zone[2]

- The Company announced the results from 57 holes, from its in-fill and step-out drilling programs in the Sub-Sill zone. Highlighted intercepts include 30.2g/t Au over 8.1m in borehole SST-101, 48.9g/t Au over 3.6m in borehole SST-118 and 34.4g/t Au over 4.6m in borehole SSUG-059. The deposit remains open in several directions.

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[1] For more information on the drill results, see the Company's news release titled "Torex Reports Initial Results from the Media Luna In-fill Diamond Drilling Program" issued on October 25, 2018, and filed on SEDAR at www.sedar.com and on the Company's website at www.torexgold.com.

[2] For more information on the drill results, see the Company's news release titled "Torex Reports Continued Exploration Success In the Sub-Sill Zone" issued on November 20, 2018, and filed on SEDAR at www.sedar.com and on the Company's website at www.torexgold.com.

Muckahi[3]

- Initial components have arrived on site and significant testing of the Muckahi Mining System ("Muckahi") is expected to be completed by the end of 2019.

Financial results

- **Record gold sold for the year** was 347,640 ounces for total proceeds of $438.3 million at an **average realized gold price[4]** of $1,261 per ounce. Gold sold for the quarter was 104,169 ounces for proceeds of $128.6 million at an average realized gold price[4] of $1,235 per ounce.
- **Revenue** was $130.7 million and **cost of sales** was $96.5 million, or $926 per ounce of gold sold for the quarter. Revenue was $442.9 million and cost of sales was $334.7 million, or $963 per ounce of gold sold for the year.
- **Earnings from mine operations** were $34.2 million for the quarter, and $108.2 million for the year.
- **Income before income tax** was $20.4 million for the quarter, and $60.4 million for the year.
- **Net income** after current and deferred income tax expense was $1.4 million or $0.02 per share on a basic and diluted basis for the quarter, and $23.2 million, or $0.27 per share on a basic and diluted basis for the year. The weakening of the peso adversely impacted deferred tax expense for the quarter.
- **Adjusted net earnings[4],** which excludes, amongst other items, certain foreign exchange gains and losses, totalled $13.9 million, or $0.16 per share on a basic and diluted basis for the quarter, and $19.7 million, or $0.23 per share on a basic and diluted basis for the year.
- **Cash flow from operations** totalled $59.3 million for the quarter, and $226.8 million for the year.
- **Cash balances** as at December 31, 2018 totalled $149.0 million (including restricted cash of $26.8 million).
- **Total cash costs[4]** per ounce of gold sold of $627 for the quarter, and $646 for the year ended December 31, 2018.
- **All-in sustaining costs[4]** per ounce of gold sold of $926 for the quarter, and $964 for the year ended December 31, 2018.
- **Principal repayments** of $15.0 million in the quarter and $56.3 million in the year were made to reduce the Company's debt to $333.5 million.
- **Passed the operating covenants** for the six months ended December 31, 2018. There are no further operating covenants under the Debt Facility, which makes it less constricted, and provides the Company with alternatives for redirecting the restricted cash balance.

[3] 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.

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

The following table summarizes key operating and financial highlights:

Table 1.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018 [3]	Dec 31, 2017 [3]	Year Ended Dec 31, 2018 [3]
Operating Data							
Mining							
Ore tonnes mined	kt	1,234	1,246	1,278	571	633	4,329
Waste tonnes mined	kt	10,065	9,846	5,877	2,508	2,319	28,296
Total tonnes mined	kt	11,299	11,092	7,155	3,079	2,952	32,625
Strip ratio [2]	waste:ore	8.6	8.2	4.6	4.4	3.7	6.7
Average gold grade of ore mined	gpt	2.76	2.60	2.45	3.29	3.03	2.69
Ore in stockpile	mt	0.8	0.9	0.8	0.5	0.8	0.8
Processing							
Total tonnes processed	kt	1,197	1,170	1,000	785	428	4,152
Average plant throughput	tpd	13,011	12,717	10,989	10,467	12,588	11,863
Average gold recovery	%	85	89	87	87	85	87
Average gold grade of ore processed	gpt	2.93	3.01	2.86	3.13	2.72	2.97
Production and sales							
Gold produced	oz	96,316	101,481	80,096	76,054	29,971	353,947
Gold sold	oz	104,169	102,919	77,646	62,906	31,398	347,640
Financial Data							
Revenue	$	130.7	126.4	101.8	84.0	40.8	442.9
Cost of sales	$	96.5	94.7	78.3	65.2	34.1	334.7
Earnings from mine operations	$	34.2	31.7	23.5	18.8	6.7	108.2
Net income (loss)	$	1.4	23.9	(12.3)	10.2	(25.0)	23.2
Per share - Basic	$/share	0.02	0.28	(0.14)	0.12	(0.31)	0.27
Per share - Diluted	$/share	0.02	0.28	(0.14)	0.12	(0.31)	0.27
Adjusted net earnings (loss) [1, 4]	$	13.9	7.3	10.6	(12.2)	0.3	19.7
Per share - Basic [1, 4]	$/share	0.16	0.09	0.13	(0.15)	0.00	0.23
Per share - Diluted [1, 4]	$/share	0.16	0.09	0.13	(0.15)	0.00	0.23
Cost of sales	$/oz	926	920	1,008	1,036	1,086	963
Total cash costs [1]	$/oz	627	590	680	730	755	646
All-in sustaining costs [1]	$/oz	926	967	1,017	954	1,016	964
Average realized gold price [1]	$/oz	1,235	1,214	1,302	1,331	1,284	1,261
Cash and cash equivalents	$	122.2	121.6	91.4	110.5	44.9	122.2
Restricted cash	$	26.8	26.6	26.5	13.9	13.9	26.8
Working capital	$	41.6	56.8	59.2	86.0	32.9	41.6
Total debt	$	333.5	346.4	360.8	373.9	385.6	333.5
Total assets	$	1,271.4	1,253.4	1,219.2	1,225.9	1,168.1	1,271.4
Total liabilities	$	511.8	496.9	488.3	484.4	488.8	511.8

1. Adjusted net earnings (loss), total cash costs, all-in sustaining costs, and average realized gold price are financial performance measures with no standard meaning under International Financial Reporting Standards ("IFRS"). Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.
2. Ore mined underground from the ELG Underground (defined herein) of 67 kt and 114 kt is included in ore tonnes mined and excluded from the strip ratio in the three and twelve months ended December 31, 2018. For the three months ended September 30, 2018, June 30, 2018, March 31, 2018 and December 31, 2017, ore mined from the ELG Underground (defined herein) was 38 kt, 5 kt, 4 kt and 13 kt, respectively.
3. Due to the illegal blockade that began in November 2017 and ended in April 2018 (the "Blockade"), the first quarter of 2018 represents 75 days of partial operations, while the fourth quarter of 2017 represents 34 days of operations.
4. Beginning the second quarter of 2018, the Company updated adjusted net earnings (loss) to include the tax effect of currency translation on tax base. Comparatives have been restated. Refer to "Non-IFRS Financial Performance Measures" for further information.
5. Sum of the quarters may not add to the year to date amounts due to rounding.

2018 REPORT

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

TABLE OF CONTENTS

COMPANY OVERVIEW AND STRATEGY

The Company is a growth-oriented, Canadian-based resource company engaged in the exploration, development, and operation of the Morelos Gold property (the "Morelos Gold Property"). The Morelos Gold Property is located in the prolific Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and consists of 7 mineral concessions covering a total area of approximately 29,000 hectares.

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

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

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

OBJECTIVES FOR 2019

Production within constraints:

- Production – 430,000, +/- 7% gold ounces sold

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

Set up 2020 production:

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

Set up for growth:

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

FINANCIAL RESULTS

The following table summarizes the financial results of the Company:

Table 2.

In millions of U.S. dollars, unless otherwise noted	Three Months Ended		Year Ended	
	December 31, 2018	December 31, 2017 [1]	December 31, 2018 [1]	December 31, 2017 [1]
Revenue	130.7	40.8	442.9	314.9
Gold	128.6	40.3	438.3	312.4
Silver	1.0	0.5	3.0	2.5
Copper	1.1	-	1.6	-
Cost of sales	96.5	34.1	334.7	260.2
Earnings from mine operations	34.2	6.7	108.2	54.7
Exploration and evaluation expenses	2.5	0.5	6.2	6.5
General and administrative expenses	4.9	4.2	21.1	19.1
Blockade and other charges	-	14.4	4.1	14.4
Loss (gain) on derivative contracts	0.3	2.2	(1.6)	1.4
Finance costs, net	6.5	5.7	19.6	27.3
Foreign exchange (gain) loss	(0.4)	5.4	(1.6)	(0.7)
Income tax expense (recovery), net	19.0	(0.7)	37.2	(0.7)
Net income (loss)	1.4	(25.0)	23.2	(12.6)
Per share - Basic ($/share)	0.02	(0.31)	0.27	(0.16)
Per share - Diluted ($/share)	0.02	(0.31)	0.27	(0.16)
Adjusted net earnings (loss) [2, 4]	13.9	0.3	19.7	(24.8)
Per share - Basic ($/share) [2, 4]	0.16	0.00	0.23	(0.31)
Per share - Diluted ($/share) [2, 4]	0.16	0.00	0.23	(0.31)
Cost of sales ($/oz)	926	1,086	963	1,046
Total cash costs ($/oz) [2]	627	755	646	709
All-in sustaining costs ($/oz) [2]	926	1,016	964	989
Average realized gold price ($/oz) [2, 3]	1,235	1,284	1,261	1,254
Average realized margin ($/oz) [2, 3]	608	529	615	545

1. Due to the Blockade, the year of 2018 represents 350 days of operations, including the first quarter when operations were partial. The year of 2017 represents 307 days of operations, including the fourth quarter which represents only 34 days of operations.
2. Adjusted net earnings (loss), total cash costs, AISC, average realized gold price and average realized margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.
3. Average realized gold price and average realized margin include realized losses from gold derivative contracts of $2 per ounce for the year ended December 31, 2017. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.
4. Beginning in the second quarter of 2018, the Company updated adjusted net earnings (loss) to include the tax effect of currency translation on tax base. Comparatives have been restated. Refer to "Non-IFRS Financial Performance Measures" for further information.

2018 FULL YEAR FINANCIAL RESULTS

Processed gold grade was 2.97 grams per tonne

The processed grade in the year was greater than the mined grade due to preferential feeding of higher grades to the process plant and stockpiling of lower grades. The grade estimate for mine material is based on blast hole and diamond drill assays whereas the mill grade is determined by metal balance for the process plant. The net result is a processed gold grade of 2.97 gpt, versus a mined grade of 2.69 gpt.

Processed average daily tonnage of 11,863 tpd

Throughput rates for the year ended December 31, 2018 averaged 11,863 tpd or 85% of design capacity. Throughput rates were 10,467 tpd in Q1, 10,989 tpd in Q2, 12,717 tpd in Q3, and 13,011 tpd in Q4 (93% of design capacity).

Revenue totalled $442.9 million

During 2018, the Company earned $442.9 million in revenue compared to $314.9 million in 2017. The Company sold 347,640 ounces of gold at an average realized price of $1,261 per ounce in 2018, compared to 248,797 ounces of gold at an average realized price of $1,254 in 2017. The increase in ounces sold is due to a 22% increase in grades processed along with higher total tonnes processed. In 2017, the Blockade reduced operations to ten months, resulting in lower throughput in the year ended December 31, 2017.

The average realized gold price per ounce sold does not have any standardized meaning prescribed by IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

The sulfidization, acidification, recycling and thickening ("SART") plant began operation late in the second quarter of 2018. Sales of copper precipitate commenced in the third quarter of 2018, contributing $1.6 million from copper sales and an additional $0.6 million from silver recovered in 2018.

Cost of sales was $334.7 million or $963 per ounce sold

Cost of sales for the year ended December 31, 2018 was $334.7 million compared to $260.2 million for the year ended December 31, 2017. This increase reflects more working days in 2018 than in 2017 as a result of the Blockade, costs for the new bonus structure for Mexican employees, higher tonnage mined and processed, greater Sub-Sill mining activity and higher electricity costs.

Depreciation and amortization expense amounted to $105.4 million for the year ended December 31, 2018 compared to $81.2 million for the year ended December 31, 2017. The increase in depreciation is primarily driven by an increase in gold ounces recovered which forms the basis for the depreciation for most of the Company's property, plant and equipment. In the year ended December 31, 2018, there is $1.3 million of depreciation included in 'Blockade and other charges' compared to $2.6 million in the year ended December 31, 2017.

Royalties were $13.2 million for the year ended December 31, 2018 compared to $9.6 million for the year ended December 31, 2017, representing 3% of proceeds from gold and silver sales. Of the 3% royalty expense, 2.5% is payable to the Mexican Geological Survey agency and 0.5% is payable to the Ministry of Finance.

Total cash costs were $646 per ounce sold

Total cash costs (net of by-product sales) for the year ended December 31, 2018 were $646 per ounce of gold sold, a decrease of $63 per ounce from the year ended December 31, 2017 of $709 per ounce of gold sold.

In the year ended December 31, 2018, the Company mined 32.6 million tonnes and processed 4.2 million tonnes, compared to 26.5 million tonnes mined and 3.7 million tonnes processed in the year ended December 31, 2017. Total cash costs per ounce of gold sold were lower primarily due to the processing of higher-grade ore and higher recoveries in the year ended December 31, 2018 compared to the year ended December 31, 2017, offsetting increased mining and processing activities, higher costs emanating from the new bonus structure, higher electricity costs and higher Sub-Sill mining activity.

As the Blockade led to partial operations in the first four months of 2018 and the last quarter of 2017, total cash costs exclude $2.8 million of costs during the first 15 days of 2018 and $11.8 million of costs during the last 34 days of 2017 during which time no operating activity could take place.

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

All-in sustaining costs were $964 per ounce sold

All-in sustaining costs for the year ended December 31, 2018 were $964 per ounce of gold sold compared to $989 per ounce of gold sold for the year ended December 31, 2017. Sustaining capital expenditures in the year ended December 31, 2018 amounted to $86.1 million, compared to $49.3 million in the year ended December 31, 2017. Sustaining capital expenditures were $61.4 million for capitalized stripping activities, and $24.7 million for sustaining equipment and infrastructure.

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

Exploration and evaluation expenses of $6.2 million

Exploration and evaluation expenditures were $6.2 million in the year ended December 31, 2018, compared to $6.5 million in the year ended December 31, 2017. In 2018, exploration and evaluation activities were mainly related to evaluation work on Muckahi. In 2017, exploration activities were largely focused on phase two of the Sub-Sill diamond drill program.

General and administrative expenses of $21.1 million

General and administrative expenses increased from $19.1 million in 2017 to $21.1 million in 2018, primarily due to the timing of certain salaries and benefits, and severance costs.

Finance costs, net of finance income, of $19.6 million

Finance costs, net of finance income, amounted to $19.6 million in the year ended December 31, 2018. The Company collected $8.6 million in interest pertaining to VAT receivables, which partially offset $31.5 million in finance costs in the year ended December 31, 2018. The Company recognized finance costs, net of finance income, of $27.3 million in the year ended December 31, 2017. Finance income primarily relates to the interest received on the VAT receivables whereas finance costs largely reflect the interest expense on the Debt Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan, which was fully repaid in 2017 (as all such terms are defined herein).

No remaining settlements under the gold derivative contracts

The final outstanding ounces under the Gold Contracts (as defined below) were delivered in early July 2017 and, therefore, the Company did not recognize any gains or losses for the year ended December 31, 2018, compared to an unrealized loss of $8.6 million and a realized loss of $0.5 million for the year ended December 31, 2017.

Gain on currency derivative contracts of $1.6 million due to appreciation of the Mexican peso

Based on forward prices for Mexican pesos as at December 31, 2018, the Company recognized an unrealized gain of $1.9 million for the year compared to an unrealized gain of $8.0 million for the year ended December 31, 2017. In the year ended December 31, 2018, the average exchange rate of the Mexican peso relative to the U.S. dollar was higher than the average contract forward prices. As such, the Company realized a loss of $0.3 million on the contracts it settled during the year ended December 31, 2018, compared to a loss of $0.3 million for the comparable period in 2017.

Foreign exchange gain of $1.6 million due to appreciation of the Mexican peso

The Company recognized a foreign exchange gain of $1.6 million for the year ended December 31, 2018, compared to a gain of $0.7 million for the year ended December 31, 2017. Based on closing exchange rates, the Mexico peso appreciated by 0.5% in the year ended December 31, 2018.

Current income and mining tax expense of $12.8 million

The Company recognized a current income tax expense of $12.8 million in the year ended December 31, 2018 primarily related to the 7.5% Mexican mining royalty, compared to a current tax expense of $7.2 million in the year ended December 31, 2017. The increase is due to higher taxable earnings used to calculate the 7.5% Mexican mining royalty, which is considered an income tax for IFRS purposes.

Deferred income tax expense of $24.4 million

The Company recognized a deferred income tax expense of $24.4 million in the year ended December 31, 2018, compared to a deferred income tax recovery of $7.9 million for the year ended December 31, 2017. The increase in the deferred income tax expense is due to higher taxable earnings, a corresponding decrease in tax loss carryforwards, and other temporary differences.

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

For the year ended December 31, 2018, the Mexican peso appreciated by 0.5% to 19.7 relative to the U.S. dollar which created an estimated recovery of $0.8 million of foreign exchange included in deferred tax expense. For the year ended December 31, 2017, the Mexican peso appreciated 4.7% to 19.8 relative to the U.S. dollar, which created an estimated recovery of $10.4 million of foreign exchange included in deferred tax recovery.

Net income of $23.2 million

Net income for the year ended December 31, 2018 was $23.2 million, or $0.27 per share on a basic and diluted basis, while adjusted net earnings amounted to $19.7 million, or $0.23 per share on a basic and diluted basis. In the year ended December 31, 2017, the Company had a net loss of $12.6 million, or $0.16 per share on a basic and diluted basis while adjusted net loss amounted to $24.8 million, or $0.31 per share on a basic and diluted basis. Net income in the year ended December 31, 2018 increased compared to the prior year, largely due to higher earnings from mine operations stemming from more ounces sold and higher grades processed, and interest income collected on the VAT receivables, partially offset by higher income tax expense in the year ended December 31, 2018.

Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net income (loss) to adjusted net earnings (loss).

FOURTH QUARTER FINANCIAL RESULTS

Processed gold grade was 2.93 grams per tonne

The processed grade in the quarter was greater than the mined grade due to preferential feeding of higher grades to the mill and the stockpiling of lower grades. The net result is a processed gold grade of 2.93 gpt, versus a mined grade of 2.76 gpt.

Processed average daily tonnage of 13,011 tpd

Throughput rates for the fourth quarter averaged 13,011 tpd or 93% of design capacity of 14,000 tpd.

Revenue totalled $130.7 million

During the fourth quarter of 2018, the Company recognized $130.7 million in revenue compared to $40.8 million for the fourth quarter of 2017. The Company sold 104,169 ounces of gold at an average realized price of $1,235 per ounce in the fourth quarter of 2018, compared to 31,398 ounces of gold at an average realized price of $1,284 in the fourth quarter of 2017. The increase in ounces sold is due to the suspension of operations in November and December 2017 in connection with the Blockade. Furthermore, there was an 8% increase in grades processed in the fourth quarter of 2018 compared to the fourth quarter of 2017, which together with higher throughput and consistent recoveries, led to more ounces produced.

Cost of sales was $96.5 million or $926 per ounce

Cost of sales for the fourth quarter of 2018 was $96.5 million compared to $34.1 million in the fourth quarter of 2017. Production costs increased to $63.7 million for the fourth quarter of 2018 compared to $22.9 million for the fourth quarter of 2017. The increase in production costs reflects an increase in activity as there was a suspension of operations beginning in early November 2017 in connection with the Blockade resulting in only 34 days of operations in the fourth quarter of 2017, increased costs from a new bonus structure for Mexican employees, increased mining activity at the Sub-Sill, and higher electricity costs.

Depreciation and amortization expense amounted to $29.1 million for the fourth quarter of 2018 compared to $9.9 million for the same period in 2017. The increase in depreciation is primarily a result of fewer ounces recovered in 2017 due to the Blockade, which drives the basis of depreciation for most of the Company's property, plant and equipment.

Royalties were $3.7 million for the three months ended December 31, 2018 compared to $1.3 million for the three months ended December 31, 2017, representing 3% of proceeds from gold and silver sales.

Total cash costs were $627 per ounce sold

Total cash costs (net of by-product sales) for the fourth quarter of 2018 were $627 per ounce of gold sold, a decrease of 17% or $128 per ounce of gold sold compared to the fourth quarter of 2017 at $755 per ounce of gold sold. The fourth quarter of 2017 was substantially impacted by the Blockade resulting in limited activities. In the fourth quarter of 2018, tonnes processed increased significantly to 1.2 million tonnes and the Company mined 11.3 million tonnes compared to 0.4 million tonnes processed and 3.0 million tonnes mined in the fourth quarter of 2017. Furthermore, the Company processed higher grades in the fourth quarter of 2018 compared to the fourth quarter of 2017, which resulted in lower total cash costs per ounce sold, and offset higher operating costs stemming from increased activity, the new bonus structure, higher electricity rates and increased mining at the Sub-Sill.

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

All-in sustaining costs were $926 per ounce

All-in sustaining costs for the fourth quarter of 2018 were $926 per ounce of gold sold compared to $1,016 per ounce of gold sold for the fourth quarter of 2017. Sustaining capital expenditures in the fourth quarter of 2018 amounted to $25.5 million, compared to $3.9 million in the fourth quarter of 2017. Sustaining capital expenditures were $19.9 million for capitalized stripping activities, and $5.6 million for sustaining equipment and infrastructure.

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

Exploration and evaluation expenses of $2.5 million

Exploration and evaluation expenditures were $2.5 million in the three months ended December 31, 2018, compared to $0.5 million in the three months ended December 31, 2017. In the fourth quarter of 2018, exploration and evaluation activities were mainly related to evaluation work on Muckahi.

General and administrative expenses of $4.9 million

General and administrative expenses were $4.9 million in the three months ended December 31, 2018 compared to $4.2 million in the three months ended December 31, 2017. The increase is primarily due to the timing of certain salaries and benefits, and severance costs.

Finance costs, net of finance income, of $6.5 million

Finance costs, net of finance income, amounted to $6.5 million in the three months ended December 31, 2018 compared to $5.7 million in the prior year period. The increase is related to higher LIBOR in the fourth quarter of 2018 compared to the fourth quarter of 2017.

Loss on currency derivative contracts of $0.3 million due to the depreciation of the Mexican peso

Based on forward prices for Mexican pesos at December 31, 2018, the Company recognized an unrealized loss of $0.1 million for the three months ended December 31, 2018 compared to a $1.7 million unrealized loss recognized for the three months ended December 31, 2017. In the fourth quarter of 2018, the average exchange rate of the Mexican peso relative to the U.S. dollar was higher than the average contract forward prices. As such, the Company realized a loss of $0.2 million on the contracts it settled during the quarter, compared to a loss of $0.5 million for the fourth quarter of 2017.

Foreign exchange gain of $0.4 million

The Company recognized a foreign exchange gain of $0.4 million for the quarter ended December 31, 2018, compared to a loss of $5.4 million for the quarter ended December 31, 2017.

Current income and mining tax expense of $4.0 million

The Company recognized a current income tax expense of $4.0 million in the three months ended December 31, 2018 primarily related to the 7.5% Mexican mining royalty, compared to a current tax expense of $0.5 million in the three months ended December 31, 2017. The increase is due to an increase in the Company's taxable earnings used to calculate the 7.5% Mexican mining royalty, reflecting the increased mining activity in 2018, compared to the prior year period, when the Blockade was in effect.

Deferred income tax expense of $15.0 million

The Company recognized a deferred income tax expense of $15.0 million in the three months ended December 31, 2018, compared to a deferred income tax recovery of $1.2 million for the three months ended December 31, 2017.

In the three months ended December 31, 2018, the Mexican peso depreciated by 4.6% to 19.7 relative to the U.S. dollar, which created an expense of $11.6 million of foreign exchange included in deferred tax expense. In the three months ended December 31, 2017, the Mexican peso depreciated by 8.7% to 19.8 relative to the U.S. dollar, which created an expense of $20.9 million of foreign exchange included in deferred tax expense. The remaining fluctuation is caused by higher taxable income, a decrease in tax loss carryforwards, and other temporary differences.

Net income of $1.4 million

Net income for the fourth quarter of 2018 was $1.4 million, or $0.02 per share on a basic and diluted basis, while adjusted net earnings amounted to $13.9 million, or $0.16 per share on a basic and diluted basis. In the fourth quarter of 2017, net loss was $25.0 million, a loss of $0.31 per share, on both a basic and diluted basis while adjusted net loss amounted to $0.3 million, or $0.00 per share on a basic and diluted basis. Net income increased compared to the fourth quarter of 2017, largely due to higher earnings from mine operations stemming from higher activity as a significant portion of the fourth quarter of 2017 was impacted by the Blockade.

Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net income (loss) to adjusted net earnings (loss).

RESULTS OF OPERATIONS

Mining

A total of 11,299 kt were mined in the fourth quarter of 2018, including 67 kt from the Sub-Sill zone, at an average waste to ore strip ratio of 8.6. Approximately 81% of the tonnes mined in the fourth quarter were from El Limón and 18% from Guajes.

A total of 32,625 kt were mined in the year ended December 31, 2018, including 114 kt from the Sub-Sill zone, at an average waste to ore strip ratio of 6.7. Approximately 73% of the tonnes mined in 2018 were from El Limón and 27% from Guajes.

At December 31, 2018, there were 0.8 mt of ore in stockpiles at an average grade of 1.41 gpt.

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

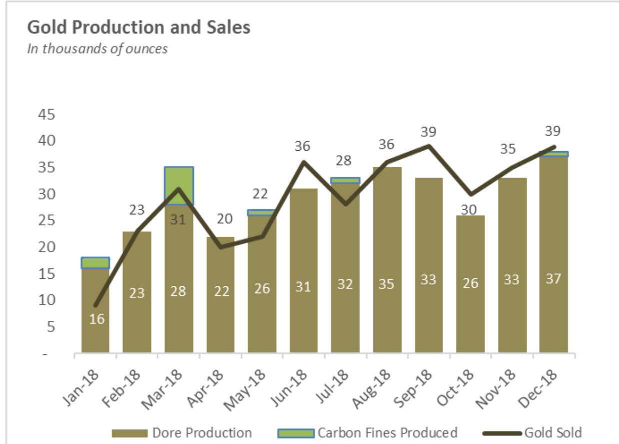
Table 3.

		Three Months Ended					Year Ended
		Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Dec 31, 2018
Mining							
Guajes							
Ore tonnes mined	kt	-	-	27	497	202	524
Waste tonnes mined	kt	2,063	2,635	1,484	1,958	847	8,140
Total tonnes mined	kt	2,063	2,635	1,511	2,455	1,049	8,664
Strip ratio [1]	w:o	-	-	55.0	3.9	4.2	15.5
Average gold grade of ore mined	gpt	-	-	2.62	3.47	3.56	3.43
El Limón							
Ore tonnes mined	kt	1,167	1,208	1,246	70	418	3,691
Waste tonnes mined	kt	8,002	7,211	4,393	550	1,472	20,156
Total tonnes mined	kt	9,169	8,419	5,639	620	1,890	23,847
Strip ratio	w:o	6.9	6.0	3.5	7.9	3.5	5.5
Average gold grade of ore mined	gpt	2.50	2.35	2.42	1.99	2.60	2.41
Total ELG Open Pits							
Ore tonnes mined	kt	1,167	1,208	1,273	567	620	4,215
Waste tonnes mined	kt	10,065	9,846	5,877	2,508	2,319	28,296
Total tonnes mined	kt	11,232	11,054	7,150	3,075	2,939	32,511
Strip ratio	w:o	8.6	8.2	4.6	4.4	3.7	6.7
Average gold grade of ore mined	gpt	2.50	2.35	2.42	3.29	2.91	2.54
ELG Underground							
Ore tonnes mined	kt	67	38	5	4	13	114
Average gold grade of ore mined [2]	gpt	7.37	10.57	8.71	3.72	8.86	8.36

1. The strip ratio for Guajes is nil for the three months ended December 31, 2018 and September 30, 2018, and high in the three months ended June 30, 2018 because the activities within Guajes were focused on stripping activities without ore being mined.
2. In the three months ended March 31, 2018, the average gold grade of ore mined from the ELG Underground development activities was below the cut-off grade and represents incremental ore. For the ELG Underground, the Company's operational cut-off grade is 4.47 gpt and the Company's incremental cut-off grade is 0.74 gpt.

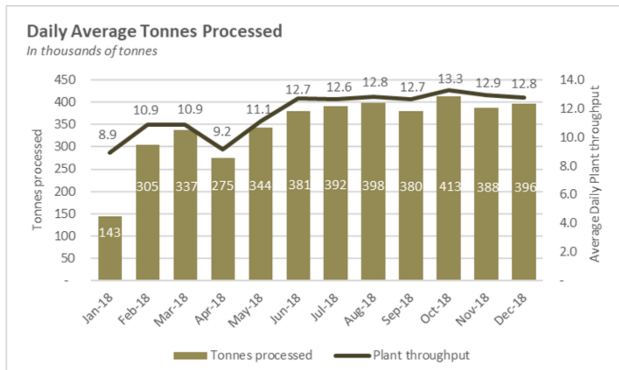
Gold Production and Sales

In the fourth quarter of 2018, 96,316 ounces of gold were produced and 104,169 ounces of gold were sold, for a total of 353,947 gold ounces produced and 347,640 ounces of gold sold year-to-date in 2018.



Plant Ramp-Up

The ramp up of all operations, post the Blockade, has gone smoothly with steadily increasing production. The debottlenecking of the SAG Mill has advanced to 93% of design rates as technical solutions have been implemented. There is a capital expenditure solution that could close the gap to design rates, but it is not considered to be an effective use of capital. Instead, the focus will be on squeezing out incremental improvements through enhancements to operating and maintenance practices. January 2019 was a challenging month and process plant leadership changes have been made to facilitate the adjustments to operating and maintenance practices.



SART Plant

The construction of the SART plant was completed on schedule in the second quarter of 2018 and is now in full operation. The operations team continues to fine tune the operating parameters to adjust to variation in the minerology of the processed ores. In 2018, the Company recognized $1.6 million of copper revenues and $0.6 million of silver revenues in relation to copper precipitate facilitated by the SART plant.

Safety

At the end of 2018, the lost time injury frequency rate was 0.98 per million hours worked. There was one lost time injury in the quarter.

The total hours worked in 2018 (Company employees and on-site contractors) was approximately 5.0 million.

Community

As part of the ongoing integration of the communities, monthly community meetings have been established at regular times within all the stakeholder communities associated with the ELG Mine Complex. These meetings are open to all community members (not just leaders) and are open format – anyone can ask questions. This provides an opportunity for the Community Relations Team ("CR Team"), and hence the ELG operation, to understand the evolving community concerns. The meetings allow for the flow of information from the community and to the community.

Our community development agreements allow an opportunity for communities to determine which projects we will support within the total funds made available to them. During the fourth quarter of 2018, our CR Team worked with the local communities to define their projects and budgets for 2019. This process provides the community a direct link tying the financing of their projects to the success of the Company – the agreements define the community gains and what would be lost in the case of a business interruption, so garnering more support for the operation from the less involved members of the community.

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. Work towards this goal includes infill drilling with the goal of upgrading approximately 25% of the inferred resource to the measured and indicated confidence categories, which are suitable for inclusion in a feasibility study. The total budget for this undertaking is estimated at $15.0 million with completion targeted for late 2019 with an updated resource estimate planned for two months after the completion of the drill program. As at December 31, 2018, the Company capitalized $15.8 million, including $12.8 million in the year ended December 31, 2018 in relation to development activities at the Media Luna Project.

Key trade-off studies prior to the commencement of a feasibility study are targeted for completion by mid-2019 and are budgeted at $1.0 million. A feasibility study with a budget of $9.0 million is planned to start in late 2019 with completion aimed for late 2020 or mid-2021. Pending the results of the feasibility study, the current strategy is to have Media Luna ramped up to full production when the open pits are exhausted at the end of 2024.

At the Media Luna Project, the Company is subject to various environmental, exploration, land use, water and infrastructure construction permits to which the Company works under.

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

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

Morelos Gold Property Exploration Update

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

Opportunistically, untested targets will be drilled when this can be done efficiently in conjunction with one of the in-fill drill programs. One, such opportunity is a porphyry target that is close to the Media Luna area. One hole was drilled into this target in late 2018. Further drilling into this target will be deferred until more advantageous, lower on the ridge, drill platforms can be accessed. There are similar opportunities that are underway to leverage the drills from the Sub-Sill, to test for mineralization similar to the Sub-Sill, in the vicinity of the Guajes pit.

There are currently 11 diamond drills operating on the Morelos property. Results will be released as they come available and are analyzed.

FINANCIAL CONDITION REVIEW

The Company's Debt Facility (defined below and discussed in the "Debt Financing" section of this MD&A) has financial covenants, which, if not met, could result in an event of default. The Company's Debt Facility also contains cross-default provisions with the Company's Finance Lease Arrangement and Equipment Loan (both terms defined below and discussed in the "Debt Financing" section of this MD&A). As at December 31, 2018, the Company is in compliance with all financial and operating covenants.

Summary Balance Sheet

The following table summarizes key balance sheet items at December 31, 2018:

Table 4.

In millions of U.S. dollars	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 122.2	$ 44.9
Restricted cash	26.8	13.9
Value-added tax receivables	49.5	54.8
Inventory	58.3	63.1
Property, plant and equipment	984.2	973.9
Other assets	30.4	17.5
Total assets	$ 1,271.4	$ 1,168.1
Accounts payable and accrued liabilities	$ 93.4	$ 50.9
Debt	333.5	385.6
Deferred income tax liabilities	51.4	26.3
Other liabilities	33.5	26.0
Total liabilities	$ 511.8	$ 488.8
Total shareholders' equity	$ 759.6	$ 679.3

Cash and cash equivalents and restricted cash

The Company ended the fourth quarter of 2018 with cash on hand of $122.2 million, with an additional $26.8 million in restricted cash. The Company holds cash balances in both Canadian dollars and Mexican pesos, as well as U.S. dollar holdings.

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

Pursuant to the Debt Facility, the Company maintains restricted cash of $26.8 million in respect of reserve funds for estimated reclamation obligations. Each year the Company completes an updated progressive mine closure plan to assess the estimated costs to remediate disturbed areas and if necessary, sets aside additional funds. On April 2, 2018, the Company transferred an additional $12.6 million to restricted cash for potential reclamation obligations pursuant to the Debt Facility.

Value-added tax ("VAT") receivables

The Company has VAT receivables primarily denominated in Mexican pesos. The VAT receivables balance fluctuates as additional VAT is paid and refunds are received, as well as with the movement of the Mexican peso exchange rate relative to the U.S. dollar. During the year ended December 31, 2018, the Company collected $57.9 million in VAT receivables, and interest of $8.6 million.

Inventory

The decrease in inventory of $4.8 million is largely due to the timing of gold sales and the settlement of carbon fines.

Property, plant and equipment

Property, plant and equipment increased by $144.6 million for infrastructure, equipment, and capitalized stripping costs offset by depreciation and amortization and disposals of $134.3 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were $93.4 million at December 31, 2018 compared to $50.9 million at December 31, 2017. The increase is due to an increase in activity, the timing of payments, and the impact of accrued costs in relation to a new bonus structure for employees in Mexico.

Debt

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

DEBT FINANCING

Debt Facility

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

The Debt Facility bears interest at a rate of LIBOR plus 4.00% for the first two years, LIBOR plus 4.25% for years three and four, and LIBOR plus 4.50% thereafter and includes standard and customary finance terms and conditions. The Debt Facility is secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries. The Revolving Facility and the Term Facility will mature June 30, 2020 and June 30, 2022, respectively. The first scheduled repayment of the Term Facility of $9.3 million was made on March 31, 2018, and varying repayments continue in quarterly instalments until maturity. The Revolving Facility and the Term Facility may be repaid in full at any time without penalty or premium. In the year ended December 31, 2018, the Company repaid $49.5 million of the Debt Facility, including $13.2 million in the fourth quarter of 2018.

The Debt Facility provides for, as part of the permitted payments, potential spending to facilitate the Company's Media Luna Project and the Sub-Sill from ELG cash flow, subject to satisfaction of the terms of the Debt Facility, including compliance with financial covenants related to maintaining a minimum liquidity of $50.0 million, minimum current and prospective debt service coverage ratio of 1.2, maximum net leverage ratio of 3.0, and mandatory cash sweeps as described below.

The net leverage ratio means, as at any calculation date, the ratio of MML's net indebtedness divided by a four-quarter rolling Earnings Before Interest, Taxes, Depreciation and Amortization as defined by the ARCA.

Under the terms of the ARCA, a mandatory cash sweep is introduced until $50.0 million of the Term Facility has been repaid if (i) any mine plan or base case financial model requiring approval of the majority lenders does not receive such approval or (ii) the ELG Mine Complex does not meet 90% of certain projected operating and economic performance parameters for the six months ended December 31, 2018. The Company met the required threshold for these parameters for the six months ending December 31, 2018 and therefore the introduction of a cash sweep is limited to (i) above.

In accordance with the ARCA, the Company provided the Banks, with an updated mine plan by June 30, 2018. The ARCA required a minimum reserve tail ratio of 30%. In September 2018, the Banks agreed to waive compliance with the reserve tail covenant for purposes of the 2018 mine plan so that the Company could submit an alternative optimized mine plan that meets the requirements of the ARCA, except as it relates to the reserve tail covenant. This consent is effective until the date ("Waiver End Date") that is the earlier of (i) the date on which a mine plan delivered in accordance with the ARCA evidences compliance with the reserve tail covenant ("RTR Compliant Mine Plan"); (ii) the date on which a mine plan delivered in accordance with the ARCA evidences a reserve tail ratio of less than 27% ("RTR

Floor Non-Compliant Mine Plan"); and (iii) the date on which the Company is required to deliver a mine plan under the ARCA and fails to do so.

In the event that the mine plan delivered by the Company pursuant to the ARCA following the end of fiscal 2018 is neither an RTR Compliant Mine Plan nor a RTR Floor Non-Compliant Mine Plan, the Company shall from and including November 15, 2019 and on each quarterly date thereafter (each a "RTR Prepayment Date") until the Waiver End Date, prepay outstanding credit under the ARCA in an amount equal to the RTR Prepayment Amount, which is the greater of (i) $2.6 million and (ii) such amount as is required to ensure that equal quarterly repayments will be made on each RTR Prepayment Date so that the ARCA is repaid in full as at the last fiscal quarter the Company is in compliance with the reserve tail covenant based on the mine plan as at such RTR Repayment Date.

As at December 31, 2018, the Company is in compliance with the financial and other covenants under the Debt Facility.

Equipment Loan

On December 23, 2015, the Company, through its subsidiary MML, executed a $7.6 million four-year loan agreement with BNP Paribas (the "Equipment Loan"). The Equipment Loan, secured by certain mining vehicles that are owned by the Company, is due to mature on December 31, 2019, is repayable in quarterly instalments starting March 31, 2016, and bears interest at a rate of LIBOR plus 3.75%. The loan is carried at amortized cost on the Consolidated Statements of Financial Position. As at December 31, 2018, the Company has made principal repayments of $6.0 million, of which $1.6 million were paid in the year ended December 31, 2018 (paid in the year ended December 31, 2017 - $2.5 million).

Finance Lease Arrangement

On December 31, 2015, the Company, through its subsidiary MML, executed a finance lease agreement for up to $17.4 million with Parilease SAS (the "Finance Lease Arrangement") to finance certain mining equipment. Advances under the Finance Lease Arrangement bear interest at a rate of LIBOR plus 4.00% and are repayable in quarterly instalments over five years. On December 26, 2016 and August 7, 2017, the Company signed amendments to the Finance Lease Arrangement that included increases of $6.3 million and $1.2 million, respectively, in available funds, bringing the total funds available to $24.9 million. As at December 31, 2018, the Company has utilized $24.5 million of the amount available and has made principal repayments of $9.4 million, of which $5.2 million were paid in the year ended December 31, 2018 (paid in the year ended December 31, 2017 - $3.6 million).

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at December 31, 2018 were $1,271.4 million (December 31, 2017 - $1,168.1 million), which includes $122.2 million in cash and cash equivalents (December 31, 2017 - $44.9 million), excluding restricted cash of $26.8 million (December 31, 2017 - $13.9 million).

The Company had working capital of $41.6 million as at December 31, 2018, compared to $32.9 million at December 31, 2017.

Cash flow generated from operating activities, excluding changes in non-cash working capital, for the year ended December 31, 2018 was $185.5 million compared to $91.9 million for the year ended December 31, 2017.

Investing activities resulted in net cash outflows of $116.6 million in the year ended December 31, 2018, compared with net cash outflows of $75.1 million for the comparative period in 2017. The increase in cash outflows is largely due to a $12.9 million transfer, including interest collected, to restricted cash in connection with future reclamation obligations, combined with the higher additions to property, plant, and equipment by $21.6 million and capitalized borrowing costs of $0.6 million. This is partially offset by the net cash inflow increase of $3.1 million of the net value-added tax receivables of $20.7 million in the year ended December 31, 2018 compared to the net amount of $17.6 million in the comparative period.

Financing activities resulted in net cash outflows of $32.5 million for the year ended December 31, 2018 compared with cash outflows of $58.3 million in the comparative period. Net cash flows from financing activities for the year ended December 31, 2018 relate primarily to proceeds from the Offering of $48.1 million, (net of share issuance costs), less interest paid of $24.4 million, and repayments under the Debt Facility, Finance Lease Arrangement, and Equipment Loan totalling $56.3 million. In comparison, for the year ended December 31, 2017, cash flows used in financing activities related to interest paid of $26.4 million, repayments under the VAT Loan, Equipment Loan and Finance Lease Arrangement totalling $26.4 million, and $6.5 million paid to refinance the previously entered into loan facility, partially offset by a cash inflow of $1.0 million for the exercise of stock options.

As at December 31, 2018, the Company's contractual obligations included office lease agreements, office equipment leases, long-term land lease agreements with the Rio Balsas, the Real del Limón, Atzcala and the Puente Sur Balsas Ejidos and the individual owners of land parcels within certain of those Ejido boundaries, and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine Complex. All of the long-term land lease agreements can be terminated at the Company's discretion at any time without penalty.

In October 2017, the Company signed a 25-year common land, lease agreement with the Puente Sur Balsas Ejido for the land required for the exploration, construction, and mining of minerals at the Media Luna Project. The agreement can be revoked at the Company's discretion, with one year's notice. The agreement satisfies the land access requirement that is a pre-condition to entering the regulatory process to obtain permits for the development and operation of a future Media Luna mine. These agreements are not included in the contractual commitments reported below. In addition, the Company has entered into several exploration-related agreements, all of which are cancellable within a year at the Company's discretion.

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

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 2018, the Company paid $9.1 million relating to the 2.5% royalty for the four quarters ending September 30, 2018. In January 2019, the Company paid $3.1 million relating to the fourth quarter of 2018 for the 2.5% royalty.

The Company is subject to a mining tax of 7.5% on earnings before the deduction of taxes, interest, depreciation and amortization, and a royalty of 0.5% on sales of gold, silver and platinum. Both the mining tax and 0.5% royalty are payable on an annual basis in April of the following year. In April 2018, the Company paid $5.5 million relating to royalties due for 2017 in respect of the 7.5% and 0.5% royalties.

Contractual Commitments

Table 5.

		Payments Due by Period			
In millions U.S. dollars	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Greater than 5 years**
Long-term leases	$ 5.4	$ 1.1	$ 2.8	$ 0.5	$ 1.0
ELG Mine Complex operating commitments	30.2	30.2	-	-	-
ELG Mine Complex capital commitments	3.7	3.7	-	-	-
Debt	342.1	82.8	208.3	51.0	-
Total	**$ 381.4**	**$ 117.8**	**$ 211.1**	**$ 51.5**	**$ 1.0**

OUTSTANDING SHARE DATA

Table 6.

Outstanding Share Data at February 20, 2019	Number
Common shares	85,138,598
Share purchase options [1]	712,029
Restricted share units [2,3]	503,431
Performance share units [4]	596,353

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 World Gold Council ("WGC"). Adoption of the standard is voluntary and other companies may quantify this measure differently as a result of different underlying principles and policies applied.

All-In Sustaining Costs

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

Torex reports AISC in accordance with the guidance issued by the WGC in June 2013. The WGC definition of AISC seeks to extend the definition of total cash costs by adding corporate general and administrative costs, reclamation and remediation costs (including accretion and amortization), exploration and study costs (capitalized and expensed), capitalized stripping costs, sustaining capital expenditures and sustaining leases and represents the total costs of producing gold from current operations. AISC exclude income tax payments, interest costs, costs related to business acquisitions and 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 total cash costs and all-in-sustaining costs. The Company intends to adopt the updated guidance beginning January 1, 2019.

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

Table 7.

		Three Months Ended		Year Ended	
In millions of U.S. dollars, unless otherwise noted		**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Gold sold	oz	104,169	31,398	347,640	248,797
Total cash costs per ounce sold					
Production costs and royalties [1]	$	67.4	24.2	229.3	179.0
Less: Silver sales	$	(1.0)	(0.5)	(3.0)	(2.5)
Less: Copper sales	$	(1.1)	-	(1.6)	-
Total cash costs	$	65.3	23.7	224.7	176.5
Total cash costs per ounce sold	$/oz	627	755	646	709
All-in sustaining costs per ounce sold					
Total cash costs	$	65.3	23.7	224.7	176.5
General and administrative costs [2]	$	4.9	4.1	21.0	18.9
Reclamation and remediation costs	$	0.5	0.2	1.9	1.3
Sustaining exploration costs [3]	$	0.3	-	1.3	-
Sustaining capital expenditure [4]	$	25.5	3.9	86.1	49.3
Total all-in sustaining costs	$	96.5	31.9	335.0	246.0
Total all-in sustaining costs per ounce sold	$/oz	926	1,016	964	989

1. Included within production costs and royalties is the cash component of an inventory impairment charge for long-term, low-grade stockpiles planned for processing at the end of the Company's life of mine of $1.5 million or $14/oz for the quarter and $4/oz for the year ended December 31, 2018.
2. Includes share-based compensation in the amount of $1.7 million, or $16/oz, and $7.4 million, or $21/oz for the three and twelve months ended December 31, 2018, respectively.
3. Sustaining exploration costs for the three and twelve months ended December 31, 2018 exclude $1.5 million and $4.2 million of evaluation costs in relation to Muckahi.
4. Based on additions to property, plant and equipment per the Statement of Cash Flows for the three and twelve months ended December 31, 2018, of $38.6 million and $123.8 million, respectively. Before changes in net working capital for the three and twelve months ended December 31, 2018, of $3.7 million and $7.3 million, respectively, capital expenditures for the three and twelve months ended December 31, 2018 totalled $34.9 million and $116.5 million. Sustaining capital expenditures of $25.5 million in the three months ended December 31, 2018 are related to $19.9 million for the cash component of capitalized stripping activities, and $5.6 million for sustaining equipment and infrastructure expenditures. Sustaining capital expenditures in the twelve months ended December 31, 2018 of $86.1 million include $61.4 million for the cash component of capitalized stripping activities, and $24.7 million for sustaining equipment and infrastructure expenditures. Non-sustaining capital expenditures of $9.4 million in the three months ended December 31, 2018 relating to the SART plant, El Limón Deep, the Sub-Sill, and the Media Luna Project, have been excluded from AISC. Non-sustaining capital expenditures of $30.4 million in the twelve months ended December 31, 2018 relating to the SART plant, the El Limón Deep tunnel, the Sub-Sill, and the Media Luna Project, have been excluded from AISC.

Average Realized Price and Average Realized Margin

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

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

The average realized price for the fourth quarter of 2018 was $1,235 per ounce of gold sold compared to $1,284 per ounce of gold sold for the fourth quarter of 2017. The decrease is primarily a result of lower average spot prices. The average realized price for the twelve months ended December 31, 2018 was $1,261 compared to $1,254 in the twelve months ended December 31, 2017. The increase is a result of higher average spot prices in 2018 compared to 2017.

The average realized margin for the fourth quarter of 2018 was $608 per ounce of gold sold compared to $529 per ounce of gold sold for the fourth quarter of 2017. The average realized margin for the twelve months ended December 31, 2018 was $615 per ounce compared to $545 per ounce for the twelve months ended December 31, 2017. The increase primarily reflects lower total cash costs and the increase in average spot prices.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

Table 8.

		Three Months Ended		Year Ended	
In millions of U.S. dollars, unless otherwise noted		**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Gold sold	oz	104,169	31,398	347,640	248,797
Revenue	$	130.7	40.8	442.9	314.9
Less: Silver sales	$	(1.0)	(0.5)	(3.0)	(2.5)
Less: Copper sales	$	(1.1)	-	(1.6)	-
Less: Realized loss on Gold Contracts	$	-	-	-	(0.5)
Total proceeds	$	128.6	40.3	438.3	311.9
Total average realized price per ounce	$/oz	1,235	1,284	1,261	1,254
Less: Total cash costs per ounce	$/oz	627	755	646	709
Total average realized margin per ounce	$/oz	608	529	615	545

Adjusted Net Earnings (Loss)

Adjusted net earnings (loss) and adjusted net earnings (loss) per share (basic and diluted) are used by management and investors to measure the underlying operating performance of the Company. Presenting these measures from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods.

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

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

Beginning in the second quarter of 2018, the Company updated adjusted net earnings (loss) to include the tax effect of currency translation on tax base to better reflect the underlying operating performance of the Company. Comparatives have been restated.

Adjusted net earnings for the fourth quarter of 2018 was $13.9 million, compared to the adjusted net earnings of $0.3 million for the fourth quarter of 2017. Adjusted net earnings for the year ended December 31, 2018 was $19.7 million, compared to the adjusted net loss of $24.8 million for the year ended December 31, 2017. The increase in adjusted net earnings is largely due to higher net income, partially offset by the tax effect of currency translation on tax base.

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

Table 9.

		Three Months Ended		Year Ended	
In millions of U.S. dollars, unless otherwise noted		**Dec 31, 2018**	**Dec 31, 2017 [1]**	**Dec 31, 2018**	**Dec 31, 2017 [1]**
Basic weighted average shares outstanding	shares	84,915,976	79,852,660	84,365,072	79,796,545
Diluted weighted average shares outstanding	shares	85,275,388	79,852,660	84,519,275	79,796,545
Net income (loss)	$	1.4	(25.0)	23.2	(12.6)
Adjustments, after-tax:					
Unrealized foreign exchange loss (gain)	$	1.3	4.6	(1.9)	(2.3)
Unrealized loss (gain) on derivative contracts	$	0.1	1.7	(1.9)	0.6
Tax effect of adjustments	$	(0.5)	(1.9)	1.1	(0.1)
Tax effect of currency translation on tax base [1]	$	11.6	20.9	(0.8)	(10.4)
Adjusted net earnings (loss)	$	13.9	0.3	19.7	(24.8)
Per share - Basic	$/share	0.16	0.00	0.23	(0.31)
Per share - Diluted	$/share	0.16	0.00	0.23	(0.31)

1. Beginning in the second quarter of 2018, the Company updated adjusted net earnings (loss) to include the tax effect of currency translation on tax base. Comparatives have been restated.

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 losses, derivative costs, finance income and expenses, and taxation.

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

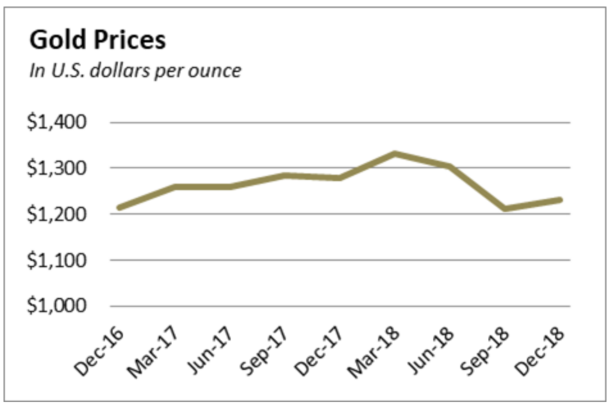
ECONOMIC TRENDS

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

Table 10.

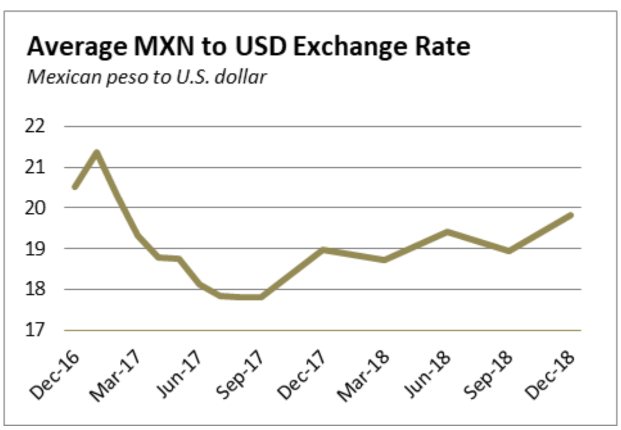
		Three Months Ended December 31		Year Ended December 31	
		2018	2017	2018	2017
Average market spot prices					
Gold	$/oz	1,233	1,279	1,269	1,260
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : $	19.8	19.0	19.2	18.9
Canadian dollar : U.S. dollar	C$: $	1.32	1.27	1.30	1.30

Metal prices



The Company's profitability and operating cash flows are significantly impacted by the price of gold. The market price of gold continued to exhibit volatility during the twelve months ended December 31, 2018, and averaged $1,269 per ounce of gold, up 1% over the average price for the twelve months ended December 31, 2017. Prior to July 2017, the Company's profitability and operating cash flows were less impacted by volatility in the market spot prices as the Company had fixed price gold contracts ("Gold Contracts") for the sale of a portion of the Company's production. These Gold Contracts were extinguished in 2017.

Foreign exchange rates



The Company's functional currency is the U.S. dollar and it is therefore exposed to financial risk related to foreign exchange rates. In particular, approximately 47% of the Company's costs for the twelve months ended December 31, 2018 were incurred in Mexican pesos. Although the Company has entered into Mexican Peso contracts ("Peso Contracts") to fix a portion of its Mexican peso-denominated costs and operating expenditures, changes in exchange rates are still expected to have an impact on the Company's results. In addition, the Company is exposed to foreign exchange risk on its non-U.S. dollar denominated monetary assets and liabilities. The average exchange rate of the Mexican peso relative to the U.S. dollar was 19.2 and 18.9 pesos for the year ended December 31, 2018 and the year ended December 31, 2017, representing a depreciation of 2% in the Mexican peso. All of the Company's remaining Peso Contracts are expected to finish in the first quarter of 2019.

SUMMARY OF ANNUAL INFORMATION

Selected Annual Information

Table 11.

In millions, except per share amounts of U.S. dollars	**December 31, 2018**	December 31, 2017	December 31, 2016
Revenues	**$ 442.9**	$ 314.9	$ 312.5
Net income (loss)	**23.2**	(12.6)	3.2
Income (loss) per share - basic and diluted	**0.27**	(0.16)	0.04
Total assets	**1,271.4**	1,168.1	1,206.3
Long-term liabilities	**317.3**	370.1	450.1
Dividends	**$ -**	$ -	$ -

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

Revenues for the year ended December 31, 2018 represent approximately eleven and a half months of operations, including approximately three months of partial operations during the Blockade, and revenues for the year ended December 31, 2017 represent approximately ten months of operations due to the Blockade which commenced in November 2017 and lifted January 16, 2018. In April 2016, the Company transitioned to commercial production. No revenues were recognized in periods prior to April 1, 2016, and proceeds from the sale of gold during the first quarter of 2016 were offset against development costs as the ELG Mine Complex had not yet reached commercial production.

In 2018, total assets increased due to the Offering and an increase in cash flow from operating activities due to more ounces sold. In 2017, total assets decreased due to the Blockade.

In 2018, the Company commenced principal repayments on its Debt Facility which was refinanced in 2017 and continued to make repayments on the Equipment Loan and Finance Lease. The Company paid $49.5 million in relation to the Debt Facility during 2018. In 2017, the Company repaid the VAT Loan and made repayments on the Equipment Loan and the Finance Lease. In 2016 there were no principal repayments due within 12 months under the Debt Facility as principal repayments only became due beginning in 2018.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

Table 12.

		2018				2017			
In millions of U.S. dollars, unless otherwise noted		**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**
Financial Results									
Revenue	$	130.7	126.4	101.8	84.0	40.8	100.5	86.6	87.0
Net income (loss)	$	1.4	23.9	(12.3)	10.2	(25.0)	(1.6)	5.1	8.9
Per share - Basic	$/share	0.02	0.28	(0.14)	0.12	(0.31)	(0.02)	0.06	0.11
Per share - Diluted	$/share	0.02	0.28	(0.14)	0.12	(0.31)	(0.02)	0.06	0.11

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

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

TRANSACTIONS WITH RELATED PARTIES

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to Note 4 in the Company's audited consolidated financial statements for the year ended December 31, 2018.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 3 in the Company's audited consolidated financial statements for the year ended December 31, 2018.

FINANCIAL RISK MANAGEMENT

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

Credit risk

Credit risk is the risk of a loss associated with a counterparty's inability to fulfill its contractual payment obligations. All of the Company's cash, cash equivalents, restricted cash, derivative contracts, and VAT receivables are with reputable financial institutions or government agencies and, as such, the Company does not consider its credit risk on these balances to be significant as at December 31, 2018.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2018, the Company had cash balances of $122.2 million, excluding restricted cash of $26.8 million (December 31, 2017 – cash balance of $44.9 million, excluding restricted cash of $13.9 million). The Company maintains its cash in fully liquid business accounts. At December 31, 2018, the cash balance held by MML was $87.4 million (December 31, 2017 - $23.9 million).

As at December 31, 2018, the amounts outstanding under the Debt Facility, Equipment Loan, and Finance Lease Arrangement, totalled $325.5 million, $1.6 million, and $15.0 million, respectively.

The cash flows that are expected to fund the ELG Mine Complex and settle current liabilities are dependent on, among other things, proceeds from gold sales and recovery of the Company's VAT receivables. The Company is exposed to liquidity and credit risk with respect to its VAT receivables if the Mexican tax authorities are unable, or unwilling to make payments in a timely manner in accordance with the Company's monthly filings. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up.

As at December 31, 2018, the Company's VAT receivable balance is $49.5 million and in respect of this balance, the Company expects to recover $33.8 million during the next twelve months and a further $15.7 million thereafter. The Company's approach to managing liquidity risk with respect to its VAT receivables is to file its refund requests on a timely basis, monitor actual and projected collections of its VAT receivables, and cooperate with the Mexican tax authorities in providing information as required. Although the Company expects a full recovery, there remains risk on the amount and timing of collection of the Company's VAT receivables, which may affect the Company's liquidity and ability to fund other priorities.

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

Foreign Currency Risk

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

As at December 31, 2018, the Company had cash and cash equivalents, amounts receivable, VAT receivables, accounts payable and accrued liabilities and income taxes payable that are in Mexican pesos and in Canadian dollars. As at December 31, 2018, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $0.7 million in the Company's net income for the year ended December 31, 2018. A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $0.3 million in the Company's net income for the year ended December 31, 2018.

As at December 31, 2018, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in an increase or decrease of $0.3 million (using the spot rate as at December 31, 2018 of $19.7 Mexican pesos per U.S. dollar) in the Company's net income for the twelve months, as a result of the change in the value of the Peso Contracts.

As at December 31, 2018, based on ending spot rates compared to the year ended December 31, 2017, the Mexican peso appreciated by 0.3%. This led to an increase in the U.S. dollar equivalent tax value of the Company's property, plant and equipment, which for tax purposes is denominated in Mexican pesos. This increase in value for tax purposes, without a change in the value of the property, plant and equipment for IFRS purposes (as it is denominated in U.S. dollars) decreased the temporary difference between the values. The difference in these values at December 31, 2018, multiplied by the applicable Mexican tax rate, derives the associated deferred tax liability for this year. This value was still greater than the equivalent deferred tax liability value calculated for the prior year. The difference in these liabilities resulted in a deferred tax expense for the year.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument, or its fair value will fluctuate because of changes in market interest rates. As at December 31, 2018, a 100-basis point change in the LIBOR rate would result in a $3.4 million change per annum in interest expense relating to the Company's Debt Facility, Equipment Loan and Finance Lease Arrangement based on current market spreads. The Company has not entered into any agreements to hedge against unfavourable changes in interest rates.

RISKS AND UNCERTAINTIES

For a more comprehensive discussion of the 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.

Indebtedness risks

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

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

Safety and security risks

The ELG Mine Complex and the Media Luna Project are located in the State of Guerrero, Mexico. Guerrero State suffers from high levels of criminality. The homicide rate is among the highest in the world and organized crime is active in the state, and in the region surrounding the ELG Mine Complex. Criminal activities in the region, or the perception that activities are likely, may disrupt the Company's operations, hamper the Company's ability to hire and keep qualified personnel and impair the Company's access to sources of capital. Risks associated with conducting business in the region include risks related to personnel safety and asset security. Risks may include, but are not limited to: kidnappings of employees and contractors; exposure of employees and contractors to local crime related activity and disturbances; exposure of employees and contractors to drug trade activity; and damage or theft of Company or personal assets including the Company's future gold shipments. These risks may result in serious adverse consequences including personal injuries or death, property damage or theft, limiting or disrupting operations, restricting the movement of funds, impairing contractual rights and causing the Company to shut down operations, all of which may expose the

Company to costs as well as potential liability. Such events could have a material adverse effect on the Company's cash flows, earnings, results of operations and financial condition and make it more difficult for the Company to obtain financing, if needed. Although the Company has developed procedures regarding these risks, due to the unpredictable nature of criminal activities, there is no assurance that the Company's efforts are able to effectively mitigate risks and effectively safeguard personnel and Company property.

Illegal blockades

Local communities may be influenced by external entities, groups, or organizations opposed to mining activities or seeking to gain illegally from mining. Social acceptance of MML remains strong and local communities are largely supportive of the ELG Mine Complex; however, the ELG Mine Complex does experience blockades from time to time. Most recently, the Company's operations in the ELG Mine Complex were shut down because of an illegal blockade from the Miners Union from November 3, 2017 to April 6, 2018.

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

The Company has been working with the government to mitigate this risk of blockades, and it is expected that the economic benefits of the ELG Mine Complex will reach more local citizens now that the government's mining fund, which is supported by royalties from the ELG Mine Complex, is investing in the development of infrastructure within the communities of the Municipality of Cocula. There is no assurance that the Company's efforts will be able to effectively mitigate such risks.

Operational risks

Precious metal exploration, mine development and operations

The most significant risks and uncertainties the Company faces are: the Company's reliance on its principal assets, the ELG Mine Complex and the Media Luna Project that form part of its 100% owned Morelos Gold Property; key issues relating to the development and exploitation of the ELG Mine Complex; open pit mining risks; risks associated with the ramp-up of the processing plant, fluctuation in gold and other metal prices, commodity price risk, currency exchange rate fluctuations, capital and operational cost estimates, access to the ELG Mine Complex and the possibility of blockades, dependence on good relationships with employees and contractors and the possibility of labour unrest, strikes and similar job actions, dependence on key executives and employees, limited operating history, generating positive cash flow, the ability of the Company to secure additional financing, the safety and security of the Company properties, including criminal activity such as theft and robbery, servicing of the indebtedness of the Company, the ability to secure necessary permits and licenses, leases for the land on which the Company operates, including surface and access rights, foreign operations and political and country risk, government policies and practices in respect of the administration of recovery of VAT funds and recovery of VAT funds, exploration, development, exploitation and the mining industry generally, environmental risks and hazards, potential impacts of climate change, decommissioning and reclamation costs, parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect, actual results of current exploration, development and exploitation activities not being consistent with expectations, potential litigation, hiring the required personnel and maintaining personnel relations, future commodity prices, infrastructure, single property focus, use and reliance of experts outside Canada, competition, hedging contracts, interest rate risk, price and volatility of public stock, limitations under the 2017 Debt Facility, Equipment Loan and Finance Lease Arrangement, liquidity of parent company, conflicts of interest of certain personnel, credit and liquidity risk, compliance with anti-corruption laws, enforcement of legal rights, accounting policies and internal controls. For additional information relating to the Company, and a detailed description of risks and uncertainties refer to the Company's most recent annual information form, which is available at the Company's profile on SEDAR at www.sedar.com. See also "Cautionary Notes."

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Based on a review of the internal controls over financial reporting at December 31, 2018 conducted by the President and Chief Executive Officer and Chief Financial Officer, the Company's internal controls and procedures are appropriately designed and operating effectively to provide reasonable assurance that the financial information is recorded, processed, summarized and reported in a timely manner.

There was no change in the Company's internal controls over financial reporting that occurred during the fourth quarter of 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design and operating effectiveness of the disclosure controls and procedures, that as of December 31, 2018, the Company's disclosure controls and procedures have been designed and operate effectively to provide reasonable assurance that material information is made known to them by others within the Company.

Limitations of Controls and Procedures

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

QUALIFIED PERSONS

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

ADDITIONAL INFORMATION

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

CAUTIONARY 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 do not have demonstrated economic viability.

The Media Luna PEA includes information on Muckahi. It is important to note that Muckahi is experimental in nature and has not been tested in an operating mine. Many aspects of the system are conceptual, and proof of concept has not been demonstrated. Drill and blast fundamentals, standards and best practices for underground hard rock mining are applied in the Muckahi, where applicable. The proposed application of a monorail system for underground transportation for mine development and production mining is unique to underground hard rock mining. There are existing underground hard rock mines that use a monorail system for transportation of materials and equipment, however not in the capacity described in the Technical Report. Aspects of Muckahi mining equipment are currently in the design stage. The mine design, equipment performance and cost estimations are conceptual in nature, and do not demonstrate technical or economic viability. The Company expects to complete the development and test the concept by the end of 2019 for the mine development activities and up to five years for the mine production activities (approx. second quarter 2023). Further studies would be required to verify the viability of Muckahi. Muckahi is not intended as a “trade off study” but is shown in the PEA to merely demonstrate the potential benefits Muckahi may have using the Media Luna deposit as an example. It 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, and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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

Forward-Looking Statements

This MD&A contains “forward-looking statements” and “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future exploration, development and exploitation plans concerning the Morelos Gold Property, the adequacy of the Company’s financial resources, business plans and strategy and other events or conditions that may occur in the future, and the results set out in the Technical Report including the PEA including with respect to mineral resource and mineral reserve estimates, the ability to exploit estimated mineral reserves, the Company’s expectation that the ELG Mine Complex will be profitable with positive economics from mining, recoveries, grades, annual production, receipt of all necessary approvals and permits, the parameters and assumptions underlying the mineral resource and mineral reserve estimates and the financial analysis, and gold prices, the expectation that the Company will be able to generate sufficient cash flow to satisfy the financial covenants under the Debt Facility and service its indebtedness on a timely basis, the expectation that the Company will achieve the full guidance as initially released, the expected successful ramp-up and achieving full production, expected metal recoveries, gold production, total cash costs per ounce of gold sold, AISC per ounce of gold sold and revenues from operations, and capital costs, the ability to mine and process estimated mineral reserves, near term growth opportunities in both the Sub-Sill and El Limón Deep zone and mid-term growth potential of Media Luna, plans to complete the drilling programs on Media Luna and El Limón Deep and budgets to complete drilling programs, plans to seek opportunities to acquire assets in the Americas that enable profitable and effective geographic diversification, expected production from the ELG Underground mine and related capital requirements, the expected net benefit, including cost saving, from the operation of the SART plant, and further advances of funds if required, pursuant to the Debt Facility (which is subject to certain customary conditions precedent), expected timing and receipt of VAT refunds, continued unimpeded operations and the permanent resolution of the Blockade, and plans to further examine the potential of the new mining technology (Muckahi) including the expected completion of the testing by the end of 2019, the indication based on the initial results of the infill drilling program on Media Luna that the deposit will meet expectations, plan to advance the Media Luna Project from early stage development to production, including, the goal of the infill drilling program to upgrade 25% of the inferred resources to indicated, completing key trade off studies by mid-2019 and the associated budget, plan and timeline to complete a feasibility study and subject to the outcome of the feasibility study, among other things, projected timeline for commencement of production, plan to test a porphyry target, and expected future loss carryforwards and their effect on the Company's tax expense and effective tax rate, plans to diversify the Company's single asset risk, and the Company's alternatives for redirecting restricted cash balance under the Debt Facility. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," "believes" or "potential" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "occur," or "be achieved." Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the ramp-up of the processing plant to full production, fluctuation in gold and other metal prices, commodity price risk, currency exchange rate fluctuations, capital and operational cost estimates, satisfying financial covenants under the Debt Facility, illegal blockades, dependence on good relationships with employees and contractors and labour unions, dependence on key executives and employees, limited operating history, generating positive cash flow, the ability of the Company to secure additional financing, 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, the possibility of amendments to the restrictions in the Debt Facility, government policies and practices in respect of the administration of recovery of VAT funds and recovery of VAT funds, exploration, development, exploitation and the mining industry generally, environmental risks and hazards, decommissioning and reclamation costs, parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect, actual results of current exploration, development and exploitation activities not being consistent with expectations, risks associated with skarn deposits, potential litigation, hiring the required personnel and maintaining personnel relations, future commodity prices, infrastructure, single property focus, use and reliance of experts outside Canada, competition, hedging contracts, interest rate risk, price and volatility of public stock, conflicts of interest of certain personnel, credit and liquidity risk, compliance with anti-corruption laws, enforcement of legal rights, accounting policies and internal controls as well as those risk factors included herein and elsewhere in the Company's public disclosure.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A and in the Company's annual information form ("AIF") and Technical Report, assumptions have been made regarding, among other things: the Company's ability to carry on its exploration, development and exploitation activities planned for the Morelos Gold Property, the continued ramp-up to full production, timely access to the high grade material, timely completion, the benefit expected from the operation of the SART plant, the price of gold, sufficient cash flow to satisfy its financial covenants under the Debt Facility and service its indebtedness, the ability of the Company to access the ELG Mine

Complex and the Media Luna Project without disruption, the ability of the Company to obtain qualified personnel, equipment, goods, consumables and services in a timely and cost-efficient manner, the timing and receipt of any required approvals and permits, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to fund the development and testing of Muckahi, the ability of the Company to obtain financing on acceptable terms, the ability to conclude the land access agreements for the additional target areas on the Morelos Property, the accuracy of the Company's mineral resource and mineral reserve estimates, annual production, the financial analysis contained in the Technical Report including the PEA, and geological, operational and price assumptions on which these are based, and the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

February 20, 2019