TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 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 May 8, 2018 and is intended to supplement and complement the Company's unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2018. It should be read in conjunction with the Company's annual audited consolidated financial statements and annual management's discussion and analysis for the year ended December 31, 2017. All dollar figures included therein and in the following MD&A are stated in United States dollars ("U.S. dollar") unless otherwise stated.

FIRST QUARTER 2018 HIGHLIGHTS

The processing plant was restarted under the illegal blockade (the "Blockade"). The team delivered a strong operating performance.

- **Gold produced** totalled 67,167 ounces in Dore, and an additional 8,887 ounces in carbon fines.
- **Mine production**, 3,079 kt, averaged 41,053 tpd. **Mine ore production**, 571 kt, averaged 7,613 tpd.
- **Average grade mined** was 3.29 gpt.
- **Plant throughput**, 785 kt, averaged 10,467 tpd, or 75% of design capacity of 14,000 tpd.
- **Average grade processed** in the quarter of 3.13 gpt.
- **Gold recovery** averaged 87%, consistent with design expectations.
- **SART plant construction** is on track to be fully operational at the beginning of July 2018.
- **Sub-Sill mining** was restarted in March 2018, one month ahead of schedule.
- **Principal repayment** of $9.3 million was made to reduce the Term Loan under the Debt Facility to $290.7 million.

Subsequent to the end of the first quarter of 2018, the blockade ended and full access has been restored

- On April 6, 2018, after a negotiation with community leaders that the Company was not a party to, the supporters of the Miners Union (Los Mineros) ended the Blockade. On April 10, 2018, the Company received notification from the Federal Labour Board that the Miners Union had withdrawn their application to challenge and to become the legally constituted the incumbent union for the Company's union-eligible employees. Further details are provided in the "Community" section of this MD&A. In April 2018, plant throughput was constrained as mine production transitioned to the El Limón Pit, which had been unavailable during the Blockade. Starting in May, and for the rest of the year, plant throughput is expected to average 12,500 tonnes per day.

Financial results

- **Net income** totalled $10.2 million, or $0.12 per share, on a basic and diluted basis.
- **Adjusted net earnings**[1] totalled $6.6 million, or $0.08 per share on a basic and diluted basis.
- **Earnings from mine operations** totalled $18.8 million.
- **Cash flow from operations** totalled $52.5 million.
- **Revenue** totalled $84.0 million and **cost of sales** totalled $65.2 million, or $1,036 per ounce of gold sold.
- **Gold sold** for the first quarter of 2018 totalled 62,906 ounces for total proceeds of $83.7 million at an **average realized gold price**[1] of $1,331 per ounce.
- **Cash balances** as at March 31, 2018 totalled $124.4 million (including restricted cash of $13.9 million).
- **Total cash costs**[1] of $730 per ounce of gold sold.
- **All-in sustaining costs ("AISC")**[1] of $954 per ounce of gold sold.

Grade and tonnage continue to reconcile well to the reserve model for the ELG Open Pits

- **Total ounce reconciliation** of 106% to the reserve model for the quarter.
- **Grade reconciliation** of 96% to the reserve model for the quarter.

Financing

- On January 29, 2018, the Company announced that it had entered into an agreement with a syndicate of underwriters led by BMO Capital Markets, under which the underwriters agreed to purchase, on a "bought deal" basis, 4,370,000 common shares at a price of C$12.60 per common share for gross proceeds of approximately C$55.0 million (the "Offering"). The Offering closed on February 7, 2018 and resulted in aggregate net proceeds of C$58.5 million to the Company. As part of the Offering, the underwriters partially exercised their over-allotment option and purchased an additional 12% of the Offering with the remainder of the over-allotment option being exercised and closing on February 16, 2018, for aggregate net proceeds of C$60.0 million to the Company.

The maiden ELG Underground mineral reserves and mine plan was declared in the first quarter of 2018

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

[1] 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.

		Three Months Ended				
In millions of U.S. dollars, unless otherwise noted		Mar 31, 2018 [3]	Dec 31, 2017 [3]	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Operating Data						
Mining						
Ore tonnes mined	kt	571	633	1,140	1,164	711
Waste tonnes mined	kt	2,508	2,319	7,546	7,212	5,725
Total tonnes mined	kt	3,079	2,952	8,686	8,376	6,436
Strip ratio [2]	waste:ore	4.4	3.7	6.7	6.2	8.1
Average gold grade of ore mined	gpt	3.29	3.03	2.53	2.37	2.19
Ore in stockpile	mt	0.5	0.8	0.5	0.5	0.6
Processing						
Average plant throughput	tpd	10,467	12,588	12,522	13,063	10,455
Average gold recovery	%	87	85	87	86	85
Average gold grade of ore processed	gpt	3.13	2.72	2.35	2.37	2.49
Production and sales						
Gold produced	oz	67,167	28,162	67,337	74,487	70,887
Gold sold	oz	62,906	31,398	78,254	68,398	70,747
Gold from carbon fines produced	oz	8,887	1,809	3,305	3,037	-
Financial Data						
Revenue	$	84.0	40.8	100.5	86.6	87.0
Cost of sales	$	65.2	34.1	83.4	71.7	71.0
Earnings from mining operations	$	18.8	6.7	17.1	14.9	16.0
Net income (loss)	$	10.2	(25.0)	(1.6)	5.1	8.9
Per share - Basic	$/share	0.12	(0.31)	(0.02)	0.06	0.11
Per share - Diluted	$/share	0.12	(0.31)	(0.02)	0.06	0.11
Adjusted net earnings (loss) [1]	$	6.6	(20.0)	(1.0)	0.8	5.9
Per share - Basic [1]	$/share	0.08	(0.25)	(0.01)	0.01	0.07
Per share - Diluted [1]	$/share	0.08	(0.25)	(0.01)	0.01	0.07
Cost of sales	$/oz	1,036	1,086	1,066	1,048	1,004
Total cash costs [1]	$/oz	730	755	728	706	671
All-in sustaining costs [1]	$/oz	954	1,016	1,035	991	923
Average realized gold price [1]	$/oz	1,331	1,284	1,277	1,241	1,227
Cash and cash equivalents	$	110.5	44.9	66.5	61.5	93.9
Restricted cash	$	13.9	13.9	13.8	15.7	14.6
Working capital	$	86.0	32.9	52.3	81.7	121.0
Total debt	$	373.9	385.6	386.0	392.9	407.1
Total assets	$	1,225.9	1,168.1	1,206.0	1,194.5	1,198.0
Total liabilities	$	484.4	488.8	503.2	491.5	501.5

1. Adjusted net earnings, total cash costs, all-in sustaining costs, and average realized gold price are financial performance measures with no standard meaning under International Financial Reporting Standards ("IFRS"). Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.
2. Ore mined underground from the ELG Underground (defined below) of 4 kt is included in ore tonnes mined and excluded from the strip ratio in the three months ended March 31, 2018. For the three months ended December 31, 2017 and September 30, 2017, ore mined underground from the ELG Underground (defined below) was 13 kt and 12 kt, respectively.
3. Due to 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. Sum of the quarters may not add to the year to date amounts due to rounding.

FIRST QUARTER REPORT

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

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COMPANY OVERVIEW AND STRATEGY

The Company is a growth-oriented, Canadian-based resource company engaged in the exploration, development, and operation of the Morelos Gold property (the “Morelos Gold Property”). The Morelos Gold Property is located in the prolific Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and 50 km southwest of Iguala, 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, which reached the commercial production stage as of April 1, 2016. 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”) effective August 17, 2015). An updated PEA is expected to be issued as part of an updated Technical report, in mid-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 mine 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 2018

Production, within constraints:

- Production - 325,000 to 350,000 gold ounces sold (4,200 kt, 2.95 gpt, 87% recovery)
- Constraints:
  - Production will be weighted to the second half of the year.
  - Lost time injury frequency of < 2 per million hours worked. (Employees and on site contractors)
  - Zero reportable spills of 1,000 liters, or more, that reports to the river or reservoir.
  - Cash costs of between $620 to $640 per gold ounce sold.
  - AISC of between $940 to $975 per gold ounce sold.
  - Sustaining capital expenditure of < $84 million.
  - Development capital expenditure of < $37 million.

Set up 2019 production:

- Strip 18 million tonnes of waste
- Plant throughput at an average of 14,000 tonnes per day by year-end 2018
- SART plant producing copper precipitate by July 1, 2018
- Sub-Sill producing an average of 850 tonnes per day by year-end 2018

Set up for growth:

- Release the Media Luna PEA by the end of July 2018
- 37,000 meters of the Media Luna infill drill program completed by year end 2018
- 20,000 meters of exploration and infill drilling for the ELG underground mine, by year end 2018

FINANCIAL RESULTS

The following table summarizes the financial results of the Company:

Table 2.

	Three Months Ended	
In millions of U.S. dollars, unless otherwise noted	March 31, 2018 [1]	March 31, 2017
Revenue	84.0	87.0
Gold	83.7	86.3
Silver	0.3	0.7
Cost of sales	65.2	71.0
Earnings from mine operations	18.8	16.0
Exploration and evaluation	0.3	0.5
General and administrative	6.5	5.5
Blockade and other charges	4.1	-
Derivative (gain) loss, net	(2.4)	1.7
Financing costs, net	6.8	7.2
Foreign exchange gain	(2.7)	(3.2)
Income tax recovery, net	(4.0)	(4.6)
Net income	10.2	8.9
Per share - Basic ($/share)	0.12	0.11
Per share - Diluted ($/share)	0.12	0.11
Adjusted net earnings [2]	6.6	5.9
Per share - Basic ($/share) [2]	0.08	0.07
Per share - Diluted ($/share) [2]	0.08	0.07
Cost of sales ($/oz)	1,036	1,004
Total cash costs ($/oz) [2]	730	671
All-in sustaining costs ($/oz) [2]	954	923
Average realized gold price ($/oz) [2, 3]	1,331	1,227
Average realized margin ($/oz) [2, 3]	601	556

1. Due to the Blockade, the first quarter of 2018 represents 75 days of partial operations.
2. Adjusted net earnings, total cash costs, AISC, average realized gold price and average realized margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.
3. Average realized gold price and average realized margin include realized gains from gold derivative contracts of $7 per ounce for the three months ended March 31, 2017. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

FIRST QUARTER 2018 FINANCIAL RESULTS

Processed gold grade was 3.13 grams per tonne

The average grade processed at 3.13 gpt is above the grade expected for the quarter and is consistent with the grade expectations for the portions of the pit that were mined in the three months ended March 31, 2018. In addition, 8,887 ounces of gold on carbon fines waiting to be refined were produced and shipped.

Processed average daily tonnage of 10,467 tpd

Average processing in the first quarter of 2018 was 10,467 tpd derived from 75 days of operations. Average production was impacted by the restart of operations after the removal of the Blockade on January 15, 2018.

Revenue of $84.0 million

During the first quarter of 2018, the Company recognized $84.0 million in revenue compared to $87.0 million for the first quarter of 2017. The Company sold 62,906 ounces of gold at an average realized price of $1,331 per ounce in the first quarter of 2018, compared to 70,747 ounces of gold at an average realized price of $1,227 in the first quarter of 2017. The decrease in ounces sold is a result of suspending operations in connection with the Blockade, partially offset by higher grades processed. In the first quarter of 2018, the Company operated for 75 days only, albeit under constrained arrangements, because of the Blockade that began in November 2017. In the first quarter of 2018, the Company settled and recognized revenues pertaining to approximately 1,700 ounces of gold from carbon fines. In addition, the Company produced 8,887 ounces from carbon fines in the first quarter of 2018, which were not settled as at March 31, 2018, and for which revenue has not been recognized. The associated production costs and depreciation remain in inventory.

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

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

There were no realized gains or losses on Gold Contracts for the three months ended March 31, 2018 compared to realized gains on Gold Contracts of $0.5 million for the three months ended March 31, 2017. Of the total 70,747 ounces of gold sold in the three months ended March 31, 2017, 28,479 ounces were delivered into Gold Contracts. In the first quarter of 2018, no ounces were delivered into Gold Contracts and as at March 31, 2018, the Company does not have any remaining ounces to settle under Gold Contracts.

Cost of sales of $65.2 million; $1,036 per ounce sold

Cost of sales for the first quarter of 2018 was $65.2 million, compared to $71.0 million in the first quarter of 2017. Production costs decreased to $43.6 million for the first quarter of 2018, compared to $45.5 million for the first quarter of 2017. The decrease in production costs reflects lower throughput due to the suspension of operations in connection with the Blockade in the first 15 days of January 2018, higher grades processed, and 8,887 ounces of carbon fines produced and shipped that have not settled as at March 31, 2018, for which the associated production costs remain in inventory. These decreases were offset by increased costs from a new bonus structure introduced by the Company, with costs in this quarter reflecting an estimate for both the 2017 scheme and the 2018 scheme. In the first quarter of 2018, there is an additional $2.8 million of production costs (excludes depreciation) included in 'Blockade and other charges', which appear as a separate expense line in the Condensed Consolidated Interim Statements of Operations and Comprehensive Income.

Depreciation and amortization expense amounted to $19.0 million for the first quarter of 2018 compared to $22.8 million for the same period in 2017. The decrease in depreciation from the first quarter of 2017 is primarily driven by fewer ounces sold and higher depreciation included in ending inventories due to more finished goods ounces on hand as at March 31, 2018. In the first quarter of 2018, there is $1.3 million of depreciation included in 'Blockade and other charges'.

Royalties were $2.6 million for the first quarter of 2018, compared to $2.7 million for the first quarter of 2017, representing 3% of proceeds from gold and silver sales. The decrease is due to fewer ounces sold in connection with the Blockade. 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 $730 per ounce sold

Total cash costs (net of by-product silver sales of $0.3 million) for the first quarter of 2018 were $730 per ounce of gold sold, which is an increase of 9% or $59 per ounce of gold sold compared to the first quarter of 2017 at $671 per ounce of gold sold. While the Blockade reduced the first quarter of 2018 to 75 days of partial operations, total cash costs exclude costs during the 15 days of the Blockade, during which time no operating activity could take place. With tonnes per day, adjusted for the operational suspension due to the Blockade, remaining consistent at 10,467 tpd compared to 10,455 tpd in the first quarter of 2017, the increase in total cash costs is due to a new bonus structure introduced by the Company, which was partially offset by processing higher-grade ore in the first quarter of 2018 of 3.13 gpt compared to 2.49 gpt in the first quarter of 2017, which was as expected for those zones to be mined during the Blockade. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

All-in sustaining costs were $954 per ounce sold

AISC for the first quarter of 2018 were $954 per ounce of gold sold, compared to $923 per ounce of gold sold for the first quarter of 2017. Sustaining capital expenditures in the first quarter of 2018 amounted to $7.0 million, compared to $12.1 million spent in the first quarter of 2017. Sustaining capital expenditures were $4.4 million for capitalized stripping activities, and $2.6 million for equipment and infrastructure. The decrease in sustaining capital expenditures is in line with the overall decrease in capital expenditures in the first quarter of 2018 compared to the first quarter of 2017 as a result of the Blockade. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

Exploration and evaluation expenses of $0.3 million

Exploration and evaluation expenditures were $0.3 million in the three months ended March 31, 2018, compared to $0.5 million in the three months ended March 31, 2017. In the first quarter of 2018, exploration and evaluation activities were mostly suspended. In the first quarter of 2017, exploration activities were largely focused on evaluating the results of the first phase of the Sub-Sill diamond drill program that was completed in the fourth quarter of 2016. A maiden underground resource for the Sub-Sill deposit was announced in the first quarter of 2017. On January 16, 2018, the Company declared the maiden ELG Underground mineral reserve and mine plan (mining of the Sub-Sill Resource). The ELG Underground mine plan is expected to generate 480 kt at 11.65 gpt, containing 180,000 gold ounces, during 29 months of production. The total capital required is $23.0 million, of which $22.0 million will be in 2018.

General and administrative expenses of $6.5 million

General and administrative expenses were $6.5 million in the three months ended March 31, 2018, compared to $5.5 million in the three months ended March 31, 2017. The increase is primarily due to higher salaries and benefits, and severance costs.

Blockade and other charges of $4.1 million

In the first quarter of 2018, the Company recognized an expense of $4.1 million in relation to the Blockade and other charges consisting mainly of idle contractor and labour costs, employment contract suspensions and terminations of $2.8 million, and depreciation and amortization of $1.3 million.

Finance costs were $6.8 million

Finance costs totalled $6.8 million in the three months ended March 31, 2018 compared to $7.2 million in the three months ended March 31, 2017. Finance costs largely reflect the interest expense on the Debt Facility, Loan Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan (as all such terms are defined herein). The Company fully repaid the VAT Loan in 2017 and therefore interest on the VAT Loan is included in the first quarter of 2017, and not included in the first quarter of 2018.

No remaining settlements under the Gold Contracts

The final outstanding ounces under the Gold Contracts were delivered in early July 2017 and, therefore, the Company did not recognize any unrealized gains or losses for the first quarter of 2018 compared to an unrealized loss of $9.3 million for the first quarter of 2017. The Company realized a gain on Gold Contracts of $0.5 million for the three months ended March 31, 2017.

Gain on currency derivative contracts of $2.4 million

Based on forward prices for Mexican pesos at March 31, 2018, the Company recognized an unrealized gain for the three months ended March 31, 2018 of $2.1 million compared to an unrealized gain of $7.5 million for the three months ended March 31, 2017. In the first quarter of 2018, the average exchange rate of the Mexican peso relative to the U.S. dollar was higher than the average contract prices. As such, the Company realized a gain of $0.3 million on the contracts settled during the first quarter of 2018, compared to a loss of $0.4 million for the first quarter of 2017.

Foreign exchange gain of $2.7 million

The Company recognized a foreign exchange gain of $2.7 million for the quarter ended March 31, 2018, compared to a gain of $3.2 million for the quarter ended March 31, 2017. The Mexican peso appreciated by 7% in the first quarter of 2018.

Income and mining tax recovery of $4.0 million

The Company recognized a current income tax expense of $2.0 million in the three months ended March 31, 2018 primarily related to the 7.5% Mexican mining royalty, compared to a current income tax expense of $2.8 million in the three months ended March 31, 2017.

The Company recognized a deferred income tax recovery of $6.0 million in the three months ended March 31, 2018, compared to a deferred income tax recovery of $7.4 million for the three months ended March 31, 2017. The decrease in the deferred tax recovery is primarily because of an increase in the Mexican inflation rate, and the strengthening of the Mexican peso in the first quarter of 2018, when compared to the first quarter of 2017.

Net income of $10.2 million

Net income for the first quarter of 2018 totalled $10.2 million, or $0.12 per share, both on a basic and diluted basis, while adjusted net earnings amounted to $6.6 million, or $0.08 per share, both on a basic and diluted basis. In the first quarter of 2017, net income was $8.9 million, or $0.11 per share on both a basic and diluted basis, while adjusted net earnings amounted to $5.9 million, or $0.07 per share on a basic and diluted basis. Net income increased compared to the first quarter of 2017, largely due to a higher average realized gold price and lower cost of sales, partially offset by the impact of blockade and other charges. Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net income to adjusted net earnings.

RESULTS OF OPERATIONS

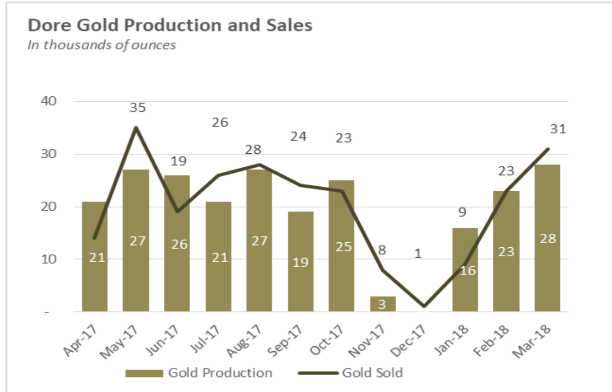
The following table summarizes the operating results for the Company's ELG Mine Complex on a quarterly basis:

Table 3.

		Three Months Ended				
		Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Mining						
Guajes Pit						
Ore tonnes mined	kt	497	202	340	355	252
Waste tonnes mined	kt	1,958	847	1,820	3,390	2,432
Total tonnes mined	kt	2,455	1,049	2,160	3,745	2,684
Strip ratio	waste:ore	3.9	4.2	5.4	9.5	9.7
Average gold grade of ore mined	gpt	3.47	3.56	3.27	2.62	2.77
El Limón Pit						
Ore tonnes mined	kt	70	418	788	809	459
Waste tonnes mined	kt	550	1,472	5,726	3,822	3,293
Total tonnes mined	kt	620	1,890	6,514	4,631	3,752
Strip ratio	waste:ore	7.9	3.5	7.3	4.7	7.2
Average gold grade of ore mined	gpt	1.99	2.60	2.15	2.26	1.87
Total ELG Open Pits						
Ore tonnes mined	kt	567	620	1,128	1,164	711
Waste tonnes mined	kt	2,508	2,319	7,546	7,212	5,725
Total tonnes mined	kt	3,075	2,939	8,674	8,376	6,436
Strip ratio	waste:ore	4.4	3.7	6.7	6.2	8.1
Average gold grade of ore mined	gpt	3.29	2.91	2.48	2.37	2.19
ELG Underground						
Ore tonnes mined	kt	4	13	12	-	-
Average gold grade of ore mined	gpt	3.72	8.86	6.78	-	-
Processing						
Total tonnes processed	kt	785	428	1,152	1,189	941
Average plant throughput	tpd	10,467	12,588	12,522	13,063	10,455
Average gold recovery	%	87	85	87	86	85
Average gold grade of ore processed	gpt	3.13	2.72	2.35	2.37	2.49
Production and sales						
Gold produced	oz	67,167	28,162	67,337	74,487	70,887
Gold sold	oz	62,906	31,398	78,254	68,398	70,747
Gold from carbon fines produced	oz	8,887	1,809	3,305	3,037	-

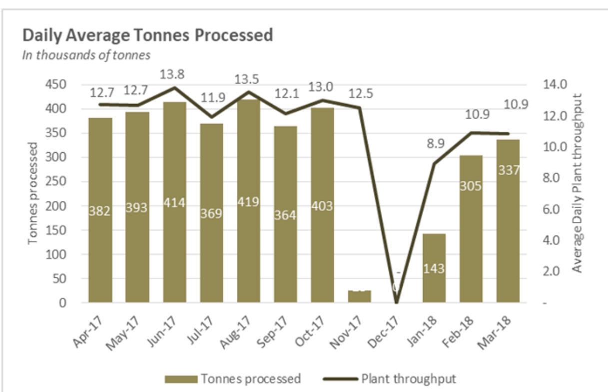
Gold Production and Sales

In the first quarter of 2018, 67,167 ounces of gold were produced and 62,906 ounces of gold were sold. In addition, 8,887 gold ounces from carbon fines were produced and shipped in the first quarter of 2018.



Processing Plant Ramp-Up

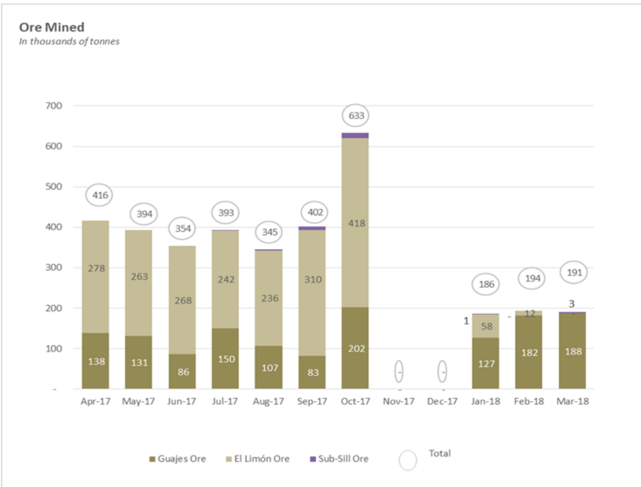
The carbon in pulp ("CIP") circuit restriction that was reported with the third quarter of 2017 results has been assessed and corrected during the first quarter of 2018. No other efforts to advance the ramp-up were undertaken in the first quarter of 2018. All the limited personnel available were dedicated to production during the difficult operating conditions behind the Blockade. The ramp-up to close the last 10% gap to achieve 100% of design capacity, is expected to be completed by year-end 2018. There are a number of initiatives that are now underway to debottleneck the SAG Mill, now that operating conditions have returned to normal.

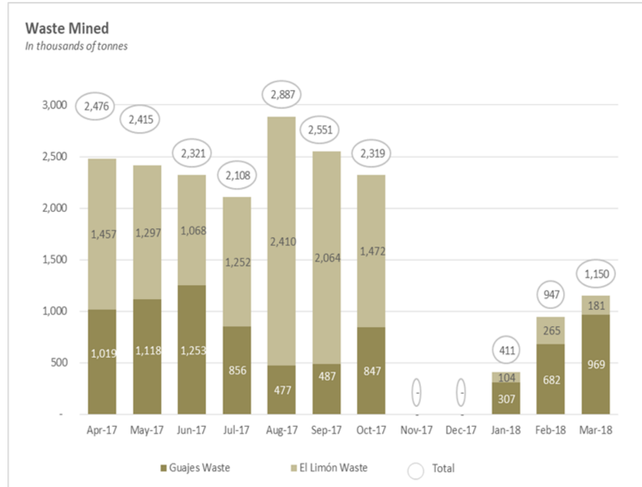


The construction of the SART plant advanced as per schedule in the first quarter of 2018, with the construction contractor working behind the Blockade. The plant is now in the commissioning phase and is expected to be fully operational by July 1, 2018. The SART plant in the second half of 2018 and beyond is expected to reduce AISC by $100 per ounce of gold sold by reducing reagent consumption and adding by-product credits resulting from the sale of a copper product.

Mining

A total of 3,075 kt were mined in the first quarter of 2018, including 4 kt from the Sub-Sill zone, at an average waste to ore strip ratio of 4.4 to 1.0. Approximately 80% of the tonnes mined were from Guajes with the remaining 20% from El Limón. At March 31, 2018, there were 535 kt of ore in stockpiles.

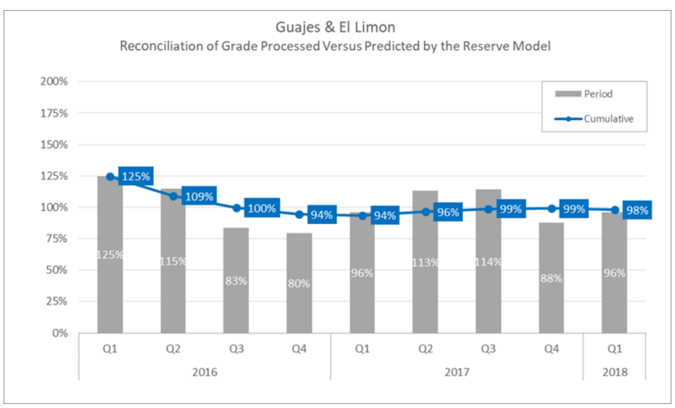


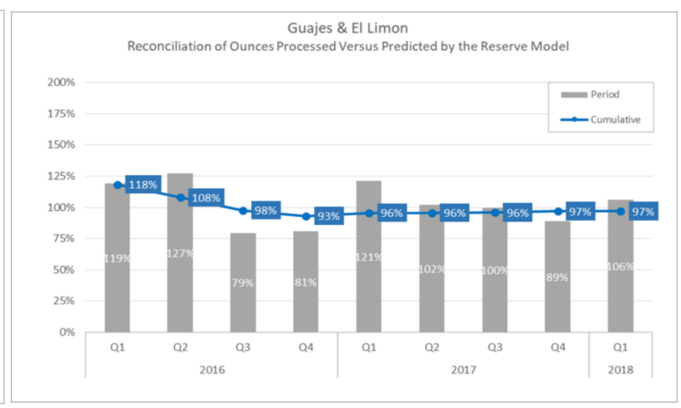


Tonnage and Grade Reconciliation to the Reserve Model

Grade and tonnage reconciliation to the reserve model in the quarter was 96% for grade, 112% for ore tonnes, resulting in 106% of the ounces predicted by the reserve model.

The charts below illustrate a flattening of the cumulative curve. This is to be expected as each new quarter represents a smaller percentage of the cumulative tonnes of the previous quarters. As the quarters progress, this provides better insight into the long-term grade reconciliation expected over the life of mine. The charts below show the reconciliation for the two main pits (El Limón and Guajes) from the start of mining.





Safety

At the end of the first quarter of 2018, lost time injury frequency rate ("LTIFR") was 1.98 per million hours worked. There was one lost time injury in the quarter when a contract employee, working on an exploration drilling rig in the El-Limón underground project, broke a finger when removing a drill rod. The total hours worked for the year to date (the Company and contractors) was approximately 0.43 million.

Community

On November 3, 2017, approximately 20 employees from Real de Limón, out of a union-eligible population of 540, started the Blockade of the ELG Mine Complex access gate demanding a change from the CTM Union (Confederación de Trabajadores Mexicanos) to the Miners Union. There was no option available to negotiate a resolution to this demand. A change in union requires a vote by all union-eligible employees through a government sanctioned process, which is a time consuming process.

In mid-January 2018, with the help of the communities of Valerio Trujano and Nuevo Balsas, the Company was able to regain access to the ELG Mine Complex and re-start operations. In late-January 2018, the Miners Union supporters sent approximately 175 people to the site to intimidate workers into ceasing work in the processing plant. The employees, with the support of community members, refused to be intimidated and continued to operate the mines and processing plant.

In February 2018, the Miners Union changed tactics and attempted to turn the union selection issue into an ejido issue. The El Limon Pit is on the land of an ejido that is a different ejido from the rest of the ELG Mine Complex. In late-February there was another incursion into the site, this time to the El Limon Pit, where another blockade was established. Once again, there was no option available for the Company to negotiate a solution. The Blockaders consistently demanded a change in union, a demand that the Company does not have the authority to fulfill. Despite the Company's best efforts to find a peaceful solution, the stalemate continued until early April, when due to the processing plant running low on feed, a suspension of operations was imminent. Community leaders then stepped in and negotiated a resolution with the Miners Union supporters. The Company was not a party to these negotiations. Shortly thereafter, the Miners Union withdrew its application to be the union representative of the Company's union eligible employees. The support of the community is appreciated. They created the conditions to reopen the plant in January 2018, and ultimately brought the illegal actions of the Miners Union and their minority of supporters to a peaceful resolution.

This externally led Blockade has strengthened the Company's relationships with some of the communities and stressed its relationships with others. It has set the stage for the next step in evolving relationships as the Company and the communities all go through the journey of integrating a modern industrial enterprise into the midst of a traditional farming culture.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

Much of the work on the Media Luna Project mine design was suspended during the Blockade, to conserve cash. It has ramped back up throughout the latter half of the first quarter of 2018. The related technical report is now expected to be completed in mid-2018. The infill drill program remained suspended throughout the first quarter of 2018 due to the Blockade, which resulted in no access for the drilling contractors. Following the removal of the Blockade on April 6, 2018, the Company plans to recommence this program in the second quarter of 2018.

Morelos Gold Property Exploration Update

There are a number of highly prospective targets on the Morelos Gold Property. Current exploration activities are focused on a 'near mine' target that lies above and below what has been identified as the El Limón Sill. Diamond drilling of the Sub-Sill target commenced in the third quarter of 2016, and the 7,727 metre program was completed in the fourth quarter of 2016. Results of this program were positive and were released publicly, followed by a maiden underground resource, during the first quarter of 2017. A diamond drill program to infill and test for extensions to the Sub-Sill deposit was started during the second quarter of 2017. The initial infill program is complete, and an updated mineral resource, and mineral reserve estimate, along with a mine plan was published in the first quarter of 2018. The step-out program has demonstrated growth potential through high grade intercepts in the quadrant to the northwest of the current Sub-Sill resource area. The related press releases are available on the Company's website at www.torexgold.com and were filed on SEDAR at www.sedar.com. Diamond drilling activities have resumed in the first quarter of 2018 with a focus on the El Limon Deep resource area. Once this program is complete the focus will shift back to the Sub-Sill area to expand and upgrade known resources.

Permitting and land acquisition efforts for additional targets on the Morelos Gold Property have been put on hold. They are a lower priority activity that will be deferred until after the work to stabilize the operating environment is completed.

FINANCIAL CONDITION REVIEW

The Company's Debt Facility (defined below and discussed in the "Debt Financing" section of this MD&A) has financial covenants, which, if not met, could result in an event of default. The Company's Debt Facility also contains 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). On December 22, 2017, the Company obtained a temporary reduction in the minimum liquidity covenant from $50.0 million to $30.0 million until January 31, 2018. On January 31, 2018, the Company further extended the waiver to February 28, 2018. As at March 31, 2018, the Company is in compliance with all financial and operating covenants.

During the first quarter of 2018, the Company undertook several actions to reduce cash outflows, suspended employment contracts in Mexico, managed its debt and working capital, and continued to monitor all elements of corporate expenditure closely. On January 29, 2018, the Company announced the Offering, which closed on February 7, 2018 and resulted in aggregate net proceeds of C$58.5 million to the Company. As part of the Offering, the underwriters partially exercised their over-allotment option and purchased an additional 12% of the Offering with the remainder of the over-allotment option being exercised and closing on February 16, 2018, for aggregate net proceeds of C$60.0 million to the Company pursuant to the Offering.

Summary Balance Sheet

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

Table 4.

In millions of U.S. dollars		**March 31, 2018**		**December 31, 2017**
Cash and cash equivalents	$	110.5	$	44.9
Restricted cash		13.9		13.9
Value-added tax receivables		56.7		54.8
Inventory		61.1		63.1
Property, plant and equipment		963.2		973.9
Other assets		20.5		17.5
Total assets	$	1,225.9	$	1,168.1
Accounts payable and accrued liabilities	$	60.5	$	50.9
Debt		373.9		385.6
Currency derivative contracts		0.1		2.2
Other liabilities		49.9		50.1
Total liabilities	$	484.4	$	488.8
Total shareholders' equity	$	741.5	$	679.3

Cash and cash equivalents and restricted cash

The Company ended the first quarter of 2018 with cash on hand of $110.5 million, with an additional $13.9 million in restricted cash. The Company holds cash balances in both Canadian dollars and Mexican pesos, as well as U.S. dollar holdings.

Pursuant to the Debt Facility, the Company maintains restricted cash of $13.9 million in respect of reserve funds of $13.9 million for estimated reclamation obligations. Each year the Company completes an updated progressive mine closure plan to assess the estimated expenses to remediate disturbed areas and if necessary, sets aside additional funds. On April 2, 2018, the Company transferred an additional $12.5 million to restricted cash for potential reclamation obligations pursuant to the Debt Facility.

Subsequent to the debt refinancing, the Company is no longer required to maintain restricted cash for accrued tax and royalty liabilities. Refer to "Debt Financing" for further details.

Derivative contracts

In October 2014 and May 2016, in connection with the Loan Facility (defined below and discussed in the "Debt Financing" section of this MD&A), the Company entered into the Gold Contracts and Peso Contracts with the Lenders (defined below and discussed in the "Debt Financing" section of this MD&A), which are marked-to-market at the end of every reporting period as they are considered non-designated hedges. The gain or loss relating to these contracts fluctuates with the price of gold and the Mexican peso exchange rate relative to the U.S. dollar, respectively. As at March 31, 2018, there were no ounces outstanding under the Gold Contracts. The Peso Contracts are a liability of $0.1 million at March 31, 2018, reflecting a devaluation in the Mexican peso since the contracts were entered into. As at March 31, 2018, the Company had 336.0 million in Peso Contracts remaining to be settled. There are risks related to the Peso Contracts, as further discussed in the "Financial Risk Management" section of this MD&A.

Value-added tax ("VAT") receivables

The Company has VAT receivables denominated in Mexican pesos. The VAT receivables balance fluctuates as additional VAT is paid and refunds are received, as well as with the movement of the Mexican peso exchange rate relative to the U.S. dollar. During the first quarter of 2018, the Company collected $8.0 million in VAT receivables, net of interest of $0.1 million.

Inventory

At March 31, 2018, inventories included $14.4 million of ore in stockpile, $6.4 million of gold-in-circuit, $13.4 million of finished metal inventory, and $26.9 million of materials and supplies. At December 31, 2017, inventory included $16.9 million of ore in stockpile, $13.9 million of gold-in-circuit, $3.0 million of finished metal inventory, and $29.3 million of materials and supplies. The decrease of $2.0 million is largely due to lower in-circuit, ore stockpiled, and materials and supplies inventories, partially offset by higher finished goods.

Property, plant and equipment

Property, plant and equipment increased by $13.0 million for construction expenditures at the ELG Mine Complex, infrastructure, equipment, and capitalized stripping costs for the first quarter of 2018. These increases are offset by depreciation and amortization of $23.7 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were $60.5 million at March 31, 2018 compared to $50.9 million at December 31, 2017. The increase is due to the timing of payments and the impact of accrued costs in relation to a new bonus structure introduced by the Company.

Debt

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

DEBT FINANCING

2014 Loan Facility

On August 11, 2014, the Company, through its subsidiary Minera Media Luna, S.A. DE C.V. ("MML"), signed a credit agreement with BMO Harris Bank N.A., BNP Paribas, Commonwealth Bank of Australia, ING Bank N.V., Société Générale (collectively referred to as "Mandated Lead Arrangers"), and The Bank of Nova Scotia with respect to its syndicated senior secured $375.0 million project finance facility (the "Loan Facility") that had a maturity date of June 30, 2022. The Loan Facility comprised two separate facilities – a project finance facility of $300.0 million (the "PFF") and a cost overrun facility of $75.0 million (the "COF"). Advances under the PFF bore interest at a rate of London Interbank Offered Rate ("LIBOR") plus 4.25% to 4.75% and advances under the COF bore interest at the same rate plus 1% until project completion. The Credit Agreement was subsequently amended on March 30, 2015. Included in the amendment was the deferral of the starting date for the Loan Facility's scheduled repayments, as well as amendments to the amounts of scheduled repayments. The Loan Facility was supported by secured guarantees from the Company and each of its material subsidiaries.

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

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

2017 Debt Facility

On July 21, 2017, the Company through its subsidiary MML, signed an amended and restated credit agreement with BNP Paribas, Commonwealth Bank of Australia, ING Capital LLC, and SG Americas Securities, LLC, as joint bookrunners and BMO Harris Bank N.A. and the Bank of Nova Scotia (the "Banks") in connection with a secured $400.0 million debt facility (the "Debt Facility"). A copy of the amended and restated credit agreement is available on www.sedar.com. The Debt Facility is comprised of a $300.0 million term loan (the "Term Facility") and a $100.0 million revolving loan facility (the "Revolving Facility"). On July 25, 2017, the Company borrowed the full amount of the Term Facility and $75.0 million of the Revolving Facility to repay the Loan Facility. The Company may use the Revolving Facility for MML's general corporate purposes, including development expenditures, subject to the conditions of the Debt Facility.

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

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

	Requirement	As at March 31, 2018
Net Leverage Ratio	=/<3.0:1.0	2.5
Debt Service Coverage Ratio – Historical	=/>1.2:1.0	2.8
Debt Service Coverage Ratio - Prospective	=/>1.2:1.0	1.8
Reserve Tail Ratio	=/>30%	77%
Liquidity (in millions)	=/>$50.0	$86.8

The net leverage ratio means, as at any calculation date, the ratio of MML's net indebtedness divided by four quarter rolling Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") as defined by the Credit Agreement.

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

The Debt Facility bears interest at a rate of LIBOR plus 4% for the first two years, LIBOR plus 4.25% for years three and four, and LIBOR plus 4.5% thereafter and includes standard and customary finance terms and conditions including with respect to fees, representations, warranties, covenants and conditions precedent to additional draws under the Revolving Facility. The Debt Facility continues to be secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries. The Revolving Facility and the Term Facility will mature June 30, 2020 and June 30, 2022, respectively. The first scheduled repayment of the Term Facility was made on March 31, 2018 for $9.3 million, and repayments continue in quarterly installments until maturity. The Revolving Facility and the Term Facility may be repaid in full at any time without penalty or premium.

Transaction costs

Previously capitalized financing charges pertaining to the Loan Facility in the amount of $7.9 million as well as capitalized financing fees associated with the refinanced Debt Facility of $6.5 million were proportionately allocated based on the respective drawn amounts of the Term Facility and Revolving Facility, are presented net of the Debt Facility, and will be amortized over the terms of the Term Facility and Revolving Facility, respectively. The costs capitalized were primarily Banks' fees and legal costs. During the first quarter of 2018, the amortization expense relating to the deferred finance charges is included in finance costs for the Debt Facility, is calculated using an effective interest rate ranging between 1.589% and 1.607%, and results in unamortized deferred finance charges of $13.1 million as at March 31, 2018. Please refer to section "Recent Accounting Pronouncements" for details on the impact of adoption of IFRS 9 on the Company.

Equipment Loan

On December 23, 2015, the Company, through its subsidiary MML, executed a $7.6 million 4-year loan agreement with BNP Paribas (the "Equipment Loan"). The Equipment Loan, secured by certain mining vehicles that are owned by the Company, is due to mature on December 31, 2019, is repayable in quarterly instalments which started on March 31, 2016, and bears interest at a rate of LIBOR plus 3.75%. The loan is carried at amortized cost on the Statement of Financial Position, and totalled $2.7 million at March 31, 2018. In the first quarter of 2018, the Company made principal repayments of $0.4 million.

Finance Lease Arrangement

On December 31, 2015, the Company, through its subsidiary MML, executed a finance lease arrangement with Parilease SAS (the "Finance Lease Arrangement") which provided up to $17.4 million in lease financing for mining equipment. On December 26, 2016 and August 7, 2017, the Company signed amendments to the finance lease agreement that included increases of $6.3 million and $1.2 million respectively, extending the available funds to $24.9 million. As of March 31, 2018, the Company had utilized $24.5 million of the available funds from the Finance Lease Arrangement. Advances under the Finance Lease Arrangement bear interest at a rate of LIBOR plus 4.0%, and are repayable in quarterly rent instalments over five years. The loan under the Finance Lease Arrangement is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges of $0.4 million, and totalled $18.6 million at March 31, 2018. In the first quarter of 2018, the Company made principal repayments of $1.3 million.

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at March 31, 2018 were $1,225.9 million (December 31, 2017 - $1,168.1 million), which includes $110.5 million in cash and cash equivalents (December 31, 2017 - $44.9 million), excluding restricted cash of $13.9 million (December 31, 2017 - $13.9 million). As discussed in "Financial Condition Review", the Company closed an offering during the first quarter of 2018 for aggregate net proceeds of C$60.0 million.

The Company had working capital of $86.0 million as at March 31, 2018, compared to $32.9 million at December 31, 2017.

As a result of the Blockade, the Company obtained a temporary reduction to the minimum liquidity covenant from $50.0 million to $30.0 million, with the condition that the remaining $25.0 million available under the credit agreement, and not yet drawn, is counted towards meeting the liquidity covenant threshold but it may not be drawn.

Cash flow generated from operating activities, excluding changes in non-cash working capital, for the first quarter of 2018 totalled $29.3 million compared to $23.8 million for the first quarter of 2017.

Investing activities resulted in net cash outflows of $17.4 million in the first quarter of 2018, compared with cash outflows of $19.5 million for the first quarter of 2017. The decrease is primarily due to lower additions to property, plant and equipment of $10.2 million in the first quarter of 2018 compared to $25.6 million in the first quarter of 2017, net cash outflow pertaining to working capital for property, plant and equipment of $7.4 million in the first quarter of 2018 compared to net cash outflows related to working capital for property, plant and equipment of $3.3 million in the first quarter of 2017, and a decrease in net cash inflows from value-added tax receivables from $0.6

million in the first quarter of 2017 to $0.2 million in the first quarter of 2018. These are partially offset by no cash inflows from the release of restricted cash held with respect of royalty payments in the first quarter of 2018 compared to $8.8 million in the first quarter of 2017.

Financing activities resulted in net cash inflows of $31.1 million for the first quarter of 2018 compared with cash outflows of $11.5 million in the comparative period in 2017. Net cash flows from financing activities in the three months ended March 31, 2018 relate primarily to proceeds from the Offering of $48.1 million, (net of share issuance costs), less interest paid of $6.0 million, and repayments under the Debt Facility, Finance Lease Arrangement, and Equipment Loan totalling $11.0 million. In comparison, for the three months ended March 31, 2017, cash flows used in financing activities related to interest paid of $6.5 million, repayments under the VAT Loan, Equipment Loan and Finance Lease Arrangement totalling $5.4 million, and deferred finance fees of $0.4 million.

As at March 31, 2018, the Company's contractual obligations included a head office lease agreement, office equipment leases, long-term land lease agreements with the Rio Balsas, the Real del Limón, 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 potential development and operation of a future Media Luna mine. These agreements are not included in the contractual commitments reported below. In addition, the Company has entered into several exploration-related agreements, all of which are cancellable within a year at the Company's discretion.

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

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

In addition, production revenue from certain concessions are subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and payable on a quarterly basis. In January 2018, the Company paid $1.0 million relating to the fourth quarter of 2017 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 March 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.

In millions U.S. dollars	Total	Less than 1 year	1-3 years	4-5 years	Greater than 5 years
		Payments Due by Period			
Long-term leases	$ 2.6	$ 0.3	$ 0.5	$ 0.5	$ 1.3
ELG Mine Complex operating commitments	40.3	40.3	-	-	-
ELG Mine Complex capital commitments	1.7	1.7	-	-	-
Debt	387.5	65.6	238.4	83.5	-
Total	**$ 432.1**	**$ 107.9**	**$ 238.9**	**$ 84.0**	**$ 1.3**

OUTSTANDING SHARE DATA

Table 6.

Outstanding Share Data at May 8, 2018	**Number**
Common shares	84,895,703
Share purchase options [1]	840,534
Restricted share units [2,3]	459,860
Performance share units [4]	533,405

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

NON-IFRS FINANCIAL PERFORMANCE MEASURES

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

Total cash costs

Total cash costs is a common financial performance measure in the gold mining industry; however, it has no standard meaning under IFRS. The Company reports total cash costs on a per ounce sold basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as costs of sales, certain investors use this information to evaluate the Company's performance and ability to generate operating income and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating costs. Total cash costs are calculated in accordance with the standard developed by the Gold Institute. Adoption of the standard is voluntary and other companies may quantify this measure differently as a result of different underlying principles and policies applied.

All-In Sustaining Costs

AISC 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 costs.

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

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

Table 7.

		Three Months Ended	
In millions of U.S. dollars, unless otherwise noted		**March 31, 2018**	**March 31, 2017**
Gold sold	oz	62,906	70,747
Total cash costs per ounce sold			
Production costs and royalties	$	46.2	48.2
Less: Silver sales	$	(0.3)	(0.7)
Total cash costs	$	45.9	47.5
Total cash costs per ounce sold	$/oz	730	671
All-in sustaining costs per ounce sold			
Total cash costs	$	45.9	47.5
General and administrative costs [1]	$	6.5	5.4
Reclamation and remediation costs	$	0.4	0.3
Sustaining exploration costs	$	0.2	-
Sustaining capital expenditure [2]	$	7.0	12.1
Total all-in sustaining costs	$	60.0	65.3
Total all-in sustaining costs per ounce sold	$/oz	954	923

1. Includes share-based compensation in the amount of $2.3 million, or $38/oz, for the three months ended March 31, 2018, and $2.8 million, or $39/oz for the three months ended March 31, 2017.
2. Based on additions to property, plant and equipment per the Statement of Cash Flows for the three months ended March 31, 2018. Capital expenditures for the three months ended March 31, 2018 totalled $10.2 million. Sustaining capital expenditures of $7.0 million in the three months ended March 31, 2018 are related to $4.4 million for the cash component of capitalized stripping activities at El Limón and Guajes, and $2.6 million for equipment and infrastructure expenditures.

   Non-sustaining capital expenditures of $3.2 million in the three months ended March 31, 2018 consisting of the SART plant, the El Limón Deep tunnel, the El Limón Sub-Sill, initial development scope projects that are being completed post commercial production, and the Media Luna Project, all of which were considered non-sustaining and 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 and includes realized gains and losses on the Gold Contracts, less silver sales. Average realized margin reflects average realized price per ounce of gold sold less total cash costs per ounce of gold sold.

The average realized price for the first quarter of 2018 was $1,331 per ounce of gold sold, compared to $1,227 per ounce of gold sold for the first quarter of 2017. The increase is primarily as a result of higher average spot prices.

The average realized margin for the first quarter of 2018 was $601 per ounce of gold sold compared to $556 per ounce of gold sold for the first quarter of 2017. The increase reflects higher average realized prices, partially offset by higher total cash costs per ounce of gold sold in the first quarter of 2018.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

Table 8.

		Three Months Ended	
In millions of U.S. dollars, unless otherwise noted		**March 31, 2018**	**March 31, 2017**
Gold sold	oz	62,906	70,747
Revenue	$	84.0	87.0
Less: Silver sales	$	(0.3)	(0.7)
Plus: Realized gain on Gold Contracts	$	-	0.5
Total proceeds	$	83.7	86.8
Total average realized price per ounce	$/oz	1,331	1,227
Less: Total cash costs per ounce	$/oz	730	671
Total average realized margin per ounce	$/oz	601	556

Adjusted Net Earnings

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

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

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

The adjusted net earnings for the first quarter of 2018 was $6.6 million, compared to $5.9 million in adjusted net earnings for the first quarter of 2017. The increase is largely due to higher net income due to a higher average realized price.

Reconciliation of Adjusted Net Earnings to Net Income

Table 9.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Basic weighted average shares outstanding	shares	82,730,897	79,729,618
Diluted weighted average shares outstanding	shares	82,792,246	80,429,245
Net income	$	10.2	8.9
Adjustments, after-tax:			
Unrealized foreign exchange gain	$	(2.5)	(5.0)
Deferred income tax recovery relating to foreign exchange	$	(0.4)	(0.1)
Unrealized (gain) loss on derivative contracts	$	(2.1)	1.8
Tax effect of adjustments	$	1.4	0.3
Adjusted net earnings	$	6.6	5.9
Per share - Basic	$/share	0.08	0.07
Per share - Diluted	$/share	0.08	0.07

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.

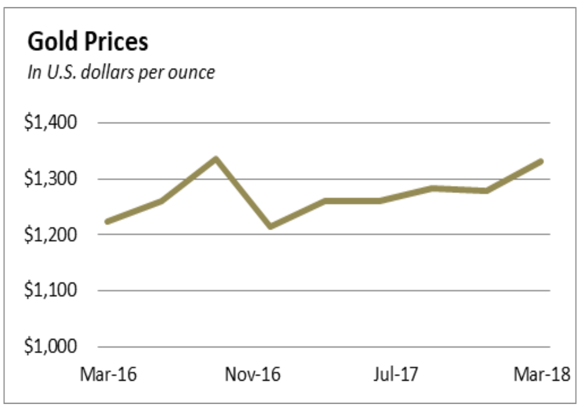
ECONOMIC TRENDS

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.

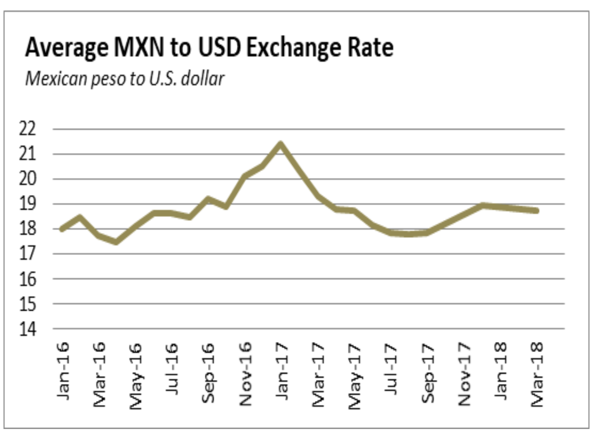
		Three Months Ended March 31,		Year Ended December 31,	
		2018	2017	2017	2016
Average market spot prices					
Gold	$/oz	1,332	1,217	1,260	1,248
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : $	18.7	20.4	18.9	18.7
Canadian dollar : U.S. dollar	C$: $	1.26	1.32	1.30	1.32

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 first three months of 2018, and averaged $1,332 per ounce of gold, up 9% over the average price for the three months ended March 31, 2017.

Foreign exchange rates



The Company's functional currency is the U.S. dollar and it is, therefore, exposed to financial risk related to foreign exchange rates. In particular, approximately 38% of the Company's costs for the first three months of 2018 were incurred in Mexican pesos. Although the Company has entered into the 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 for the three months ended March 31, 2018 was 18.7, and for the three months ended March 31, 2017 was 20.4 pesos, representing an appreciation of 8% in the Mexican peso.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

Table 11.

		2018	2017				2016		
In millions of U.S. dollars, unless otherwise noted		Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Key Operating Data									
Mining									
Ore mined	kt	571	633	1,140	1,164	711	853	869	684
Waste mined	kt	2,508	2,319	7,546	7,212	5,725	5,982	5,648	3,933
Total mined	kt	3,079	2,952	8,686	8,376	6,436	6,835	6,517	4,617
Strip ratio [4]	waste : ore	4.4	3.7	6.7	6.2	8.1	7.0	6.5	5.8
Average gold grade of ore mined	gpt	3.29	3.03	2.53	2.37	2.19	3.03	3.08	3.18
Processing									
Tonnes processed	kt	785	428	1,152	1,189	941	849	932	925
Plant recovery	%	87	85	87	86	85	89	89	82
Head gold grade	gpt	3.13	2.72	2.35	2.37	2.49	3.49	3.13	3.15
Production and Sales									
Gold ounces produced	oz	67,167	28,162	67,337	74,487	70,887	80,955	77,915	83,256
Gold ounces sold	oz	62,906	31,398	78,254	68,398	70,747	83,259	80,064	80,772
Gold from carbon fines produced	oz	8,887	1,809	3,305	3,037	-	-	-	-
Financial Results									
Revenue [1]	$	84.0	40.8	100.5	86.6	87.0	102.3	108.1	102.1
Cost of sales	$	65.2	34.1	83.4	71.7	71.0	68.6	63.7	60.5
Earnings from mining operations	$	18.8	6.7	17.1	14.9	16.0	33.8	44.4	41.6
General and administrative	$	6.5	4.2	5.2	4.2	5.5	3.8	4.4	4.2
Exploration and evaluation	$	0.3	0.5	1.9	3.6	0.5	1.9	0.4	0.5
Blockade and other charges	$	4.1	14.4	-	-	-	-	-	-
Income tax (recovery) expense	$	(4.0)	(0.7)	4.1	0.5	(4.6)	16.7	5.1	2.5
Net income (loss)	$	10.2	(25.0)	(1.6)	5.1	8.9	10.7	23.6	6.7
Per share - Basic [3]	$/share	0.12	(0.31)	(0.02)	0.06	0.11	0.13	0.30	0.08
Per share - Diluted [3]	$/share	0.12	(0.31)	(0.02)	0.06	0.11	0.13	0.30	0.08
Adjusted net earnings (loss) [2]	$	6.6	(20.0)	(1.0)	0.8	5.9	4.3	24.8	22
Per share - Basic [2, 3]	$/share	0.08	(0.25)	(0.01)	0.01	0.07	0.05	0.31	0
Per share - Diluted [2, 3]	$/share	0.08	(0.25)	(0.01)	0.01	0.07	0.05	0.31	0
Cost of sales	$/oz	1,036	1,086	1,066	1,048	1,004	823	795	748
Total cash costs [2]	$/oz	730	755	728	706	671	539	517	571
All-in sustaining costs [2]	$/oz	954	1,016	1,035	991	923	746	699	754
Average realized gold price [2]	$/oz	1,331	1,284	1,277	1,241	1,227	1,232	1,308	1,252
Average realized margin [2]	$/oz	601	529	549	535	556	693	791	681

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

1. Proceeds from sale of gold and silver prior to achieving commercial production were offset against the construction costs for the ELG Mine Complex.
2. Adjusted net earnings, total cash costs, AISC, average realized gold price, and average realized margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.
3. On June 30, 2016, the Company consolidated its outstanding common shares on a 10-for-1 basis. Earnings per share reflect the Consolidation. Comparatives were restated.
4. Ore mined underground from the Sub-Sill of 4 kt, 13 kt and 12 kt is included in ore tonnes mined and excluded from the strip ratio for the three months ended March 31, 2018, December 31, 2017 and September 30, 2017, respectively.

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

TRANSACTIONS WITH RELATED PARTIES

There were no material related party transactions during the three months ended March 31, 2018.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

The areas that require management to make significant judgments in applying the Company's accounting policies to determine carrying values in the unaudited condensed consolidated interim financial statements are the same as those applied in the audited consolidated financial statements as at and for the year ended December 31, 2017.

With the exception of the change detailed in section "Recent Accounting Pronouncements", there have been no changes in the accounting policies adopted by the Company from those detailed in Note 3 to the Company's December 31, 2017 audited consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

New and amended standards and interpretations issued and effective:

(a) IFRS 15, *Revenue from Contracts with Customers*

The Company has adopted IFRS 15, *Revenue from Contracts* ("IFRS 15") issued in May 2014. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue, which is a change from the risk and reward approach under previous standards.

The adoption of IFRS 15 did not impact the Company's consolidated financial statements. IFRS 15 requires that revenue from contracts with customers be recognized upon the transfer of control over goods or services to the customer. The recognition of revenue upon transfer of control to the customer is consistent with the Company's accounting policy, of recognizing revenue on trade date for spot sales and on settlement for carbon fines sales.

(b) IFRS 9, *Financial instruments*

The Company has adopted IFRS 9, Financial Instruments ("IFRS 9") issued in July 2014 with a date of initial application of January 1, 2018. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 requires classification of financial assets as measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income and classification of financial liabilities as measured at amortized cost or fair value. The approach in IFRS 9 for financial assets is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 also introduces a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The nature and effects of the key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarized below.

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparatives in accordance with the transition requirements. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Financial instruments are recognized on the trade date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial Assets at Amortized Cost – Assets that are held for collection of contractual cash flows where those cash flows represent cash and cash equivalents and restricted cash, and are measured at amortized cost. The Company's intent is to hold these financial assets until there is a need to utilize the cash and cash equivalents and restricted cash. Cash and cash equivalents as well as restricted cash are recognized initially at fair value, net of any transaction costs incurred and subsequent measured at amortized cost.

Financial Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Debt and accounts payable and accrued liabilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial Liabilities at FVTPL – Financial liabilities at FVTPL are liabilities which included derivatives and cannot be classified at amortized cost. Cash flows from the Company's derivatives incorporate currency prices and volatility. Financial liabilities at FVTPL are initially recognized at fair value with changes to fair value recognized in the Statements of Operations and Comprehensive Income.

All financial assets, other than cash and cash equivalents, restricted cash, are included in the measurement category of fair value through profit or loss ("FVTPL"). Financial assets previously categorized as loans and receivables are now allocated to the amortized cost category. There was no change to the measurement categories for financial liabilities.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial Assets				
Cash and cash equivalents	FVTPL	Amortized cost	$ 44.9	$ 44.9
Restricted cash	Loans and receivables	Amortized cost	13.9	13.9
Financial Liabilities				
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	$ 50.9	$ 50.9
Derivative contracts	FVTPL	FVTPL	2.2	2.2
Debt	Amortized cost	Amortized cost	385.6	383.3

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for modifications in the terms of a debt instrument that does not meet the de-recognition conditions. Under IFRS 9, such modifications result in the recalculation of amortized cost of the liability and the difference in present value arising as a result of such a non-substantial modification being recognized in profit or loss. Fees and transaction costs related to such a modification continue to be recognized as an adjustment to the carrying amount of the liability. Under IAS 39, the difference in present value was recognized as an adjustment to the effective interest rate and amortized over the remaining life of the modified financial liability. The following table summarizes the impact, net of tax, of transition to IFRS 9 as at January 1, 2018.

	IAS 39 as previously reported	**Adjustments**	**Impact on opening balance at January 1, 2018**
Financial Liabilities			
Debt	$ 385.6	$ (2.3)	$ 383.3
Deferred income tax liabilities	26.3	0.7	27.0
Deficit			
Deficit	$ 254.5	$ (1.6)	$ 252.9

(c) *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2)

The Company has adopted the amendments to IFRS 2 issued by the IASB in June 2016, clarifying how to account for certain types of share-based payment transactions, with a date of initial application of January 1, 2018. The amendments provide requirements for the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company's accounting is consistent with this amendment and therefore the adoption of this amendment did not impact the Company's consolidated financial statements.

(d) IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

The Company has adopted IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, with a date of initial application of January 1, 2018. The interpretation clarifies which date should be used for translation when an advance payment or receipt is made in a foreign currency. The interpretation clarifies that the date of the transaction for determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary assets or non-monetary liability arising from the payment or receipt of advance consideration. The Company has already been using the date of the transaction for the determining the exchange rate in this context. Therefore, the adoption of this interpretation did not impact the Company's consolidated financial statements.

Recent accounting pronouncements issued but not yet effective:

(a) IFRS 16, *Leases*

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

(b) IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*

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

FINANCIAL RISK MANAGEMENT

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

Credit risk

Credit risk is the risk of a loss associated with a counterparty's inability to fulfill its contractual payment obligations. To mitigate exposure to credit risk, the Company has adopted strict investment policies, which prohibit any equity or money market investments. All of the Company's cash, cash equivalents, restricted cash, derivative contracts, and VAT receivables are with reputable financial institutions or government agencies and, as such, the Company does not consider its credit risk on these balances to be significant as at March 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 March 31, 2018, the Company had cash balances of $110.5 million, excluding restricted cash of $13.9 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 March 31, 2018, the cash balance held by MML totalled $50.7 million (December 31, 2017 - $23.9 million).

As at March 31, 2018, the amounts outstanding under the Debt Facility, Equipment Loan and Finance Lease Arrangement, totalled $365.7 million, $2.8 million and $19.0 million respectively.

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

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 March 31, 2018, the Company's VAT receivable balance is $56.7 million and in respect of this balance, expects to recover $40.6 million during the next twelve months and a further $16.1 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.

Commodity Price Risk

Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. Under requirements from the Loan Facility, the Company entered into commitments to deliver a total of 204,361 ounces of gold to the Lenders over an 18-month period commencing in January 2016, which it achieved at an average flat forward gold price of $1,241 per ounce. As a result, at March 31, 2018, there were no ounces remaining to be delivered under the Gold Contracts. A 10% appreciation or depreciation of gold prices would not impact the Company's net income for the three months ended March 31, 2018 under the terms of the Gold Contracts. A 10% appreciation or depreciation of gold prices would increase or decrease the Company's net income by $5.2 million for the three months ended March 31, 2018.

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 March 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 March 31, 2018, a 10% appreciation or depreciation of the Mexican peso and Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $2.7 million and $0.6 million respectively, in the Company's net income for the three months ended March 31, 2018.

As at March 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 $0.9 million and $1.2 million (using the spot rate as at March 31, 2018 of 18.3 Mexican pesos per U.S. dollar) in the Company's net income for the year, as a result of the change in the value of the Peso Contracts.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument, or its fair value will fluctuate because of changes in market interest rates. As at March 31, 2018, a 100-basis point change in the LIBOR rate would result in a $3.9 million change per annum in interest expense relating to the Company's Debt Facility, Equipment Loan and Finance Lease Arrangement. The Company has not entered into any agreements to hedge against unfavourable changes in interest rates.

The Company deposits cash in fully liquid business bank accounts with reputable financial institutions or government agencies. As such, the Company does not consider its interest rate risk exposure to be significant at March 31, 2018 with respect to its cash and cash equivalent positions.

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 with the Canadian securities regulatory authorities at www.sedar.com.The risks described in the AIF (filed and viewable on www.sedar.com and available upon request from the Company) are hereby incorporated by reference into this MD&A.

Indebtedness risks

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

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

Safety and security risks

The ELG Mine Complex and the Media Luna Project are in the State of Guerrero, Mexico. Guerrero State suffers from high levels of criminality. The homicide rate is among the highest in the 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 movements of funds, impairing contractual rights and causing the Company to shut down operations, all of which may expose the Company to costs as well as potential liability. Such events could have a material adverse effect on the Company's cash flows, earnings, results of operations and financial condition and make it more difficult for the Company to obtain financing, if needed. Although the Company has developed procedures regarding these risks, due to the unpredictable nature of criminal activities, there is no assurance that the Company's efforts are able to effectively mitigate risks and effectively safeguard personnel and Company property. Although the Mexican Federal Gendarmerie remains present at the ELG Mine Complex for the protection of the Company's assets (as their mandate is to protect the 'productive assets' within Mexico), there is no assurance that they will fulfill their mandate.

Illegal Blockades

Local communities may be influenced by external entities, groups, or organizations opposed to mining activities or seeking to gain illegally from mining. Social acceptance of MML remains strong and 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 from November 3, 2017 to January 15, 2018.

The ELG Mine Complex has been blockaded on several occasions since 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, decommissioning and reclamation costs, parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect, actual results of current exploration, development and exploitation activities not being consistent with expectations, potential litigation, hiring the required personnel and maintaining personnel relations, future commodity prices, infrastructure, single property focus, use and reliance of experts outside Canada, competition, hedging contracts, interest rate risk, price and volatility of public stock, limitations under the 2017 Debt Facility, Equipment Loan and Finance Lease Arrangement, liquidity of parent company, conflicts of interest of certain personnel, credit and liquidity risk, compliance with anti-corruption laws, enforcement of legal rights, accounting policies and internal controls. For additional information relating to the Company, and a detailed description of risks and uncertainties refer to the Company's most recent annual information form, which is available at the Company's profile on SEDAR at www.sedar.com. See also "Cautionary Note Regarding Forward-Looking Statements."

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There was no change in the Company's internal controls over financial reporting that occurred during the first 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 of the disclosure controls and procedures, that as of March 31, 2018, the Company's disclosure controls and procedures have been designed to provide reasonable assurance that material information is made known to them by others within the Company.

Limitations of Controls and Procedures

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

QUALIFIED PERSONS

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

ADDITIONAL INFORMATION

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future exploration, development and exploitation plans concerning the Morelos Gold Property, the adequacy of the Company's financial resources, business plans and strategy and other events or conditions that may occur in the future, and the results set out in the Technical Report including the PEA including with respect to mineral resource and mineral reserve estimates, the ability to exploit estimated mineral reserves, the Company's expectation that the ELG Mine Complex will be profitable with positive economics from mining, recoveries, grades, annual production, receipt of all necessary approvals and permits, the parameters and assumptions underlying the mineral resource and mineral reserve estimates and the financial analysis, and gold prices, the expectation that the Company will be able to generate sufficient cash flow to satisfy the financial covenants under the 2017 Debt Facility and service its indebtedness on a timely basis, the expected successful achievement of the restart plan, the expected successful ramp-up and achieving full production, expected metal recoveries, gold production (including without limitation the estimated gold sales by year), total cash costs per ounce of gold sold, AISC and revenues from operations, the ability to mine and process estimated mineral reserves, plans to mine and process the material in the Sub-Sill area, plans to complete the SART plant on time and budget and the expected successful start-up, commissioning and operation of the SART plant and the expected cost saving from the operation of the SART plant, the expected continued operation of the tailings filtration plant at design levels, and further advances of funds if required, pursuant to the 2017 Debt Facility and Finance Lease Arrangement (each of which is subject to certain customary conditions precedent), continued unimpeded operations and the permanent resolution of the Blockade, plans to complete a feasibility study of the Media Luna Project, and expected timing and receipt of VAT refunds. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," or "believes" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "occur," or "be achieved."

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the ramp-up of the processing plant, fluctuation in gold and other metal prices, commodity price risk, currency exchange rate fluctuations, capital and operational cost estimates, satisfying financial covenants under the 2017 Debt Facility, 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, government policies and practices in respect of the administration of recovery of VAT funds and recovery of VAT funds, exploration, development, exploitation and the mining industry generally, environmental risks and hazards, decommissioning and reclamation costs, parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect, actual results of current exploration, development and exploitation activities not being consistent with expectations, potential litigation, hiring the required personnel and maintaining personnel relations, future commodity prices, infrastructure, single property focus, use and reliance of experts outside Canada, competition, hedging contracts, interest rate risk, price and volatility of public stock, conflicts of interest of certain personnel, credit and liquidity risk, compliance with anti-corruption laws, enforcement of legal rights, accounting policies and internal controls as well as those risk factors included herein and elsewhere in the Company's public disclosure.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A and in the Company's annual information form ("AIF"), assumptions have been made regarding, among other things: the Company's ability to carry on its exploration, development and exploitation activities planned for the Morelos Gold Property, the continued ramp-up to full production and continued operation of the tailings filtration plant at design levels, timely access to the high grade material, timely completion, start up and commissioning of the SART plant and cost savings expected and the timing and receipt of any required approvals and permits, the price of gold, sufficient cash flow to satisfy its financial covenants under the 2017 Debt Facility and service its indebtedness, the ability of the Company to access the ELG Mine Complex and the Media Luna Project without disruption, the ability of the Company to obtain qualified personnel, equipment, goods, consumables and services in a timely and cost-efficient manner, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to obtain financing on acceptable terms, the ability to conclude the land access agreements for the additional target areas on the Morelos Property, the accuracy of the Company's mineral resource and mineral reserve estimates, annual production, the financial analysis contained in the Technical Report including the PEA, as updated by the new mineral resource estimate, mineral reserve estimate and life of mine in the AIF, and geological, operational and price assumptions on which these are based and the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

May 8, 2018