TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

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 August 9, 2017 and is intended to supplement and complement the Company's unaudited condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2017. 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, 2016. All dollar figures included therein and in the following MD&A are stated in United States dollars ("U.S. dollar") unless otherwise stated.

HIGHLIGHTS

Ramp up progresses very well

- **Plant throughput** in the quarter, 1,189 kt, averaged 13,063 tpd, or 93% of design capacity of 14,000 tpd in the quarter, and 13,790 tpd in June.
- **Mine production** in the quarter, 8,376 kt, averaged 92,044 tpd, an increase of 30% over the prior quarter.
- **Gold recovery** in the quarter averaged 86%, consistent with design expectations for the lower grades processed.

Positive grade reconciliation for the quarter of 113% to the reserve model

- **Positive total ounce reconciliation** of 102% to the reserve model for the quarter.

New loan facility strengthens balance sheet and increases flexibility for funding growth options

- **Debt refinancing** was announced in June 2017, executed in July, to replace the project finance facility.

Higher grade tonnes deferred to H2/2017 as a safety precaution during a heavy rainy season

- **Average grade** in the quarter of 2.37 gpt is lower than reserve grade, resulting in higher costs per ounce.

Outlook

- The Company expects to be at the low end of the annual guidance for ounces resulting in the higher end for costs per ounce.

Sub-Sill infill drilling continues to impress with a 97% hit ratio

- **Sub-Sill** infill drilling demonstrated the continuity of high grade gold mineralization and initial very high grade Sub-Sill ore was delivered to the processing plant in June 2017.

Financial results

- **Net income** totalled $5.1 million, or $0.06 per share, on a basic and diluted basis for the quarter, and $14.0 million, or $0.18 per share, on a basic and $0.17 per share on a diluted basis for the six months ended June 30, 2017.
- **Adjusted net earnings[1],** which excludes, amongst other items, unrealized derivative and foreign exchange gains and losses, totalled $0.8 million, or $0.01 per share on a basic and diluted basis for the quarter, and $6.7 million, or $0.08 per share on a basic and diluted basis for the six months ended June 30, 2017.
- **Earnings from mine operations** totalled $14.9 million for the quarter, and $30.9 million for the six months ended June 30, 2017.
- **Cash flow from operations** totalled $15.3 million for the quarter, and $35.1 million for the six months ended June 30, 2017.
- **Revenue** totalled $86.6 million and **cost of sales** totalled $71.7 million, or $1,048 per ounce of gold sold for the quarter. **Revenue** totalled $173.6 million and **cost of sales** totalled $142.7 million, or $1,026 per ounce of gold sold for the six months ended June 30, 2017.
- **Gold sold** for the quarter totalled 68,398 ounces sold for total proceeds of $84.9 million at an **average realized gold price**[1] of $1,241 per ounce. Gold sold for the six months ended June 30, 2017 totalled 139,145 ounces for total proceeds of $171.7 million at an average realized gold price[1] of $1,234 per ounce.
- **Cash balances** as at June 30, 2017 totalled $77.2 million (including restricted cash of $15.7 million).
- **Total cash costs**[1] of $706 per ounce of gold sold for the quarter, and $688 per ounce of gold sold for the six months ended June 30, 2017.
- **All-in sustaining costs**[1] of $991 per ounce of gold sold for the quarter, and $957 per ounce of gold sold for the six months ended June 30, 2017.
- **Ore in stockpile** as at June 30, 2017 was 0.5 million tonnes at an average estimated grade of 1.51 gpt.

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

The following table summarizes key operating and financial highlights on a quarterly basis since the commencement of commercial production on April 1, 2016:

		Three Months Ended					Six Months Ended
In millions of U.S. dollars, unless otherwise noted		**Jun 30, 2017**	**Mar 31, 2017**	**Dec 31, 2016**	**Sep 30, 2016**	**Jun 30, 2016**	**Jun 30, 2017**
Operating Data [1]							
Mining							
Ore tonnes mined	kt	1,164	711	853	869	684	1,875
Waste tonnes mined	kt	7,212	5,725	5,982	5,648	3,933	12,937
Total tonnes mined	kt	8,376	6,436	6,835	6,517	4,617	14,812
Strip ratio	waste:ore	6.2	8.1	7.0	6.5	5.8	6.9
Average gold grade of ore mined	gpt	2.37	2.19	3.03	3.08	3.18	2.30
Ore in stockpile	mt	0.5	0.6	0.8	0.8	0.8	0.5
Processing							
Average plant throughput	tpd	13,063	10,455	9,233	10,134	10,168	11,766
Average gold recovery	%	86	85	89	89	82	86
Average gold grade of ore processed	gpt	2.37	2.49	3.49	3.13	3.15	2.42
Production and sales							
Gold produced	oz	74,487	70,887	80,955	77,915	83,256	145,374
Gold sold	oz	68,398	70,747	83,259	80,064	80,772	139,145
Financial Data							
Revenue	$	86.6	87.0	102.3	108.1	102.1	173.6
Cost of sales	$	71.7	71.0	68.6	63.7	60.5	142.7
Earnings from mining operations	$	14.9	16.0	33.8	44.4	41.6	30.9
Net income	$	5.1	8.9	10.7	23.6	6.7	14.0
Per share - Basic [1]	$/share	0.06	0.11	0.13	0.30	0.08	0.18
Per share - Diluted [1]	$/share	0.06	0.11	0.13	0.30	0.08	0.17
Adjusted net earnings [2]	$	0.8	5.9	4.3	24.8	22.1	6.7
Per share - Basic [1, 2]	$/share	0.01	0.07	0.05	0.31	0.28	0.08
Per share - Diluted [1, 2]	$/share	0.01	0.07	0.05	0.31	0.28	0.08
Cost of sales	$/oz	1,048	1,004	823	795	748	1,026
Total cash costs [2]	$/oz	706	671	539	517	571	688
All-in sustaining costs [2]	$/oz	991	923	746	699	754	957
Average realized gold price [2]	$/oz	1,241	1,227	1,232	1,308	1,252	1,234
Cash and cash equivalents	$	61.5	93.9	104.0	93.6	74.1	61.5
Restricted cash	$	15.7	14.6	23.4	18.3	27.9	15.7
Working capital	$	81.7	121.0	124.5	120.2	82.4	81.7
Total debt	$	392.9	407.1	406.7	405.9	401.9	392.9
Total assets	$	1,194.5	1,198.0	1,206.3	1,167.1	1,154.3	1,194.5
Total liabilities	$	491.5	501.5	522.5	495.4	511.5	491.5

1. Effective June 30, 2016, the Company implemented a consolidation of its outstanding common shares on the basis of one post-consolidation share for every ten pre-consolidation shares (the "Consolidation"). Per share data reflects the Consolidation. Comparatives were restated.
2. 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.
3. Sum of the quarters may not add to the year to date amounts due to rounding.

SECOND 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 Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and 50 kilometres southwest of Iguala, and consists of seven mineral concessions covering a total area of approximately 29,000 hectares. The Company's principal assets are the El Limón Guajes ("ELG") mine (the "ELG Mine") and the Media Luna project (the "Media Luna Project"). The ELG Mine is an open pit operation with two main pits (the El Limón and Guajes pits), while 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, and titled "NI 43-101 Technical Report – El Limón Guajes Mine Plan and Media Luna Preliminary Economic Assessment, Guerrero State, Mexico" (the "Technical Report").

The Company's strategy is to grow production from high quality assets. The Morelos Gold Property provides significant opportunity to implement this strategy, with the established Media Luna Project, the recently expanded Sub-Sill deposit ("Sub-Sill"), the El Limón Deep zone ("El Limón Deep"), and the many untested exploration targets.

Exploration activities to advance this strategy continued in the second quarter of 2017, with in-fill drilling on the Sub-Sill, tunneling toward Sub-Sill and El Limón Deep, preparations for a third quarter start for an in-fill drill program for the Media Luna Project, and the beginning of feasibility study work for the Media Luna Project. The underground access ramp reached the Sub-Sill in the second quarter and the first high grade tonnes reported to the processing plant in June. The Sub-Sill in-fill drill program has been very successful with a 97% 'hit ratio' in the first 29 holes or approximately the first half of the program. Of the 50 holes in the in-fill program, 43 holes have been drilled to date, with results still pending for the later holes. Late in the second quarter and into the third quarter the focus of the Sub-Sill drill program has shifted to the step-out holes. Both the in-fill and step-out holes will aid in the Sub-Sill mine planning work that is underway. A mine plan is expected to be published prior to the end of the year, after the Sub-Sill resource estimate has been upgraded to Measured and Indicated confidence categories and a reserve estimate declared.

The Company recognizes the current exposure to 'single asset' risks to cash flow. To manage that risk, the Company will opportunistically seek to acquire high quality assets in the Americas.

OBJECTIVES FOR 2017

Achieve the 2017 production target, within constraints:

- Production target:
  - 350,000 to 380,000 gold ounces sold.
- Constraints:
  - Zero fatalities and an employee and contractor Lost Time Injury frequency of less than 2.
  - Zero reportable spills of 1,000 litres, or more, that report to the river or reservoir.
  - Cash costs within the range of $525 – $575 and AISC within the range of $775 – $825.

Set up for the achievement of the 2018 production target, within constraints:

- Strip 32 million tonnes of waste.
- Commission the SART Plant.
- Achieve a steady state run rate of 14,000 tpd through the filters by the end of Q3 2017.
- Complete the ramp into El Limón Deep and the Sub-Sill.

Set up for growth:

- Start the access ramp into Media Luna.
- Extend the exploration program in the Sub-Sill and other regional targets.

2017 Outlook

In the first half of 2017, the ramp up process continued with throughput nearing design levels in June. Average grade processed in the six months was 2.42 gpt and below reserve grade. There are higher grade tonnes available to be mined this year, but they sit below the pit wall that was damaged in the rock slide of 2016. The safety catch benches were lost in that slide, and with rainfall at 180% of average in the first half of the rainy season, out of an abundance of caution, most of the mining of this high grade has been deferred to the fourth quarter and potentially the first quarter of 2018, depending on the length and continued severity of the rainy season. The Company expects to be at the low end of guidance for ounces and at the high end for costs per ounce. Unfortunately, since the rainy season tends to end around the end of the third quarter, achieving guidance will be dependent on getting the high grade tonnes through in the fourth quarter. The Sub-Sill is another source of high grade tonnes, which will be helpful. The drilling programs in the Sub-Sill continue to provide very encouraging results and an update will be provided in the near future. The SART plant construction continues to track to schedule.

FINANCIAL RESULTS

The following table summarizes the financial results of the Company:

	Three Months Ended		Six Months Ended	
In millions of U.S. dollars, unless otherwise noted	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Revenue [1]	86.6	102.1	173.6	102.1
Gold	85.9	101.9	172.2	101.9
Silver	0.7	0.2	1.4	0.2
Cost of sales	71.7	60.5	142.7	60.5
Earnings from mine operations	14.9	41.6	30.9	41.6
Exploration and evaluation expenses	3.6	0.5	4.1	1.4
General and administrative expenses	4.2	4.2	9.7	7.1
Loss (gain) on derivative contracts	(2.3)	19.0	(0.6)	53.3
Financing costs, net	7.8	6.7	15.0	6.6
Foreign exchange (gain) loss	(4.0)	2.0	(7.2)	3.7
Income tax expense (recovery), net	0.5	2.5	(4.1)	0.7
Net income (loss)	5.1	6.7	14.0	(31.2)
Per share - Basic ($/share) [2]	0.06	0.08	0.18	(0.40)
Per share - Diluted ($/share) [2]	0.06	0.08	0.17	(0.40)
Adjusted net earnings [3]	0.8	22.1	6.7	22.1
Per share - Basic ($/share) [2, 3]	0.01	0.28	0.08	0.28
Per share - Diluted ($/share) [2, 3]	0.01	0.28	0.08	0.28
Cost of sales ($/oz)	1,048	748	1,026	748
Total cash costs ($/oz) [3]	706	571	688	571
All-in sustaining costs ($/oz) [3]	991	754	957	754
Average realized gold price ($/oz) [3, 4]	1,241	1,252	1,234	1,252
Average realized margin ($/oz) [3, 4]	535	681	546	681

1. Proceeds from sales of gold and silver prior to achieving commercial production were offset against the construction costs for the ELG Mine.
2. Earnings per share reflect the Consolidation. Comparatives were restated.
3. 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. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.
4. Average realized gold price and average realized margin include realized losses from gold derivative contracts of $15 per ounce for the three months ended June 30, 2017 and $4 per ounce for the six months ended June 30, 2017. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.

SECOND QUARTER FINANCIAL RESULTS

Processed gold grade was 2.37 grams per tonne

With processing rates closing in on design levels, and costs per tonne effectively at budget levels, lower average grade and timing of grade had an influence on the financial results. From a timing perspective, over 7,000 ounces of doré in transit to market or at the refiner and over 3,000 ounces of carbon fines waiting to be refined were produced.

The average grade processed at 2.37 gpt is below the grade budgeted for the year, but is consistent with the grade expectations for the portions of the pit that were mined in this quarter. (Actually better than expectations because the grade of the tonnes mined, though lower than Life of Mine ("LOM") average, reconciled positively against the reserve model at 113% for the quarter).

Processed average daily tonnage increased to 13,063 tpd in the second quarter

Average production improved in the second quarter of 2017 to 13,063 tpd, and an average of 13,790 tpd was achieved in June, effectively achieving the design rate of 14,000 tpd.

Commercial production

Commercial production at the ELG Mine commenced on April 1, 2016, and hence there are no comparable financial results for revenue, cost of sales and earnings from mine operations for the first quarter of 2016. As such, comparisons to the six months ended June 30, 2016 include three months of operating results versus six months of operations in the current year.

Revenue totalled $86.6 million

During the second quarter of 2017, the Company recognized $86.6 million in revenue compared to $102.1 million for the second quarter of 2016. The Company sold 68,398 ounces of gold at an average realized price of $1,241 per ounce in the second quarter of 2017, compared to 80,772 ounces of gold at an average realized price of $1,252 in the second quarter of 2016. The decrease in ounces sold is linked to lower grades processed, which despite higher throughput, led to fewer ounces produced. This quarter, the Company had more doré ounces in transit and at the refiner that settled after quarter end. In addition, the Company had carbon fines that were shipped in the second quarter of 2017 but that had not settled as at June 30, 2017 and for which revenue has not been recognized.

During the first half of 2017, the Company recognized $173.6 million in revenue compared to $102.1 million for the first half of 2016. The increase is due to commercial production commencing on April 1, 2016. The Company sold 139,145 ounces of gold at an average realized price of $1,234 per ounce in the first half of 2017, compared to 112,290 ounces of gold in the first half of 2016.

Revenue from the sale of gold is recognized based on the actual price received 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 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.

Realized losses on Gold Contracts were $1.0 million for the three months ended June 30, 2017 compared to realized losses on Gold Contracts of $0.8 million for the three months ended June 30, 2016. Realized losses on Gold Contracts were $0.5 million for the six months ended June 30, 2017 compared to realized losses on Gold Contracts of $0.6 million for the six months ended June 30, 2016. Of the total 68,398 ounces of gold sold in the three months ended June 30, 2017, 47,634 ounces were delivered into the Gold Contracts. Of the total 139,145 ounces of gold sold in the six months ended June 30, 2017, 76,113 ounces were delivered into the Gold Contracts.

Cost of sales was $71.7 million or $1,048 per ounce

Cost of sales for the second quarter of 2017 was $71.7 million compared to $60.5 million in the second quarter of 2016. Production costs increased 7% to $46.4 million for the second quarter of 2017 compared to $43.4 million for the second quarter of 2016. The increase in production costs reflects 29% more tonnes processed.

Cost of sales for the first half of 2017 was $142.7 million compared to $60.5 million in the first half of 2016. The increase is due to the fact that commercial production commenced on April 1, 2016.

Depreciation and amortization expense amounted to $22.7 million for the second quarter of 2017 compared to $14.0 million for the same period in 2016. The increase in depreciation from the second quarter of 2016 is primarily due to lower depreciation amounts included in the opening inventory balances at the commencement of commercial production in the second quarter of 2016, which resulted in lower depreciation in earlier periods.

Depreciation and amortization expense amounted to $45.5 million for the first half of 2017 compared to $14.0 million for the first half of 2016. The increase is due to the fact that the inclusion of depreciation in cost of sales only commenced on April 1, 2016 in line with the transition to commercial production.

Royalties were $2.6 million and $5.3 million for the three and six months ended June 30, 2017 compared to $3.1 million for the three and six months ended June 30, 2016, representing 3% of proceeds from gold and silver sales. Of the 3% royalty expense, 2.5% is payable to the Mexican Geological Survey agency and 0.5% is payable to the Ministry of Finance. The increase in the six months ended June 30, 2017 compared to the six months ended June 30, 2016 is due to the fact that prior to the commencement of commercial production on April 1, 2016, royalty expenses were capitalized.

Total cash costs were $706 per ounce sold

Total cash costs (net of by-product sales) for the second quarter of 2017 were $706 per ounce of gold sold, an increase of 24% or $135 per ounce of gold sold compared to the second quarter of 2016 at $571 per ounce of gold sold. Total cash costs (net of by-product sales) for the first half of 2017 were $688 per ounce of gold sold, an increase of 20% or $117 per ounce of gold sold from the first half of 2016 of $571 per ounce of gold sold. This increase primarily reflects the impact of more tonnes processed at lower grades.

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

All-in sustaining costs were $991 per ounce

AISC for the second quarter of 2017 were $991 per ounce of gold sold compared to $754 per ounce of gold sold for the second quarter of 2016. Sustaining capital expenditures in the second quarter of 2017 amounted to $14.9 million, compared to $9.7 million spent in the second quarter of 2016. Sustaining capital expenditures were $8.5 million for capitalized stripping activities at El Limón and Guajes West, and $6.4 million for sustaining equipment and infrastructure.

An additional $17.4 million of non-sustaining capital expenditures were incurred in the second quarter of 2017 for plant improvements, construction of the SART plant, the El Limón Deep tunnel, initial development scope projects that are being completed post commercial production, mobile equipment, and the Media Luna Project. These non-sustaining capital expenditures have been excluded from the AISC calculations. Refer to “Non-IFRS Financial Performance Measures” for further information and a detailed reconciliation.

AISC for the first half of 2017 were $957 per ounce of gold sold compared to $754 per ounce of gold sold for the first half of 2016. Sustaining capital expenditures in the first half of 2017 amounted to $27.0 million. Sustaining capital expenditures were $17.0 million for capitalized stripping activities at El Limón and Guajes West, and $10.0 million for sustaining equipment and infrastructure.

An additional $30.9 million of non-sustaining capital expenditures were incurred in the first half of 2017 for plant improvements, construction of the SART plant, mobile equipment, the El Limón Deep tunnel, initial development scope projects that are being completed post commercial production, and the Media Luna Project. These expenditures have been excluded from the AISC calculations. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

Exploration and evaluation expenses of $3.6 million

Exploration and evaluation expenditures were $3.6 million and $4.1 million in three and six months ended June 30, 2017, compared to $0.5 million and $1.4 million in the three and six months ended June 30, 2016. In 2017, exploration activities were largely focused on phase two of the Sub-Sill diamond drill program. A maiden underground resource for the Sub-Sill deposit was announced in first quarter of 2017.

General and administrative expenses of $4.2 million

General and administrative expenses were $4.2 million and $9.7 million in the three and six months ended June 30, 2017 compared to $4.2 million and $7.1 million in the three and six months ended June, 2016. The increase in the six months ended June 30, 2017 compared to the six months ended June 30, 2016 is primarily due to higher non-cash share-based compensation expenses.

Finance costs were $7.8 million

Finance costs totalled $7.8 million and $15.0 in the three and six months ended June 30, 2017 compared to $6.7 million and $6.6 million in the three and six months ended June 30, 2016. In the first three months of 2016, finance costs were capitalized as the ELG mine was in the development phase. Finance costs largely reflect the interest expense on the Loan Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan (as all such terms are defined herein).

Loss on Gold Contracts of $0.3 million

Due to significantly fewer ounces remaining to be settled and lower forward prices for gold, the Company recognized an unrealized gain of $0.7 million for the second quarter of 2017 compared to an unrealized loss of $14.4 million for the second quarter of 2016. During the three months ended June 30, 2017, the Company realized a loss of $1.0 million on Gold Contracts settled compared to a realized loss of $0.8 million for the three months ended June 30, 2016.

The Company recognized an unrealized loss of $8.6 million for the half of 2017 compared to an unrealized loss of $48.3 million for the first half of 2016 due to lower forward prices for gold and fewer ounces remaining to be settled in the first half of 2017. During the six months ended June 30, 2017, the Company realized a loss of $0.5 million on Gold Contracts settled compared to a loss of $0.6 million for the six months ended June 30, 2016.

Gain on currency derivative contracts of $2.6 million due to the appreciation of the Mexican peso

Based on forward prices for Mexican pesos at June 30, 2017, the Company recognized an unrealized gain of $2.2 million for the three months ended June 30, 2017 compared to an unrealized loss of $2.5 million for the three months ended June 30, 2016. In the second quarter of 2017, the average exchange rate of the Mexican peso relative to the U.S. dollar was lower than the average contract forward prices. As such, the Company realized a gain of $0.4 million on the contracts it settled during the quarter, compared to a loss of $1.3 million for the second quarter of 2016.

Based on forward prices for Mexican pesos as at June 30, 2017, the Company recognized an unrealized gain of $9.7 million for the six months ended June 30, 2017 compared to an unrealized gain of $1.1 million for the six months ended June 30, 2016. In the first half of 2017, the average exchange rate of the Mexican peso relative to the U.S. dollar was relatively similar to the average contract forward prices. As such, the Company did not realize significant gains or losses on the contracts it settled during the six months ended June 30, 2017, compared to a loss of $5.5 million for the comparable period in 2016.

Foreign exchange gain of $4.0 million due to the appreciation of the Mexican peso

The Company recognized a foreign exchange gain of $4.0 million for the quarter ended June 30, 2017, compared to a loss of $2.0 million for the quarter ended June 30, 2016. The Mexico peso appreciated by 5% in the second quarter of 2017.

The Company recognized a foreign exchange gain of $7.2 million for the six months ended June 30, 2017, compared to a loss of $3.7 million for the six months ended June 30, 2016. The Mexico peso appreciated by 14% in the first half of 2017.

Income and mining tax expense of $0.5 million

The Company recognized a current income tax expense of $2.4 million in the three months ended June 30, 2017 primarily related to the 7.5% Mexican mining royalty, compared to a current tax expense of $3.7 million in the three months ended June 30, 2016.

The Company recognized a current income tax expense of $5.2 million in the six months ended June 30, 2017 primarily related to the 7.5% Mexican mining royalty, compared to a current tax expense of $3.8 million in the six months ended June 30, 2016.

The Company recognized a deferred income tax recovery of $1.9 million in the three months ended June 30, 2017, compared to a deferred income tax recovery of $1.2 million for the three months ended June 30, 2016. The Company recognized a deferred income tax recovery of $9.3 million in the six months ended June 30, 2017, compared to a deferred income tax recovery of $3.1 million for the six months ended June 30, 2016. The increase in the deferred tax recovery is primarily as a result of an increase in the Mexican inflation rate and the impact of foreign exchange translation.

In the first half of 2017, the Company paid $7.3 million in relation to the 2016 7.5% Mexican mining royalty, which is considered an income tax for IFRS purposes.

Net income of $5.1 million

Net income for the second quarter of 2017 totalled $5.1 million, or $0.06 per share, both on a basic and diluted basis, while adjusted net earnings amounted to $0.8 million, or $0.01 per share, both on a basic and diluted basis. In the second quarter of 2016, net income was $6.7 million, or $0.08 per share, both on a basic and diluted basis while adjusted net earnings amounted to $22.1 million, or $0.28 per share on a basic and diluted basis. Net income decreased 24% over the second quarter of 2016, largely due to fewer ounces sold as a result of processing lower grades of ore.

Net income for the first half of 2017 totalled $14.0 million, or $0.18 per share on a basic, and $0.17 per share on a diluted basis, while adjusted net earnings amounted to $6.7 million, or $0.08 per share, both on a basic and diluted basis. In the first half of 2016, the Company incurred a net loss of $31.2 million, or $0.40 per share, both on a basic and diluted basis. This is due to commercial production commencing on April 1, 2016. Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net income to adjusted net earnings.

RESULTS OF OPERATIONS

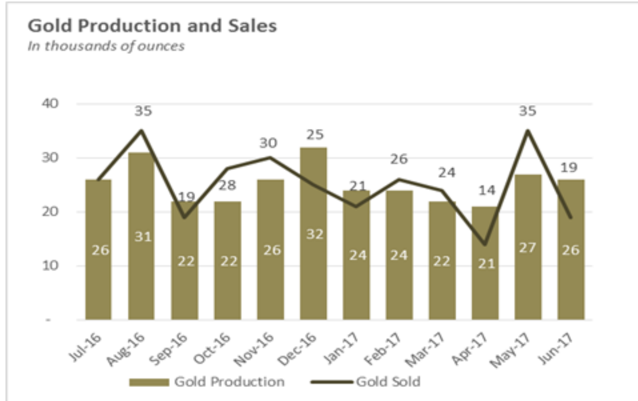
The following table summarizes the operating results for the Company's ELG Mine on a quarterly basis:

		Three Months Ended					Six Months Ended
		Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Jun 30, 2017
Mining							
Guajes Pit							
Ore tonnes mined	kt	355	252	653	860	611	607
Waste tonnes mined	kt	3,390	2,432	3,495	3,653	2,582	5,822
Total tonnes mined	kt	3,745	2,684	4,148	4,513	3,193	6,429
Strip ratio	waste:ore	9.5	9.7	5.4	4.2	4.2	9.6
Average gold grade of ore mined	gpt	2.62	2.77	3.43	3.10	3.31	2.68
El Limón Pit							
Ore tonnes mined	kt	809	459	200	9	73	1,268
Waste tonnes mined	kt	3,822	3,293	2,487	1,995	1,351	7,115
Total tonnes mined	kt	4,631	3,752	2,687	2,004	1,424	8,383
Strip ratio	waste:ore	4.7	7.2	12.4	221.7	18.5	5.6
Average gold grade of ore mined	gpt	2.26	1.87	1.72	1.15	2.08	2.12
Total El Limón Guajes							
Ore tonnes mined	kt	1,164	711	853	869	684	1,875
Waste tonnes mined	kt	7,212	5,725	5,982	5,648	3,933	12,937
Total tonnes mined	kt	8,376	6,436	6,835	6,517	4,617	14,812
Strip ratio	waste:ore	6.2	8.1	7.0	6.5	5.8	6.9
Average gold grade of ore mined	gpt	2.37	2.19	3.03	3.08	3.18	2.30
Processing							
Total tonnes processed	kt	1,189	941	849	932	925	2,130
Average plant throughput	tpd	13,063	10,455	9,233	10,134	10,168	11,766
Average gold recovery	%	86	85	89	89	82	86
Average gold grade of ore processed	gpt	2.37	2.49	3.49	3.13	3.15	2.42
Production and sales							
Gold produced	oz	74,487	70,887	80,955	77,915	83,256	145,374
Gold sold	oz	68,398	70,747	83,259	80,064	80,772	139,145

1. Results of operations for El Limón Sur are included within El Limón.

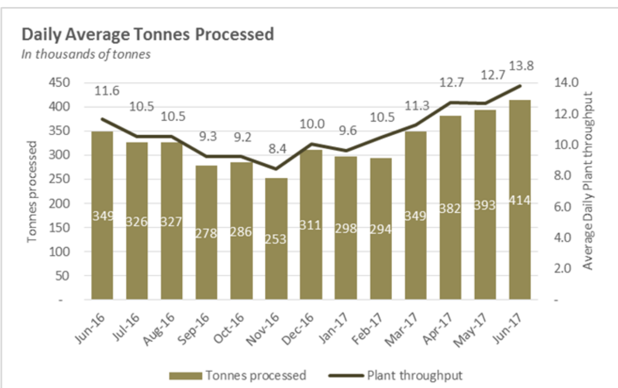
Gold Production and Sales

In the second quarter of 2017, 74,487 ounces of gold were produced and 68,398 ounces of gold were sold, for a total of 145,374 ounces produced and 139,145 ounces sold year-to-date in 2017.



Plant Ramp-Up

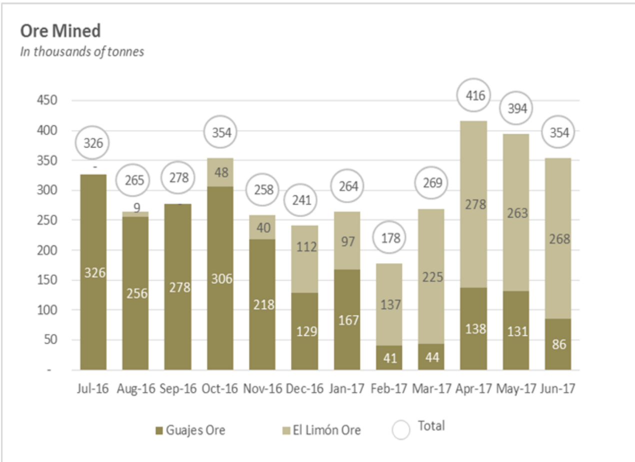
The ramp up continues to progress well. The tailings filtration bottleneck has been solved and the additional filtration capacity that is being installed will ensure that the bottleneck stays where it should be, which is in the grinding circuit. With the grinding circuit no longer constrained by the filtration circuit, efforts are underway to optimize the circuit by balancing the load between the SAG Mill, Ball Mill, and Pebble Crusher. With processing plant throughput increasing, focus will also shift to the mines to match the higher levels that the processing plant is achieving.

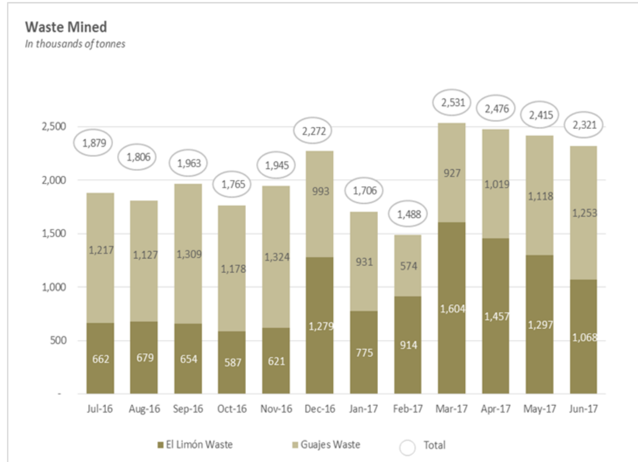


Soluble copper in the deposit has been successfully managed with higher than design level consumption of reagents. A decision has been made to install a SART plant to recycle and reduce the consumption of the reagents that are used in association with the soluble copper. Construction of this plant is well underway and on track for commissioning in the fourth quarter. This project is expected to be commissioned and fully functional by year-end 2017. The SART plant in 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

During the second quarter of 2017, tonnes mined were 30% higher compared to the previous quarter. A total of 8,376 thousand tonnes were mined in the quarter at an average waste to ore strip ratio of 6.2, approximately 45% of the tonnes mined were from Guajes with the remaining 55% from El Limón. At June 30, 2017, there were 536 thousand tonnes of ore in stockpile, consisting of 173 thousand tonnes from Guajes, 12 thousand tonnes from North Nose and 293 thousand tonnes from El Limón, with an additional 58 thousand tonnes in the fine ore stockpile.

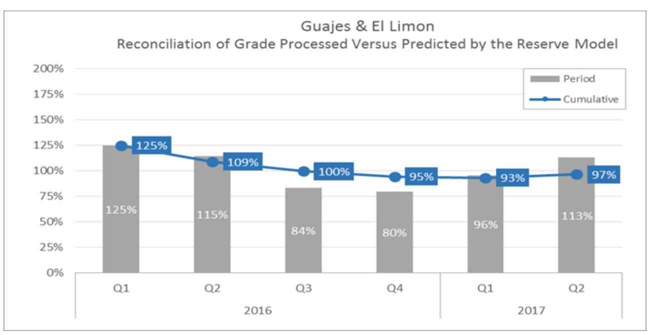


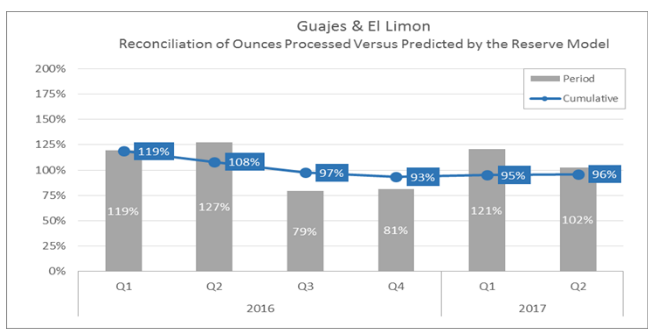


Tonnage and Grade Reconciliation to the Reserve Model

Grade and tonnage reconciliation to the reserve model in the quarter was 113% for grade, 89% for ore tonnes, resulting in 102% of the ounces predicted by the reserve model, and 108% for grade, 100% for ore tonnes, resulting in 108% of the ounces predicted by the reserve model in the six months ended June 30, 2017. Sub-Sill ounces mined in the quarter were removed from the reconciliation based on samples taken before entering the plant.

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. A few more quarters of production should be enough data to provide a good indication of where reconciliation for the entire deposit will settle out.





Safety

During the second quarter of 2017, one of our contractor team members was killed in a vehicle incident while working on the construction of an environmental control structure. While driving a 6-wheel haulage truck down a steep road, Sr. Jorge Joel Roman Mendoza drove up onto a safety berm and the vehicle then rolled over and down to the road below. Sr. Mendoza was killed in the incident.

The end of quarter lost time injury frequency rate was 2.06 per million hours worked. We continue to work to enhance our safety culture through training with a specific focus on our contractor workforce.

Community

There were no specific community concerns during the quarter. We continue to work with the Municipality of Cocula to prepare their team members and our communities so that they will be able to obtain money from the government's mining fund for infrastructure projects. Our focus in the resettlement communities is on training for people so that they can look after their new houses. We started a partnership with U.S.-based Project C.U.R.E., which is the largest provider of donated medical supplies and equipment to developing countries. Project C.U.R.E. has reviewed the health care facilities in the Municipality of Cocula and will now ship much of the required medical equipment and supplies to these clinics and health posts. We anticipate the placement of the medical equipment in 2017.

We are continuing our community economic diversity initiatives in fishing (in the Presa Caracol) and agriculture (in the Atzcala Valley). We also work with entrepreneurs within our stakeholder communities to identify supply opportunities to the mining operation, and we assist them with the transition to service provider. During the quarter, we also provided community training in hairdressing, jewelry making and sewing. This work in the communities is focused on providing skills to vulnerable people within the community so that they can have a stable income.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

Work on the Media Luna Project mine design continued during the second quarter of 2017, with a focus on reducing the project schedule and capital costs, while preserving the estimated low operating costs of the PEA. (The Technical Report is available on the Company's website at www.torexgold.com and was filed on SEDAR at www.sedar.com on September 3, 2015). Significant potential enhancements have been identified and a feasibility study team is being assembled to update the PEA and then advance the mine design to feasibility confidence levels. One of the scheduled enhancement options is to infill drill a portion of the deposit from surface, utilizing conventional directional drilling techniques. Bids for this work were received from contractors in the second quarter of 2017. The drilling contractor is currently mobilizing to site, and drilling will commence in the third quarter of 2017. Drilling from surface will eliminate the need for an exploration ramp from surface and opens the door to faster, lower cost, and smaller footprint options to access the deposit for mining.

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 (the "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. The related press releases are available on the Company's website at www.torexgold.com and were filed on SEDAR at www.sedar.com. A diamond drill program to infill and test for extensions to the Sub-Sill deposit was started during the second quarter of 2017, with three diamond drills. This program will continue in the third quarter of 2017.

Ahead of schedule, in the fourth quarter of 2016, a 5 metre wide by 5 metre high ramp was collared from the El Limón access road. This ramp has reached the Sub-Sill target and is continuing to advance toward the El Limón Deep target. Approximately the first 300 metres of the ramp is common to both target areas and it is complete. Beyond this point, there are separate ramps for each area and each of the separate ramps is expected to be approximately 300 metres in length. The ramp reached the Sub-Sill zone in June 2017 and first ore was processed shortly thereafter.

Permitting and land acquisition efforts for additional targets on the Morelos Gold Property will commence once the similar work for the Media Luna Project has been completed.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

The following table summarizes balance sheet items at June 30, 2017:

In millions of U.S. dollars		**June 30, 2017**		**December 31, 2016**
Cash and cash equivalents	$	61.5	$	104.0
Restricted cash		15.7		23.4
Gold derivative contracts		-		8.6
Value-added tax receivables		80.9		61.8
Inventory		61.2		53.4
Property, plant and equipment		958.5		940.9
Other assets		16.7		14.2
Total assets	$	1,194.5	$	1,206.3
Accounts payable and accrued liabilities	$	53.6	$	50.4
Debt		392.9		406.7
Currency derivative contracts		0.5		10.2
Other liabilities		44.5		55.1
Total liabilities	$	491.5	$	522.4
Total shareholders' equity	$	703.0	$	683.9

Cash and cash equivalents and restricted cash

The Company ended the second quarter of 2017 with cash on hand of $61.5 million, with an additional $15.7 million in restricted cash. The Company holds cash balances in both Canadian dollars and Mexican pesos in addition to its U.S. dollar holdings.

Pursuant to the Loan Facility (as defined herein and discussed in the “Debt Financing” section of this MD&A), the Company maintains restricted cash of $15.7 million consisting of reserve funds of $13.7 million in case of an unplanned temporary closure of the ELG Mine and $2.0 million for accrued tax and royalties.

In the six months ended June 30, 2017, the Company paid $7.3 million from its restricted cash balances in conjunction with the 7.5% Mexican mining royalty for 2016 as well as $1.7 million in respect of the 0.5% royalty on the sale of precious metals for 2016.

Derivative contracts

In October 2014 and May 2016, in connection with the Loan Facility, the Company entered into the Gold Contracts and Peso Contracts with the Lenders, 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 June 30, 2017, there are 4,095 ounces outstanding under the Gold Contracts. Subsequent to the second quarter, on July 5, 2017, the Company settled the remaining 4,095 ounces. The Peso Contracts are a liability of $0.5 million at June 30, 2017, reflecting a devaluation in the Mexican peso since the contracts were entered into. As at June 30, 2017, the Company had 849.0 million in Peso Contracts remaining to be settled. There are risks related to the Gold Contracts and 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 six months ended June 30, 2017, the Company collected $16.8 million in VAT receivables, net of interest of $0.8 million.

In June 2016, the Company entered into a loan secured by its outstanding VAT receivables to mitigate delays in the collection of VAT refunds. Refer to "Debt Financing" for further details.

Inventory

At June 30, 2017, inventories included $12.7 million of ore in stockpile, $8.2 million of gold-in-circuit, $13.8 million of finished metal inventory, and $26.5 million of materials and supplies. At December 31, 2016, inventory included $18.9 million of ore in stockpile, $12.4 million of gold-in-circuit, $4.1 million of finished metal inventory, and $18.0 million of materials and supplies. The increase of $7.8 million is largely due to the higher finished goods inventory due to 7,465 ounces in transit or at the refiner at quarter end, and higher materials and supplies as the Company ensures it has sufficient supplies on hand in case of an interruption. This increase is partially offset by lower stockpile and in-circuit inventory.

Property, plant and equipment

Property, plant and equipment increased by $71.1 million for construction expenditures at the ELG Mine, infrastructure, equipment, finance lease assets and capitalized stripping costs for the six months ended June 30, 2017. These increases are partly offset by depreciation and amortization of $52.6 million and disposals, net of accumulated depreciation, of $0.9 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by $3.2 million to $53.6 million at June 30, 2017.

Debt

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

DEBT FINANCING

2014 Loan Facility

In August 2014, the Company, through its subsidiary Minera Media Luna, S.A. de C.V. ("MML"), signed a credit agreement (the "Credit Agreement") with BMO Harris Bank N.A., BNP Paribas, Commonwealth Bank of Australia, ING Bank N.V., Société Générale, and The Bank of Nova Scotia (the "Lenders") and other definitive documentation giving effect to a $375.0 million senior secured project finance loan (the "Loan Facility"). The Loan Facility was comprised of 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 bear interest at a rate of LIBOR + 4.25% to 4.75% and advances under the COF bear interest at the same rate plus 1%. The Loan Facility had a maturity date of June 30, 2022. The Loan Facility was fully drawn, and the amount outstanding as at June 30, 2017 was $375.0 million. The proceeds of the Loan Facility were used to fund the development of the ELG Mine. The Loan Facility is presented in the Statement of Financial Position at amortized cost, net of deferred financing costs of $8.1 million, and totalled $366.9 million at June 30, 2017.

In connection with the Loan Facility, the Company placed $13.7 million of cash on deposit for potential obligations in the event of an unplanned temporary closure of the ELG Mine, as well as $30.9 million in a reserve account (the "Sponsor Reserve Account") to address potential impacts that a delay in the anticipated commencement of production may have on certain requirements under the Loan Facility. During 2016, the full amount in the Sponsor Reserve Account was released; $6.0 million was used to fund ELG Mine expenses and the remainder was made available to fund corporate priorities including exploration and development activities. At June 30, 2017, the remaining $15.7 million in restricted cash is comprised of the initial $13.7 million put aside for an unplanned temporary closure of the ELG Mine and $2.0 million in an account to fund tax and royalty obligations.

Further, the Company entered into commitments to deliver 204,361 ounces of gold from the ELG Mine to the Lenders between January 2016 and July 2017, at an average flat forward gold price of $1,241 per ounce. As at June 30, 2017, the Company had 4,095 ounces remaining to be delivered. Subsequent to the second quarter of 2017, on July 5, 2017, the Company settled these remaining ounces. Contracts that remain outstanding at the end of the reporting period are marked-to-market as they are considered non-designated hedges.

The Company also executed the required Peso Contracts, which cover 75% of the Company's non-U.S. dollar denominated capital expenditures for the ELG Mine from November 2014 to the second quarter of 2017, as well as 75%, 50% and 25% annually, of the Company's estimated non-U.S. dollar denominated operating expenditures for the ELG Mine from May 2016 to December 2018. The contracts are secured on an equal basis with the Loan Facility and documented in the form of International Swaps and Derivatives Association Agreements. At June 30, 2017, the Company had 849.0 million pesos at an average price of 18.7 pesos per U.S. dollar. Contracts that remain outstanding at the end of the reporting period are marked-to-market as they are considered non-designated hedges. Based on the forward prices for pesos at June 30, 2017, the Company recognized a liability of $0.5 million with respect to the Peso Contracts.

The Loan Facility was subject to a Final Completion Test ("FCT"). The deadline for completion of the FCT would have been March 31, 2018. Successful completion of the FCT would have 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 have been applicable as at March 31, 2018 and measured on a quarterly basis thereafter. Inability to achieve the FCT would have constituted an event of default under the Loan Facility, unless a waiver or amendment to the Loan Facility was obtained. The Company was also restricted from repatriating funds from MML until the FCT was achieved.

2017 Debt Facility

Subsequent to the second quarter, 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 mandated lead arrangers (the "Banks") in connection with a secured $400.0 million debt facility (the "Debt Facility"). Following a successful syndication, BMO Harris Bank N.A. and The Bank of Nova Scotia joined the Banks as lenders under the Debt Facility. 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"). All conditions precedent to the drawdown of the Debt Facility have been satisfied and 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 has a revised repayment schedule for the Term Facility and 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 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 as described below.

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 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.

The Debt Facility bears interest at a rate of LIBOR + 4% for the first two years, LIBOR + 4.25% for years three and four, and LIBOR + 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 is March 31, 2018, 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.

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 + 3.75%. The loan is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges of $0.2 million, and totalled $3.8 million at June 30, 2017. In the six months ended June 30, 2017, the Company repaid $1.7 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, the Company signed an amendment extending the available funds to $23.7 million. As of June 30, 2017, the Company had utilized $22.7 million under the Finance Lease Arrangement. Advances under the Finance Lease Arrangement bear interest at a rate of LIBOR + 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 $0.6 million, and totalled $20.0 million at June 30, 2017. In the six months ended June 30, 2017, the Company repaid $1.6 million.

VAT Loan

On June 3, 2016, the Company, through its subsidiary MML, executed a line of credit agreement with Banco Nacional de Comercio Exterior for an amount equivalent to 84.2% of 95% of the Company's outstanding VAT filings, up to 800.0 million Mexican pesos (approximately $44.7 million at June 30, 2017) (the "VAT Loan"). The VAT Loan is secured by the Company's VAT receivable amounts, and advances under the facility bear interest equal to the 91-day Interbank Equilibrium Interest (TIIE) Rate as published by the Bank of Mexico + 2.99%. Interest payments are due quarterly and VAT refunds received are applied against the balance outstanding. A final payment of all principal and any accrued interest is due 24 months following the date of the first advance. Upon signing the agreement, the Company paid 0.5% of the total amount committed, and will pay 0.5% of each advance. During the term of the VAT Loan, MML is restricted from repaying loans from the parent company and an affiliate.

The Company drew down its first advance on June 24, 2016, in the amount of 450.5 million Mexican pesos (approximately $24.3 million at the time of the advance). The remaining 349.5 million pesos under the loan were available until March 31, 2017, but were not utilized. The loan is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges of $0.2 million, and totalled $2.2 million at June 30, 2017. In the six months ended June 30, 2017, the Company collected $16.8 million, net of interest of $0.8 million, which was used to pay down part of the VAT Loan.

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at June 30, 2017 were $1,194.5 million (December 31, 2016 - $1,206.3 million), which includes $61.5 million in cash and cash equivalents (December 31, 2016 - $104.0 million), excluding restricted cash of $15.7 million (December 31, 2016 - $23.4 million). The Company had working capital of $81.7 million as at June 30, 2017, compared to $124.6 million at December 31, 2016. Current cash on hand and remaining amounts available under the Debt Facility, along with proceeds from gold sales, are expected to be sufficient to fund operations including capital expenditure commitments, and settle outstanding liabilities.

Cash flow generated from operating activities, excluding changes in non-cash working capital, for the six months ended June 30, 2017 totalled $54.1 million compared to cash flow from operating activities, excluding changes in non-cash working capital, of $40.3 million for the six months ended June 30, 2016. The increase is primarily due to three months of months of operations in the six months ended June 30, 2016 as commercial production commenced on April 1, 2016.

Investing activities resulted in net cash outflows of $45.1 million in the six months ended June 30, 2017, compared with cash outflows of $52.5 million for the comparative period in 2016. The decrease is primarily due to the capitalization of expenses and revenues from pre-production sales in the pre-commercial production phase in the first three months of 2016.

Financing activities resulted in net cash outflows of $33.5 million for the six months ended June 30, 2017 compared with cash inflows of $17.2 million in the comparative period. Cash flows used in financing activities in the first half of 2017 relate primarily to interest paid of $14.4 million and repayments under the Finance Lease Arrangement, VAT Loan and Equipment Loan totalling $21.2 million. In comparison, for the first half of 2016, cash flows used in financing activities related to repayments under the Equipment Loan and deferred finance charges. Cash flows generated from financing activities in the first half of 2016 related to $24.3 million in proceeds from the VAT Loan.

As at June 30, 2017, 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, and the Valerio Trujano Ejidos and the individual owners of land parcels within certain of those Ejido boundaries, a five-year exploration access agreement with the Puente Sur Balsas Ejido, and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine. All of the long-term land lease agreements and the exploration agreement can be terminated at the Company's discretion at any time without penalty. The five-year exploration access agreement includes access to the new discoveries at the Media Luna Project. 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 has been 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 is restricted from repaying loans from the parent company and an affiliate.

In addition, production revenue from the "Reducción Morelos Norte" concession is subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and payable on a quarterly basis. In January 2017, the Company paid $2.4 million relating to the fourth quarter of 2016 for the 2.5% royalty. In April 2017, the Company paid $2.2 million relating to the first quarter of 2017 for the 2.5% royalty. Further, in 2014, the Mexican government enacted a tax reform introducing 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 March 2017, the Company paid $7.3 million and $1.7 million relating to 2016 for the 7.5% mining tax and 0.5% royalty.

Contractual Commitments

		Payments Due by Period			
In millions U.S. dollars	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Greater than 5 years**
Long-term leases	$ 0.7	$ 0.3	$ 0.4	$ -	$ -
ELG Mine commitments	86.4	86.2	0.2	-	-
Debt	402.0	26.4	139.3	236.3	-
Total	**$ 489.1**	**$ 112.9**	**$ 139.9**	**$ 236.3**	**$ -**

OUTSTANDING SHARE DATA

Outstanding Share Data at August 9, 2017	Number
Common shares	79,842,685
Share purchase options [1]	1,078,333
Restricted share units [2,3]	240,099
Performance share units [4]	268,804

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.*

On June 30, 2016, the Company consolidated its outstanding common shares on a 10-for-1 basis resulting in one common share for every ten pre-Consolidation common shares outstanding. All references in this document, as well as in the consolidated financial statements, to earnings (loss) per share, weighted average number of common shares outstanding, common shares outstanding and authorized common shares have been adjusted to reflect the Consolidation.

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. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.

Total cash costs

Total cash costs is a common financial performance measure in the gold mining industry however has no standard meaning under IFRS. Torex 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 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 (capital 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

		Three Months Ended			Six Months Ended
In millions of U.S. dollars, unless otherwise noted		**June 30, 2017**	**March 31, 2017**	**June 30, 2016**	**June 30, 2017**
Gold sold	oz	68,398	70,747	80,772	139,145
Total cash costs per ounce sold					
Production costs and royalties	$	49.0	48.2	46.4	97.2
Less: Silver sales	$	(0.7)	(0.7)	(0.2)	(1.4)
Total cash costs	$	48.3	47.5	46.2	95.8
Total cash costs per ounce sold	$/oz	706	671	571	688
All-in sustaining costs per ounce sold					
Total cash costs	$	48.3	47.5	46.2	95.8
Corporate general and administrative costs [1]	$	4.2	5.4	4.2	9.6
Reclamation and remediation costs	$	0.4	0.3	0.3	0.7
Sustaining exploration costs	$	-	-	0.5	-
Sustaining capital expenditure [2]	$	14.9	12.1	9.7	27.0
Total all-in sustaining costs	$	67.8	65.3	60.9	133.1
Total all-in sustaining costs per ounce sold	$/oz	991	923	754	957

1. Includes share-based compensation in the amount of $1.5 million, or $22/oz, and $4.2 million, or $30/oz, for the three and six months ended June 30, 2017, respectively.
2. Based on additions to property, plant and equipment per the Statement of Cash Flows for the three and six months ended June 30, 2017. Capital expenditures for the three and six months ended June 30, 2017 totalled $32.3 million and $57.9 million. Sustaining capital expenditures of $14.9 million in the three months ended June 30, 2017 are related to $8.5 million for the cash component of capitalized stripping activities at El Limón and Guajes West, and $6.4 million for sustaining equipment and infrastructure expenditures. Sustaining capital expenditures in the six months ended June 30, 2017 of $27.0 million include $17.0 million for the cash component of capitalized stripping activities at El Limón and Guajes West, and $10.0 million for sustaining equipment and infrastructure expenditures.

   Non-sustaining capital expenditures of $17.4 million in the three months ended June 30, 2017 consisting of the SART plant, plant improvements, the El Limón Deep tunnel, initial development scope projects that are being completed post commercial production, mobile equipment, and the Media Luna Project were considered non-sustaining and have been excluded from AISC. Non-sustaining capital expenditures in the six months ended June 30, 2017 of $30.9 million consisting of plant improvements, construction of the SART plant, mobile equipment, the El Limón Deep tunnel, initial development scope projects that are being completed post commercial production, and the Media Luna Project 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 (Loss) 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 second quarter of 2017 was $1,241 per ounce of gold sold compared to $1,252 per ounce of gold sold for the second quarter of 2016. The average realized price for the six months ended June 30, 2017 was $1,234 compared to $1,252 in the six months ended June 30, 2016. The decrease is primarily as a result of a higher proportion of ounces settled under the Gold Contracts.

The average realized margin for the second quarter of 2017 was $535 per ounce of gold sold compared to $681 per ounce of gold sold for the second quarter of 2016. The average realized margin for the six months ended June 30, 2017 was $546 compared to $681 for six months ended June 30, 2016. The decrease reflects a lower average realized price and higher total cash costs per ounce of gold sold during the second quarter of 2017.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

		Three Months Ended			Six Months Ended
In millions of U.S. dollars, unless otherwise noted		June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017
Gold sold	oz	68,398	70,747	80,772	139,145
Revenue	$	86.6	87.0	102.1	173.6
Less: Silver sales	$	(0.7)	(0.7)	(0.2)	(1.4)
Plus: Realized (loss) gain on Gold Contracts	$	(1.0)	0.5	(0.8)	(0.5)
Total proceeds	$	84.9	86.8	101.1	171.7
Total average realized price per ounce	$/oz	1,241	1,227	1,252	1,234
Less: Total cash costs per ounce	$/oz	706	671	571	688
Total average realized margin per ounce	$/oz	535	556	681	546

1. Proceeds from sale of gold and silver of $38.9 million prior to achieving commercial production were offset against the construction costs for the ELG Mine.

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 second quarter of 2017 were $0.8 million compared to $22.1 million for the second quarter of 2016. The decrease is largely due to the impact of unrealized foreign exchange and unrealized losses on derivative contracts.

Reconciliation of Adjusted Net Earnings to Net Income

		Three Months Ended			Six Months Ended
In millions of U.S. dollars, unless otherwise noted		**June 30, 2017**	**March 31, 2017**	**June 30, 2016**	**June 30, 2017**
Basic weighted average shares outstanding	shares	79,775,471	79,729,618	78,780,037	79,752,674
Diluted weighted average shares outstanding	shares	80,315,435	80,429,245	79,500,981	80,334,461
Net income	$	5.1	8.9	6.7	14.0
Adjustments, after-tax:					
Unrealized foreign exchange (gain) loss	$	(2.6)	(5.0)	3.7	(7.6)
Deferred income tax recovery relating to foreign exchange	$	(0.5)	(0.1)	0.4	(0.6)
Unrealized loss (gain) on derivative contracts	$	(2.9)	1.8	16.9	(1.1)
Tax effect of adjustments	$	1.7	0.3	(5.6)	2.0
Adjusted net earnings	$	0.8	5.9	22.1	6.7
Per share - Basic	$/share	0.01	0.07	0.28	0.08
Per share - Diluted	$/share	0.01	0.07	0.28	0.08

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, sustaining capital expenditures, corporate general and administrative expenses, exploration and evaluation expenses, foreign exchange losses, derivative costs, finance income and expenses, and taxation.

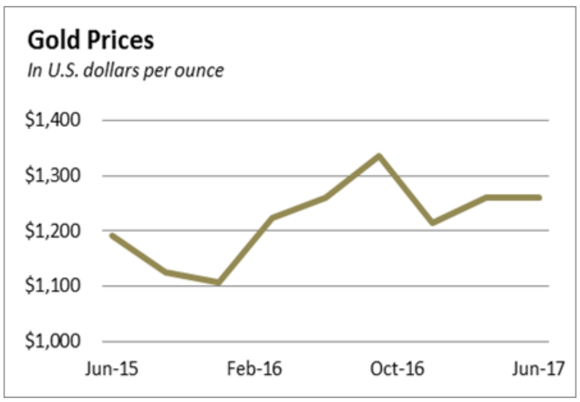
“Cash generated from operating activities before change in non-cash working capital balances” provides useful information to management and investors as an indication of the cash flows from operations before consideration of the impact of changes in working capital balances in the period.

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.

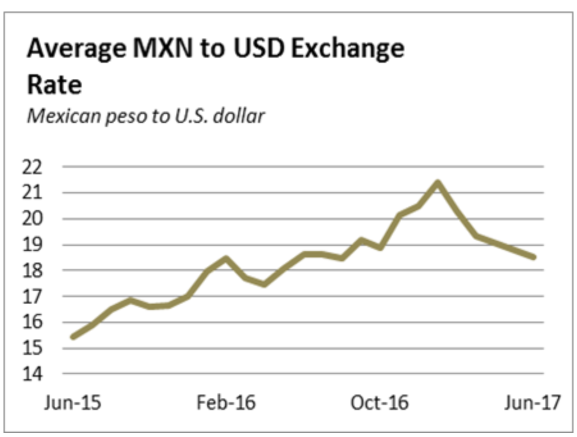
		Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Average market spot prices					
Gold	$/oz	1,260	1,260	1,240	1,221
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : $	18.5	18.1	19.4	18.1
Canadian dollar : U.S. dollar	C$: $	1.34	1.29	1.33	1.33

Metal prices



The Company's profitability and operating cash flows are significantly impacted by the price of gold. During the six months ended June 30, 2017 approximately 55% of the gold sold by the Company was delivered into the Gold Contracts at an average flat forward price of $1,241 per ounce of gold with the remaining sold at the market spot price. The market price of gold continued to exhibit volatility during the first half of 2017 but ended the second quarter at $1,241 per ounce, up nearly 8% over the closing price on December 31, 2016. The average price of gold was $1,240 per ounce in the first half of 2017. The Company has entered into commitments under the Gold Contracts to deliver a remaining 4,095 ounces of its gold production from the ELG Mine over the third quarter of 2017, at an average flat forward price of $1,238 per ounce of gold.

Foreign exchange rates



The Company's functional and reporting currency is the U.S. dollar and it is therefore exposed to financial risk related to foreign exchange rates. In particular, approximately 51% of the Company's operating costs for the first half of 2017 were incurred in Mexican pesos. Although the Company has entered into the Peso Contracts to fix a portion of its Mexican-denominated costs and operating expenditures, changes in exchange rates are still expected to have an impact on the Company's results. In addition, the Company is exposed to foreign exchange risk on its non-U.S. dollar denominated monetary assets and liabilities. The average exchange rate of the Mexican peso relative to the U.S. dollar was 19.4 and 18.1 pesos for the first half of 2017 and the first half of 2016, representing a devaluation of 7% in the U.S. dollar.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

In millions of U.S. dollars, unless otherwise noted		2017		2016				2015	
		Jun 30	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**
Key Operating Data									
Mining									
Ore mined	kt	1,164	711	853	869	684	516	68	236
Waste mined	kt	7,212	5,725	5,982	5,648	3,933	3,418	3,542	3,826
Total mined	kt	8,376	6,436	6,835	6,517	4,617	3,934	3,610	4,062
Strip ratio	waste : ore	6.2	8.1	7.0	6.5	5.8	6.6	52.1	16.2
Average gold grade of ore mined	gpt	2.37	2.19	3.03	3.08	3.18	2.60	2.33	2.94
Processing									
Tonnes processed	kt	1,189	941	849	932	925	670	89	-
Plant recovery	%	86	85	89	89	82	76	87	-
Head gold grade	gpt	2.37	2.49	3.49	3.13	3.15	2.73	1.77	-
Production and Sales									
Gold ounces produced	oz	74,487	70,887	80,955	77,915	83,256	37,811	350	-
Gold ounces sold	oz	68,398	70,747	83,259	80,064	80,772	31,518	-	-
Financial Results									
Revenue [1]	$	86.6	87.0	102.3	108.1	102.1	-	-	-
Cost of sales	$	71.7	71.0	68.6	63.7	60.5	-	-	-
Earnings from mining operations	$	14.9	16.0	33.8	44.4	41.6	-	-	-
General and administrative	$	4.2	5.5	3.8	4.4	4.2	2.9	3.8	2.8
Exploration and evaluation	$	3.6	0.5	1.9	0.4	0.5	0.9	1.6	1.7
Income tax expense (recovery)	$	0.5	(4.6)	16.7	5.1	2.5	(1.8)	2.0	1.6
Net income (loss)	$	5.1	8.9	10.7	23.6	6.7	(37.8)	0.1	(4.8)
Per share - Basic [3]	$/share	0.06	0.11	0.13	0.30	0.08	(0.48)	0.00	(0.06)
Per share - Diluted [3]	$/share	0.06	0.11	0.13	0.30	0.08	(0.48)	0.00	(0.06)
Adjusted net earnings [2]	$	0.8	5.9	4.3	24.8	22.1	-	-	-
Per share - Basic [2, 3]	$/share	0.01	0.07	0.05	0.31	0.28	-	-	-
Per share - Diluted [2, 3]	$/share	0.01	0.07	0.05	0.31	0.28	-	-	-
Cost of sales	$/oz	1,048	1,004	823	795	748	-	-	-
Total cash costs [2]	$/oz	706	671	539	517	571	-	-	-
All-in sustaining costs [2]	$/oz	991	923	746	699	754	-	-	-
Average realized gold price [2]	$/oz	1,241	1,227	1,232	1,308	1,252	-	-	-
Average realized margin [2]	$/oz	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.
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. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.
3. Earnings per share reflect the Consolidation. Comparatives were restated.

Net income (loss) has fluctuated based on, amongst other factors, gold prices and foreign exchange rates. 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 six months ended June 30, 2017.

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 financial statements and reported amounts of 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 which 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 to the audited consolidated financial statements as at and for the year ended December 31, 2016.

There have been no changes in the accounting policies adopted by the Company from those detailed in Note 3 to the Company's audited consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

There have been no recent accounting pronouncements during the six months ended June 30, 2017, as compared to the recent accounting pronouncements described in the Company's audited consolidated financial statements that are of significance or potential significance to the Company.

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 June 30, 2017.

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 June 30, 2017, the Company had cash balances of $61.5 million, excluding restricted cash of $15.7 million (December 31, 2016 – cash balance of $104.0 million, excluding restricted cash of $23.4 million). The Company maintains its cash in fully liquid business accounts. At June 30, 2017, the cash balance held by MML totalled $34.9 million (December 31, 2016 - $70.1 million).

During the six months ended June 30, 2017, the Company utilized a total of $3.7 million from its Finance Lease Arrangement to finance certain mining equipment. As at June 30, 2017, the amounts outstanding under the Loan Facility, Equipment Loan, Finance Lease Arrangement, and VAT Loan, totalled $375.0 million, $4.0 million, $20.6 million and $2.4 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 is restricted from repaying loans from the parent company and an affiliate.

Cash flows that are expected to fund the ELG Mine 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 June 30, 2017, the Company expects to recover $35.5 million over the next twelve months and a further $45.4 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 has mitigated the impact of potential delays in the collection of VAT receivables by securing the VAT Loan, as described in "Debt Financing".

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 and the market price of gold has decreased significantly since 2013. 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 over an 18-month period which commenced in January 2016 to the Lenders, at an average flat forward gold price of $1,241 per ounce. As at June 30, 2017, there were 4,095 ounces remaining to be delivered under the Gold Contracts. Subsequent to the second quarter, on July 5, 2017, the Company settled these remaining ounces. A 10% appreciation or depreciation of gold prices would result in an increase or decrease of $0.3 million (using the spot rate as at June 30, 2017 of $1,241 per ounce) in the Company's net income for the quarter relating to the Gold Contracts.

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 have an effect on the Company's results of operations in the future periods.

As at June 30, 2017, 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 June 30, 2017, 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 $4.2 million and $0.1 million in the Company's net income for the quarter, respectively.

As at June 30, 2017, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $1.6 million and $3.0 million (using the spot rate as at June 30, 2017 of $17.9 Mexican pesos per U.S. dollar) in the Company's net income for the quarter, 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 June 30, 2017, 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 Loan Facility, Equipment Loan and Finance Lease Arrangement for the quarter. A change of 100 basis points in the TIIE would not result in a significant change per annum in interest expense related to the VAT Loan. The Company has not entered into any agreements to hedge against unfavourable changes in interest rates.

RISKS AND UNCERTAINTIES

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 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; 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, 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, 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, limitations under the Loan 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 second quarter of 2017 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 June 30, 2017, 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 National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

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 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 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 complete the access ramp to El Limón Deep, plans to mine and process the material in the Sub-Sill area, and the expectation that the material will help achieve the production guidance targets, plans to complete the infill and step-out diamond drilling program on the Sub-Sill deposit, plans to upgrade the mineral resource estimate and complete a mine plan for the Sub-sill deposit, 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 Debt Facility and Finance Lease Arrangement (each of which is subject to certain customary conditions precedent), 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, 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, 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 of the Company to access the Morelos Gold Property, the ability to conclude the land access agreements for the Media Luna Project, 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.

August 9, 2017