TOREX GOLD RESOURCES INC.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") for Torex Gold Resources Inc. ("Torex" or the "Company") was prepared as at May 12, 2021 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2021. It should also be read in conjunction with the Company's audited consolidated financial statements and annual management's discussion and analysis for the year ended December 31, 2020. This MD&A contains forward-looking statements that are subject to risks and uncertainties, as discussed under "Cautionary Notes". All dollar figures included herein are United States dollars ("U.S. dollar") unless otherwise stated.

HIGHLIGHTS

- **Safety excellence continues:** No lost time injuries in the quarter. Enhanced health protection protocols have been successful in maintaining a safe working environment during the COVID-19 pandemic.
- **Highest Q1 production on record:** Delivered gold production of 129,509 oz for the quarter at cash costs[1] of $580 per ounce and AISC[1] of $854 per ounce. Revenue for the quarter was $231.2 million on sales of 129,019 oz, at an average realized gold price[1] of $1,778 per ounce. The Company is reiterating guidance.
- **Solid profitability and EBITDA:** Net income for the quarter was $55.0 million, or $0.64 per share on a basic and $0.62 per share on a diluted basis. Adjusted net earnings[1] for the quarter totalled $57.2 million, or $0.67 per share on a basic and $0.66 diluted basis. EBITDA[1] for the quarter totalled $152.7 million and adjusted EBITDA[1] for the quarter totalled $144.9 million.
- **Debt-free balance sheet:** The 2019 Debt Facility was fully repaid in March 2021, with an amended, undrawn, $150.0 million revolving facility signed providing improved terms and greater financial flexibility.
- **Solid cash flow generation and financial liquidity:** Cash flow from operations for the quarter totalled $65.2 million ($79.2 million prior to changes in non-cash working capital), including income taxes paid of $66.3 million. Free cash flow[1] for the quarter totalled $9.3 million. Net cash[1] as at March 31, 2021 totalled $167.3 million, with no debt.
- **Seasonality of cash flows in the first half:** Cash flows in the quarter were impacted by the annual payments of the 7.5% Mexican mining royalty of $30.4 million and corporate income taxes of $35.9 million, after accounting for monthly instalments. In May 2021, the Company expects to pay approximately $30.0 million in relation to the site-based employee profit sharing program in Mexico.
- **Media Luna development progressing as planned with key environmental permit amendment approved:** The approval of the "MIA Modification Phase II" allows for construction activities beyond the boundary of the Company's existing permit. The excavation of the Guajes tunnel, linking Media Luna to the ELG processing facilities, progressed in the first quarter. Installation of the structural steel frame, which will support the monorail system, commenced in the first quarter.
- **Solar plant to reduce greenhouse gas emissions:** Finalized lease agreement with Scatec, a leading global renewable energy producer, to build a new 8.5 megawatt solar plant, which is expected to reduce Scope 2 greenhouse gas emissions by 8.6%. A standalone climate report aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures will be released later this year.
- **Muckahi (monorail-based) mining system and equipment testing in Mexico continued:** Construction activities on the steep ramp conveyor were completed and commissioning was initiated. Focus of Muckahi development testing shifted from flat to steep ramp development. Production mucking testing commenced early in the second quarter of 2021.
- **Responsible Gold Mining Report:** On May 11th, 2021, the Company issued its Responsible Gold Mining Report, which is available on our website (www.torexgold.com).

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

OPERATING AND FINANCIAL HIGHLIGHTS

Table 1.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended Mar 31, 2021	Dec 31, 2020	Mar 31, 2020
Operating Results				
Lost time injury frequency	/million hours worked	0.15	0.15	0.31
Total recordable injury frequency	/million hours worked	2.96	2.52	3.45
Gold produced	oz	129,509	130,649	108,537
Gold sold	oz	129,019	133,063	108,064
Total cash costs [1]	$/oz	580	579	794
All-in sustaining costs [1]	$/oz	854	886	975
All-in sustaining costs margin [1]	$/oz	924	961	596
Average realized gold price [1]	$/oz	1,778	1,847	1,571
Financial Results				
Revenue	$	231.2	251.6	172.0
Cost of sales	$	131.9	143.0	144.1
Earnings from mine operations	$	99.3	108.6	27.9
Net income (loss)	$	55.0	91.9	(47.0)
Per share - Basic	$/share	0.64	1.07	(0.55)
Per share - Diluted	$/share	0.62	1.05	(0.57)
Adjusted net earnings [1]	$	57.2	60.9	19.9
Per share - Basic [1]	$/share	0.67	0.71	0.23
Per share - Diluted [1]	$/share	0.66	0.71	0.23
EBITDA [1]	$	152.7	165.9	39.4
Adjusted EBITDA [1]	$	144.9	158.5	67.4
Cost of sales	$/oz	1,022	1,075	1,333
Cash from operating activities	$	65.2	137.1	29.5
Cash from operating activities before changes in non-cash working capital	$	79.2	140.8	21.8
Free cash flow [1 2]	$	9.3	86.9	3.3
Net cash (debt) [1]	$	167.3	161.6	(26.3)

1. Adjusted net earnings, total cash costs, all-in sustaining costs, all-in sustaining costs margin, average realized gold price, EBITDA, adjusted EBITDA, free cash flow and net cash (debt) are financial performance measures with no standard meaning under International Financial Reporting Standards ("IFRS"). Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.
2. Comparative free cash flow amounts have been recast to align with current period presentation. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

FIRST QUARTER REPORT

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

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COMPANY OVERVIEW

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

The Company's principal assets are the El Limón Guajes mining complex ("ELG" or the "ELG Mine Complex"), comprised of the El Limón, Guajes and El Limón Sur open pits (the "ELG Open Pits"), the El Limón Guajes underground mine including zones referred to as Sub-Sill and ELD (collectively, the "ELG Underground"), and the processing plant and related infrastructure, which commenced commercial production as of April 1, 2016, and the Media Luna deposit (the "Media Luna Project"), which is an advanced stage development project, and for which the Company issued an updated preliminary economic assessment in September 2018 (the "PEA"). The property remains 75% unexplored.

In addition to realizing the full potential of the Morelos Gold Property, the Company is seeking opportunities to acquire assets that enable geographic diversification and deliver value to shareholders.

OBJECTIVES FOR 2021

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

GUIDANCE

There has been no change to the operational outlook for 2021. The following table summarizes the Company's progress to date towards 2021 guidance:

Table 2.

In millions of U.S. dollars, unless otherwise noted		2021 Guidance	Q1 2021 Progress
Gold Production	oz	430,000 to 470,000	129,509
Total Cash Costs	$/oz	680 to 720	580
All-in Sustaining Costs	$/oz	920 to 970	854
Capitalized Waste	$	40 to 45	18.3
Other Sustaining Expenditures	$	30 to 40	7.2
Sustaining Capital Expenditures	$	70 to 85	25.5
Non-Sustaining Capital Expenditures	$	125 to 150	29.2

The Company reiterates full year operational guidance and notes production and costs are expected to normalize towards guided ranges throughout the remainder of the year.

FINANCIAL RESULTS

Table 3.

	Three Months Ended	
In millions of U.S. dollars, unless otherwise noted	March 31, 2021	March 31, 2020
Revenue	231.2	172.0
Gold	229.6	169.8
Silver	0.7	0.5
Copper	0.9	1.7
Cost of sales	131.9	144.1
Production costs	69.4	82.9
Depreciation and amortization	55.5	56.1
Royalties	7.0	5.1
Earnings from mine operations	99.3	27.9
Exploration and evaluation expenses	1.0	1.0
General and administrative expenses	5.4	3.3
Derivative (gain) loss, net	(3.0)	37.8
Finance (income) costs, net	(0.2)	3.7
Foreign exchange (gain) loss	(1.1)	2.7
Current income tax expense (recovery)	36.8	(6.3)
Deferred income tax expense	5.4	32.7
Net income (loss)	55.0	(47.0)
Per share - Basic ($/share)	0.64	(0.55)
Per share - Diluted ($/share)	0.62	(0.57)
Adjusted net earnings [1]	57.2	19.9
Per share - Basic ($/share) [1]	0.67	0.23
Per share - Diluted ($/share) [1]	0.66	0.23
Cost of sales ($/oz)	1,022	1,333
Total cash costs ($/oz) [1]	580	794
All-in sustaining costs ($/oz) [1]	854	975
All-in sustaining costs margin ($/oz) [1]	924	596
Average realized gold price ($/oz) [1]	1,778	1,571
Average realized margin ($/oz) [1]	1,198	777

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

FIRST QUARTER 2021 FINANCIAL RESULTS

Revenue totalled $231.2 million

The increase in revenue is primarily due to a higher average realized price and a higher number of ounces of gold sold. The Company sold 129,019 oz of gold at an average realized price of $1,778 per ounce in the first quarter of 2021, compared to 108,064 oz of gold at an average realized price of $1,571 per ounce in the first quarter of 2020.

Cost of sales was $131.9 million or $1,022 per oz sold

The decrease in cost of sales is primarily due to lower production costs. Production costs were lower primarily due to higher costs capitalized to deferred stripping. Royalties represent 3% of proceeds from gold and silver sales. For 2021, depreciation is expected to range between $200.0 to $250.0 million.

Total cash costs[1] were $580 per oz sold

Total cash costs per ounce of gold sold in the quarter were lower than the comparative period primarily due to higher sales volume, higher grade ore processed and lower production costs.

All-in sustaining costs were $854 per oz sold

The decrease in AISC is due to lower total cash costs and higher ounces of gold sold, partially offset by higher sustaining capital expenditures. Sustaining capital expenditures in the first quarter of 2021 were $18.3 million for capitalized stripping activities, and $7.2 million for sustaining equipment and infrastructure. Capitalized stripping activities were higher due to the stripping of the El Limón D and Guajes X phases of the open pits, and are expected to decline in the balance of the year as much of the work to prepare the pits for 2021 mining has been completed.

General and administrative expenses of $5.4 million

The increase in general and administrative expenses is primarily due to higher employee and consulting costs.

Finance income, net of finance costs, of $0.2 million

The decrease in finance costs, net of finance income, is primarily due to lower debt balances in the quarter ended March 31, 2021 compared to the quarter ended March 31, 2020.

Derivative gain of $3.0 million

The derivative gain is primarily due to fewer currency contracts outstanding and lower ending gold prices in the first quarter of 2021 compared to the immediately preceding quarter.

Foreign exchange gain of $1.1 million

The increased foreign exchange gain is primarily related to depreciating foreign exchange based on closing rates of 3.3% in the first quarter of 2021 compared to the immediately preceding quarter.

Current income and mining tax expense of $36.8 million

The increase is primarily due to higher revenue from higher gold prices, resulting in higher corporate income tax and 7.5% Mexican mining royalty.

Deferred income tax expense of $5.4 million

The deferred income tax expense is primarily driven by an increase in depreciation which reduces the difference between the book value and tax value of the assets in the deferred tax calculation, partially offset by the tax effect of currency translation on the tax base. The closing value of property, plant and equipment and inventory for tax purposes at March 31, 2021 was $16.5 billion pesos.

Net income of $55.0 million

Net income is higher in the first quarter of 2021 compared to the first quarter of 2020, primarily due to a higher average realized gold price, a higher number of ounces of gold sold and a higher derivative gain.

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

RESULTS OF OPERATIONS

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

Table 4.

		Three Months Ended		
		Mar 31, 2021	Dec 31, 2020	Mar 31, 2020
Mining				
Total ELG Open Pits				
Ore tonnes mined	kt	1,359	1,689	1,736
Waste tonnes mined	kt	9,882	10,399	11,726
Total tonnes mined	kt	11,241	12,088	13,462
Strip ratio	w:o	7.3	6.2	6.8
Average gold grade of ore mined	gpt	3.05	2.87	2.23
ELG Underground				
Ore tonnes mined	kt	123	120	101
Average gold grade of ore mined	gpt	7.56	7.02	7.50
ELG Open Pits and Underground				
Ore tonnes mined	kt	1,482	1,809	1,837
Average gold grade of ore mined	gpt	3.42	3.14	2.52
Processing				
Total tonnes processed	kt	1,111	1,156	1,134
Average plant throughput	tpd	12,344	12,565	12,464
Average gold recovery	%	89	89	89
Average gold grade of ore processed	gpt	3.97	4.01	3.35
Gold produced	oz	129,509	130,649	108,537
Gold sold	oz	129,019	133,063	108,064
Financial Metrics				
Total cash costs [1]	$/oz	580	579	794
All-in sustaining costs [1]	$/oz	854	886	975
All-in sustaining costs margin [1]	$/oz	924	961	596
Average realized gold price [1]	$/oz	1,778	1,847	1,571

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

Mining

A total of 1,482 kt was mined in the first quarter of 2021, including 1,359 kt from the ELG open pits and 123 kt from the ELG underground. Average waste to ore strip ratio in the open pits was 7.3:1.0. Excluding long term, low grade ore, the average gold grade of ore mined was 3.63 gpt.

At March 31, 2021, there were 4.5 mt of ore in stockpiles at an average grade of 1.51 gpt. Excluding 1.5 mt of long term, low grade stockpiles at an average grade of 0.92 gpt, the remaining 3.0 mt of ore in stockpiles are at an average grade of 1.79 gpt.

Gold Production and Sales

In the first quarter of 2021, 129,509 oz of gold were produced and 129,019 oz of gold were sold. Higher production in the first quarter of 2021 compared to the first quarter of 2020 was due to higher grades processed.

Plant Performance

Plant throughput achieved an average run rate of 12,344 tpd, slightly lower than previous quarters, primarily due to a 48 hour shutdown required to replace the SAG mill pinion and bearings, and structural work to reinforce the

SAG mill discharge chute. The process plant achieved a record monthly milling rate in March 2021 of 13,810 tonnes per day. Availability of the grinding circuit remained at 91% in the quarter. Cyanide consumption was higher than budgeted as high values of soluble copper and iron in ore feed during the quarter. There was also a lack of oxygen supply to site during the months of January and February driven by the prioritization of oxygen supply to hospitals as a consequence of the COVID-19 pandemic.

2020 Year-End Mineral Reserves and Resources Update

Total Proven & Probable gold reserves for ELG declined 15% year-over-year primarily due to depletion, with ongoing exploration success driving a 15% increase in underground reserves, and ore processed resulting in a 20% decline in open pit reserves. The year-over-year decline in gold reserves is consistent with the mine plan that has the ELG open pits concluding at the end of 2023. The decline in reserves at the property is expected to reverse when the Feasibility Study for Media Luna brings Media Luna resources into reserves. That study is expected to be published in the first quarter of 2022.

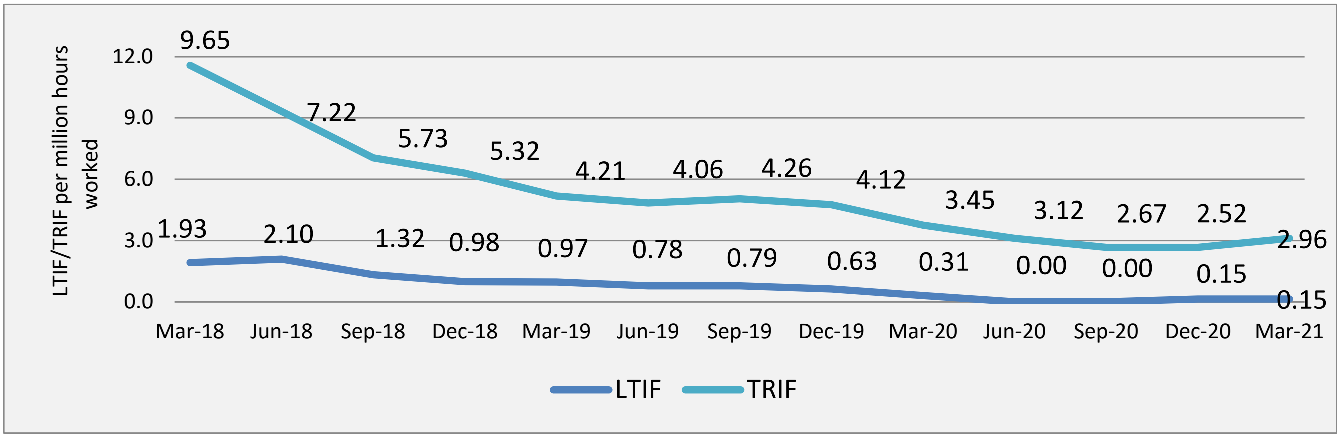
ENVIRONMENT, SOCIAL & GOVERNANCE

Safety

The Company continued to extend its industry-leading safety performance during the first quarter of 2021, with no lost-time injuries and no lives lost or changed due to a workplace injury. The Company exited the quarter with a lost time injury frequency (LTIF) of 0.15 per million hours worked and a total recordable injury frequency (TRIF) of 2.96 per million hours worked, both on a rolling 12-month basis. One lost-time injury was recorded in April 2021.

Excellence in safety and operational discipline continues, with continued focus on traditional and behaviour-based training and development. This quarter, the Company began implementation of the SafeStart® program, which provides practical skills and safety awareness training to reduce critical errors that can lead to injuries at work and at home. The program is a core component of our 2021 Safety and Leadership Excellence Plan and will continue to be rolled out to operational and corporate employees through 2021.

Lost Time Injury Frequency and Total Recordable Injury Frequency Per Million Hours Worked on a Rolling 12-Month Basis: March 2018 – March 2021



COVID-19 Update

Throughout the COVID-19 pandemic, the Company has worked diligently to prevent the spread of the virus both within the workforce and host communities. Operationally, a variety of enhanced safety protocols have been implemented to maintain a controlled, safe working environment. Access to the operations has been restricted, including strict limitations on international travel to and from the site. A multi-layered COVID-19 screening process continues to be utilized, including through the provision of an on-site mobile testing laboratory, clearance testing for site access, and rapid response contact tracing. Ongoing and transparent communication with the workforce has been essential to promote awareness and help ensure compliance with the protocols. The Company also continues to be active in working closely with host communities to aid in their management of the pandemic, through communications campaigns and the provision of medical equipment and supplies.

During the quarter, there were 101 confirmed cases of COVID-19 within our workforce, bringing our total to 182 since the start of the pandemic, with 164 individuals fully recovered as of March 31, 2021. Of the total cases, 149 individuals displayed symptoms and tested positive while away from site. The 33 individuals who tested positive at site were quarantined as outlined in the Company's COVID-19 protocols, with contact tracing completed to isolate anyone potentially at risk.

Environmental

There were no reportable spills or environmental incidents in first quarter, and to date the Company has met its 2021 environmental target of zero reportable spills of 1,000 liters or more that access the river or reservoir. Environmental initiatives undertaken by the Company to monitor water quality, air quality and biodiversity continue. There are currently no material claims, demands or legal proceedings against the Company related to Environment and Corporate Social Responsibility.

In the first quarter of 2021, for the fifth consecutive year, the Company signed a collaboration agreement with the Autonomous University of Guerreo (UAGro) to carry out independent studies to determine the quality of water and fish in the "El Caracol" dam located in Nuevo Balsas.

Permitting activities for Media Luna continued in the quarter, and on April 6, 2021 the Company announced that it received approval from Mexico's Secretariat of Environment and Natural Resources ("SEMARNAT") on the amendment of a key environmental permit ("MIA Modification Phase II"). The approval extends the boundary of the Company's existing permit and allows for the construction of key infrastructure on the south side of the Balsas River, which is necessary for the continuation of the early works program to access the Media Luna deposit.

In December 2020, the Company became a member of the World Gold Council, and as such made a commitment to adopt the Responsible Gold Mining Principles (RGMPs). Work continues on a self-assessment against the RGMPs, which will be independent verified by a third-party assurer later this year. During the quarter, a gap analysis was initiated by the Company against the Global Industry Standard on Tailings Management, with completion of the analysis expected in the second quarter of 2021. Work on the self-assessment and implementation plan for the International Cyanide Management Code (ICMC) is also ongoing.

In April 2021, the Company entered into a commercial lease agreement with Scatec, a leading global renewable energy producer, using their innovative and release solution, to build a new 8.5 megawatt solar plant at the Morelos Property. The new plant is expected to reduce Scope 2 greenhouse gas emissions by up to 8.6% using 2019 as the baseline year. There is significant potential to increase the capacity of the solar plant in the future, including through battery storage, to further reduce emissions. The Company submitted the permitting application to the regulators to allow for construction of the new facility and is ready to begin earthworks and installation of the equipment in the coming months as soon as the necessary approvals are obtained.

The Company is committed to combating climate change and is currently developing a climate change strategy with associated targets and metrics. The Company expects to disclose a standalone Climate Report aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures later this year.

Corporate Social Responsibility

In the first quarter of 2021, Community Development Agreements (CODECOPs) were signed with eleven local host communities - nine within the area of influence for ELG and two within area of influence for Media Luna. In March 2021, local assemblies from each of the communities defined a variety of community development projects for implementation in 2021. Sample projects include infrastructure improvements, water upgrades, and construction of classrooms at local schools.

For the third consecutive year, this quarter the Company obtained the distinction of 'Socially Responsible Company' (ESR) by the Mexican Centre for Philanthropy (CEMEFI) and the Alliance for Corporate Social Responsibility in

Mexico (AliaRSE). This distinction recognizes excellence in performance in business ethics, care and preservation of the environment, relationships with stakeholders, and improvement in the quality of life of local communities.

Relationships with local communities continue to be positive and productive. There were 0 recorded grievances by the community during the first quarter of 2021.

In March 2021, the Company was pleased to announce it earned a spot on the 2021 Globe and Mail Report on Business ‘Women Lead Here’ list for the second year in a row, an annual editorial benchmark to identify best-in-class executive gender diversity in corporate Canada. For the 2021 ranking, Report on Business conducted a journalistic analysis of nearly 500 large publicly traded Canadian companies, evaluating the ratio of female to male executives in the top three tiers of executive leadership. In total, 71 companies earned the 2021 "Women Lead Here" seal, and the Company was proud to be among them.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

The Company intends to advance the Media Luna project from advanced stage development to production in the first quarter of 2024. As such, the Company continues to advance the Media Luna project Feasibility Study and Early Works in order to make a production decision in the first quarter of 2022 and maintain the schedule to first production. Upon making a production decision, construction of the project facilities would commence in the second quarter of 2022 and continue through to the start of ramp-up in the first quarter of 2024.

The 2020 infill drilling campaign was concluded in early February 2021 following a 3-month hiatus from March to July 2020 due to the COVID-19 pandemic. Results from the 108 holes drilled during the 2020 calendar year validated the lateral and horizontal continuity of the mineralized skarn zone and confirmed the presence of higher-grade mineralized zones within the broader resource envelope. The 2019 resource model will be updated to include the results from the full 128-hole program once necessary quality control activities are completed with the release of an updated Mineral Resource estimate to follow in the second quarter of 2021.

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

As at March 31, 2021, the Company has capitalized $107.1 million of expenditures since the commencement of development, including $18.0 million in the first quarter of 2021 related to development activities for the Media Luna Project.

Trade-off studies needed to finalize the project configuration will be completed in the second quarter of 2021 setting the scope of the remainder of the feasibility study. The final phases of the metallurgical test work will also be completed in the second quarter of 2021 providing the confirmatory information needed to finalize the process flowsheet. In addition, environmental baseline assessments continue as planned in anticipation of submitting the application for the Environmental Impact Assessment permit early in the third quarter of 2021.

Early works on the south side of the river continue to advance as planned, with the contractor camp facilities and access roads nearing completion. Contractor bids to develop the tunnel from the South Portal have been received and are currently being adjudicated. The intention is to collar the portal early in the third quarter of 2021.

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

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

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

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

Muckahi (Monorail-based) Mining System Update

During the first quarter of 2021, the installation of the 180 metre long, -30 degree, steep ramp conveyor commenced, with footings, steel work and drive installation conveyor. Fitting and splicing of compartmentalized conveyor belt was initiated, while electrical work on the sub-stations and drive connections continued. Dry commissioning and operator training on the conveyor commenced in early April 2021 and is expected to be completed in 2-3 weeks. A 4,000 tonne long-hole stope was set up to test feed the conveyor with high-grade ore. The stope was blasted, dual monorails were advanced into the draw-point to facilitate the use of twin slushers with newly designed muck boxes for moving broken ore to conveyor loadout bin. At the end of March 2021, the Company successfully completed twin muck box draw-point slushing tests and in April 2021, commenced stope mucking and transfer of the ore up the steep ramp conveyor and out to the mill.

Testing of the muck box, slusher box, and platform box methodology in a single monorail flat development heading driven at 2.5 metres wide by 4.5 metres high was completed. Development cycles were timed in detail and data analysis commenced. The test program then transferred to steep ramp excavation at the same heading dimensions with good results as indicated by the recorded numbers. Testing continues into the second quarter with more Muckahi equipment in the form of a second generation monorail mounted jumbo and service platform to be installed and operated in the second quarter of 2021.

A detailed analysis of all test program data collected to date, commenced in late March 2021. The objective is to validate cycle timings, production rates and performance metrics for all parts of the Muckahi process (development and production) and confirm what data passes acceptance criteria. This will then feed into an updated test program design for the final phase of Muckahi testing in the second quarter of 2021.

Morelos Gold Property Exploration Update

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

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

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

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

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

The following table summarizes key balance sheet items at March 31, 2021:

Table 5.

In millions of U.S. dollars		March 31, 2021		December 31, 2020
Cash and cash equivalents	$	172.0	$	174.1
Short-term investments		-		32.1
Value-added tax receivables		61.1		45.4
Inventory		115.8		112.2
Deferred income tax assets		36.8		42.4
Property, plant and equipment		825.6		827.3
Other assets		34.2		18.9
Total assets	$	1,245.5	$	1,252.4
Accounts payable and accrued liabilities	$	133.8	$	119.9
Income tax payable		47.8		77.9
Debt		-		38.8
Derivative contracts		1.4		5.2
Deferred income tax liabilities		24.3		24.3
Other liabilities		35.0		40.2
Total liabilities	$	242.3	$	306.3
Total shareholders' equity	$	1,003.2	$	946.1

Cash and cash equivalents

The Company ended the first quarter of 2021 with cash on hand of $172.0 million. The Company holds cash balances in both Canadian dollars and Mexican pesos, as well as U.S. dollars.

Short-term investments

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

Value-added tax ("VAT") receivables

VAT increased by $15.7 million compared to December 31, 2020. The Company has VAT receivables primarily denominated in Mexican pesos. The VAT receivables balance fluctuates as additional VAT is paid and refunds are received, as well as with the movement of the Mexican peso exchange rate relative to the U.S. dollar and any provisions. VAT refunds were delayed during the first quarter of 2021 due to additional review by the tax authorities.

Inventory

The increase in inventory is largely due to higher stockpiled ore on hand as mining outpaced processing.

Deferred income tax assets

The deferred tax asset is primarily driven by an increase in depreciation which reduces the difference between the book value and tax value of the assets and a deferred tax asset at the parent company level.

Property, plant and equipment

Property, plant and equipment decreased due to depreciation and amortization of $62.0 million, partially offset by additions to infrastructure, equipment, capitalized stripping costs and net closure and rehabilitation asset movement of $60.3 million.

Other assets

The increase in other assets is primarily due to accounts receivable pertaining to spot gold sales and the timing of advances and deposits.

Accounts payable and accrued liabilities

The increase in accounts payable and accrued liabilities is primarily related to the timing of payments and accruals for the site-based employee profit-sharing program. In May 2021, the Company expects to pay approximately $30.0 million in relation to site-based employee profit sharing program in Mexico.

Income tax payable

The balance is relatively consistent as increases for the first quarter of 2021 were offset by payments in the first quarter of 2021 in relation to taxes for 2020, which included the 7.5% Mexican mining royalty of $30.4 million and corporate income taxes of $35.9 million, after accounting for monthly instalments.

Derivative contracts

This balance is primarily made up of currency contracts and zero-cost collar gold contracts that will be settled within the next 12 months. The decrease in the liability is primarily due to a decrease in gold prices in 2021, which positively affected the valuation of the Company’s zero-cost gold contracts, and a decrease in the number of hedges of outstanding as the hedges were not extended beyond September 2021.

DEBT FINANCING

2019 Debt Facility

On July 30, 2019, the Company through its wholly-owned subsidiary Minera Media Luna (“MML”) (as borrower) signed a Second Amended and Restated Credit Agreement (“SARCA”) with the Bank of Montreal, BNP Paribas, ING Bank N.V., Dublin Branch, Société Générale and the Bank of Nova Scotia (the “Banks”) in connection with a secured $335.0 million debt facility (the “2019 Debt Facility”). The 2019 Debt Facility was comprised of a $185.0 million term loan (the “2019 Term Facility”) and a $150.0 million revolving loan facility (the “2019 Revolving Facility”), bearing interest at a rate of LIBOR +3%. In 2020, the Company fully repaid the 2019 Term Facility and in the first quarter of 2021, the Company fully repaid the 2019 Revolving Facility.

2021 Revolving Facility

On March 30, 2021, the Company’s subsidiary MML signed a Third Amended and Restated Credit Agreement (the “TARCA”), resulting in the refinancing of the 2019 Debt Facility, with the Banks in connection with a two-year secured $150.0 million revolving debt facility (the “Revolving Facility”). The Revolving Facility is undrawn. Proceeds of the Revolving Facility may be used for general corporate and working capital purposes, including development expenditures and certain acquisitions, and can be used for letters of credit or funding of capital expenditures, in all cases subject to the conditions of the Revolving Facility.

The Revolving Facility allows the Company to make distributions to its shareholders in the aggregate amount of up to C$100.0 million, subject to conditions of the Revolving Facility. In addition, the Company continues to be able to distribute the Muckahi Subsidiaries (as defined below) or the Muckahi System Rights (as defined below, including by way of a "spin out" transaction) if there is no default or event of default. A Muckahi Subsidiary is a direct or indirect subsidiary of the Company whose assets are primarily comprised of the rights to, and interest in, the design of the Muckahi Mining System or assets related thereto (the "Muckahi System Rights").

The Revolving Facility bears interest at a rate of LIBOR (subject to a zero floor) plus an applicable margin based on the net leverage ratio on any loan or letter of credit outstanding ranging from 2.75% to 3.75%. The current margin is 2.75%.

The Revolving Facility matures on March 30, 2023 with a step down in capacity by $25.0 million on September 30, 2022 and again on December 21, 2022.

The Revolving Facility continues to permit potential spending to facilitate the development of the Media Luna Project, the Muckahi Mining System, and other existing and future projects of the Company, but the cap has been removed. The development expenditures are subject to the conditions of the Revolving Facility, including compliance with (i) financial covenants related to maintaining a net leverage ratio of 3.0, an interest coverage ratio of 3.0 and minimum liquidity of $50.0 million and (ii) certain thresholds with respect to the quantum of development expenditures and the amount spent on the Muckahi Mining System. The Revolving Facility also continues to permit investment in a Muckahi Subsidiary for the purpose of capital expenditures by such Muckahi Subsidiary in the Muckahi System Rights with the maximum aggregate amount increased from $25.0 million to $30.0 million.

The Revolving Facility continues to be secured by all of the assets of MML and secured guarantees of the Company and each of its other subsidiaries with a direct or indirect interest in the ELG Mine Complex and or the Media Luna Project.

As at March 31, 2021, the Company is in compliance with the financial and other covenants under the TARCA. The SARCA and TARCA are available on SEDAR at www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at March 31, 2021 were $1,245.5 million (December 31, 2020 - $1,252.4 million), which includes $172.0 million in cash and cash equivalents (December 31, 2020 - $174.1 million).

Cash generated from operating activities before changes in non-cash working capital was $79.2 million for the three months ended March 31, 2021 compared to $21.8 million for the three months ended March 31, 2020. The increase in cash generated from operating activities before changes in non-cash working capital of $57.4 million is largely due to a higher average realized gold price and higher ounces of gold sold, partially offset by higher income taxes paid in the first quarter of 2021 to settle taxes payable related to 2020 and 2021.

Investing cash outflows for the three months ended March 31, 2021 were $26.1 million compared to $25.6 million for the three months ended March 31, 2020. Investing cash outflows remained relatively unchanged compared to the comparative period and are largely affected by the increase in additions to property, plant and equipment, partially offset by the release of short-term investments in the first quarter of 2021.

The following table provides a breakdown of the Company's capital expenditures:

Table 6.

In millions of U.S. dollars, unless otherwise noted		March 31, 2021	March 31, 2020
ELG	$	33.0	15.6
Media Luna	$	18.0	2.5
Muckahi & Working Capital Changes	$	4.2	5.6
Capital expenditures	$	55.2	23.7

Net cash used in financing activities for the first quarter of 2021 resulted from payments under the 2019 Debt Facility of $40.0 million, leases paid of $0.6 million, interest paid of $0.7 million and transaction costs related to the TARCA of $0.5 million. In comparison, for the three months ended March 31, 2020, net cash flows used in financing activities relate primarily to repayment of debt of $21.3 million, leases paid of $0.5 million and interest paid of $2.5 million.

As at March 31, 2021, the Company's contractual obligations included office lease agreements; office equipment leases; long-term land lease agreements with the Rio Balsas, the Real del Limón, Atzcala, the Puente Sur Balsas and the Valerio Trujano Ejidos and the individual owners of land parcels within certain of those Ejido boundaries; and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine Complex and the Media Luna Project. All long-term land lease agreements can be terminated within one year at the Company's discretion at any time without penalty.

In addition, production revenue from concessions is subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and payable on a quarterly basis. In January 2021, the Company paid $6.5 million relating to the 2.5% royalty for the fourth quarter of 2020. In April 2021, the Company paid $5.8 million relating to the 2.5% royalty for the first quarter of 2021.

The Company is subject to a mining tax of 7.5% on earnings before the deduction of taxes, interest, depreciation and amortization, and a royalty of 0.5% on sales of gold, silver and platinum. Both the mining tax and 0.5% royalty are payable on an annual basis. In March 2021, the Company paid $34.5 million in respect of the 7.5% and 0.5% royalties for 2020.

The Company does not anticipate any significant seasonality in production in 2021, with any minor quarter-over-quarter deviations driven by the natural variability of skarn-hosted deposits. However, given timing of payments, the Company expects cash flow from operations to be weighted towards the second half of the year as was the case in 2020. Cash flow from operations in the first quarter of 2021 were impacted by payment of the Mexican based mining tax of $30.4 million (accrued throughout the year and paid out the following March) as well as corporate income tax owing at year-end after accounting for monthly instalments made during 2020 and monthly instalments for the first quarter of 2021 of $35.9 million. Taxes paid are reflected in cash flow from operations prior to changes in non-cash working capital. In the second quarter of 2021, the Company expects cash flow from operations after changes in non-cash working capital to be impacted by payment of the site-based employee profit sharing arrangement of approximately $30.0 million, which is accrued through the year and paid out in full by May the following year.

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

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

Contractual Commitments

Table 7.

	Payments Due by Period				
In millions U.S. dollars	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Greater than 5 years**
ELG Mine Complex operating commitments	62.8	62.8	-	-	-
ELG Mine Complex capital commitments	16.0	16.0	-	-	-
Total	**$ 78.8**	**$ 78.8**	**$ -**	**$ -**	**$ -**

OUTSTANDING SHARE DATA

Table 8.

Outstanding Share Data at May 12, 2021	Number
Common shares	85,720,770
Share purchase options [1]	243,139
Restricted share units [2, 3]	513,079
Performance share units [4]	524,288

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

NON-IFRS FINANCIAL PERFORMANCE MEASURES

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

Total cash costs

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

All-In Sustaining Costs (AISC)

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

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

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

Table 9.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Gold sold	oz	129,019	108,064
Total cash costs per ounce sold			
Production costs and royalties	$	76.4	88.0
Less: Silver sales	$	(0.7)	(0.5)
Less: Copper sales	$	(0.9)	(1.7)
Total cash costs	$	74.8	85.8
Total cash costs per ounce sold	$/oz	580	794
All-in sustaining costs per ounce sold			
Total cash costs	$	74.8	85.8
General and administrative costs [1]	$	7.9	5.6
Reclamation and remediation costs	$	1.2	1.0
Sustaining exploration costs	$	0.8	0.9
Sustaining capital expenditure [2]	$	25.5	12.1
Total all-in sustaining costs	$	110.2	105.4
Total all-in sustaining costs per ounce sold	$/oz	854	975

1. This amount excludes gains of $2.7 million and $2.4 million for the three months ended March 31, 2021 and 2020 in relation to the remeasurement of share-based compensation, and corporate depreciation and amortization expenses totalling $0.2 million and $0.1 million for the three months ended March 31, 2021 and 2020.
2. Before changes in net working capital, capital expenditures for the three months ended March 31, 2021 totalled $54.6 million, including lease payments of $0.6 million. Sustaining capital expenditures of $25.5 million in the three months ended March 31, 2021 are related to $18.3 million for the cash component of capitalized stripping activities, and $7.2 million for sustaining equipment and infrastructure expenditures. Non-sustaining capital expenditures of $29.1 million in the three months ended March 31, 2021 relating to Muckahi, El Limón Deep, the Sub-Sill, and the Media Luna Project, have been excluded from AISC.

All-in Sustaining Costs Margin

AISC margin and AISC margin per ounce of gold sold are non-IFRS financial measures that do not have a standard meaning under IFRS. Management and certain investors use these measures to better understand the AISC margin throughout a period. AISC margin is quantified as revenue per the Statement of Operations and Comprehensive Income less silver sales, copper sales, and AISC as defined by the WGC. All-in sustaining costs margin per ounce reflects the average realized price per ounce of gold sold less all-in sustaining costs per ounce of gold sold.

Reconciliation of All-in Sustaining Costs Margin to Revenue

Table 10.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Gold sold	oz	129,019	108,064
Revenue	$	231.2	172.0
Less: Silver sales	$	(0.7)	(0.5)
Less: Copper sales	$	(0.9)	(1.7)
Less: Realized loss on Gold Contracts	$	(0.2)	-
Less: All-in sustaining costs	$	(110.2)	(105.4)
All-in sustaining costs margin	$	119.2	64.4
Total all-in sustaining costs margin per ounce	$/oz	924	596
Total all-in sustaining costs margin percentage	%	52	37

Average Realized Price and Average Realized Margin

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

Average realized price is quantified as revenue per the Statement of Operations and Comprehensive Income less silver sales and copper sales, adjusted for realized gains and losses on gold contracts. Average realized margin reflects average realized price per ounce of gold sold less total cash costs per ounce of gold sold.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

Table 11.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Gold sold	oz	129,019	108,064
Revenue	$	231.2	172.0
Less: Silver sales	$	(0.7)	(0.5)
Less: Copper sales	$	(0.9)	(1.7)
Less: Realized loss on Gold Contracts	$	(0.2)	-
Total proceeds	$	229.4	169.8
Total average realized price per ounce	$/oz	1,778	1,571
Less: Total cash costs per ounce	$/oz	580	794
Total average realized margin per ounce	$/oz	1,198	777

Adjusted Net Earnings

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

Adjusted net earnings is defined as net income adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as: the impact of unrealized foreign exchange gains and losses, non-cash unrealized gains and losses on derivative contracts, certain impairment provisions, remeasurement of share-based payments and the tax effect of currency translation on tax base, net of tax. Adjusted net earnings per share amounts are calculated using the weighted average number of shares outstanding on a basic and diluted basis as determined under IFRS.

Reconciliation of Adjusted Net Earnings to Net Income

Table 12.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Basic weighted average shares outstanding	shares	85,642,258	85,448,137
Diluted weighted average shares outstanding	shares	86,094,919	85,448,137
Net income (loss)	$	55.0	(47.0)
Adjustments, after-tax:			
Unrealized foreign exchange (gain) loss	$	(0.9)	2.8
Unrealized (gain) loss on derivative contracts	$	(4.2)	27.6
Remeasurement of share-based payments	$	(2.7)	(2.4)
Tax effect of adjustments	$	2.3	(8.4)
Tax effect of currency translation on tax base	$	7.7	47.3
Adjusted net earnings	$	57.2	19.9
Per share - Basic	$/share	0.67	0.23
Per share - Diluted	$/share	0.66	0.23

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

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

Reconciliation of EBITDA and Adjusted EBITDA to Net Income

Table 13.

In millions of U.S. dollars, unless otherwise noted		Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net income (loss)	$	55.0	(47.0)
Finance (income) costs, net	$	(0.2)	3.7
Depreciation and amortization [1]	$	55.7	56.3
Current income tax expense (recovery)	$	36.8	(6.3)
Deferred income tax expense	$	5.4	32.7
EBITDA	$	152.7	39.4
Adjustments:			
Unrealized foreign exchange (gain) loss	$	(0.9)	2.8
Unrealized (gain) loss on derivative contracts	$	(4.2)	27.6
Remeasurement of share-based payments	$	(2.7)	(2.4)
Adjusted EBITDA	$	144.9	67.4

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

Free cash flow

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

Table 14.

		Three Months Ended				
In millions of U.S. dollars, unless otherwise noted		March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Net cash generated from operating activities	$	65.2	137.1	173.3	2.2	29.5
Less:						
Additions to property, plant and equipment	$	(55.2)	(48.8)	(40.8)	(28.8)	(23.7)
Interest paid	$	(0.7)	(1.4)	(2.1)	(2.0)	(2.5)
Free cash flow (deficiency)	$	9.3	86.9	130.4	(28.6)	3.3

1. Comparative free cash flow amounts have been recast to align with current period presentation.

Net cash (debt)

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

Table 15.

In millions of U.S. dollars, unless otherwise noted		March 31, 2021	December 31, 2020
Cash and cash equivalents	$	172.0	174.1
Short-term investments	$	-	32.1
Less: Debt	$	-	(38.8)
Less: Lease obligations	$	(4.7)	(4.6)
Less: Deferred financing charges	$	-	(1.2)
Net cash	$	167.3	161.6

ADDITIONAL IFRS FINANCIAL MEASURES

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

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

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

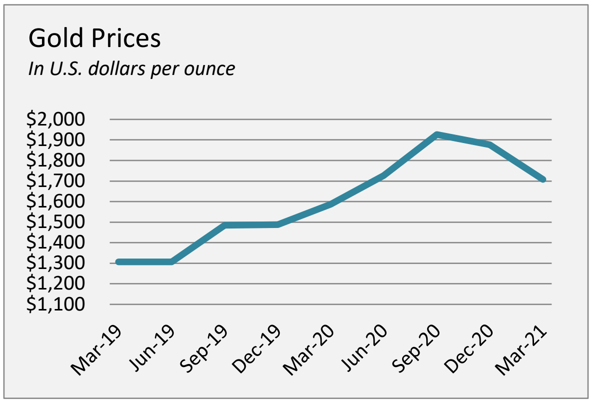
ECONOMIC TRENDS

The market price for gold and foreign currency exchange rates are the most significant external factors that affect the Company's financial performance.

Table 16.

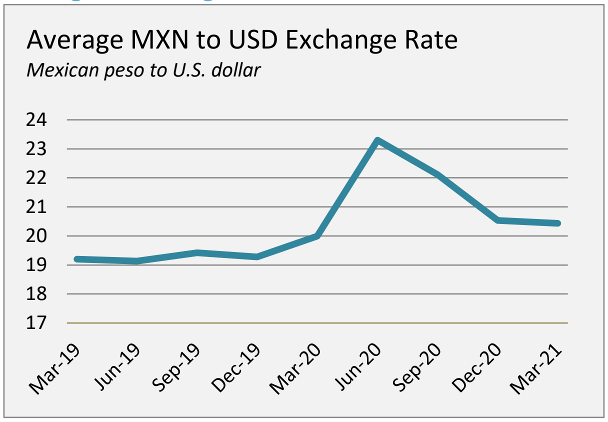
		Three Months Ended March 31,	
		2021	2020
Average market spot prices			
Gold	$/oz	1,797	1,587
Average market exchange rates			
Mexican peso : U.S. dollar	Peso : $	20.3	20.0
Canadian dollar : U.S. dollar	C$: $	1.27	1.34

Metal prices



The Company's profitability and operating cash flows are significantly impacted by the price of gold. From January 2021 to March 2021 and based on closing prices, gold prices decreased 10%. As at March 31, 2021, the Company protected 8,000 oz of gold per month, for a total of 48,000 oz, through the third quarter of 2021 at an average floor price of $1,475 per ounce and an average ceiling price of $2,290. Gold contracts for 24,000 oz to be settled in the second quarter of 2021 have an average floor of $1,550 per ounce and average ceiling of $1,900 per ounce. An increasing gold price will tend to increase the liability recorded for the fair market value of contracts due to settle in future periods.

Foreign exchange rates



The functional currency of the Company and its subsidiaries is the U.S. dollar, and it is therefore exposed to financial risk related to foreign exchange rates. In particular, approximately 66% of the Company's costs for first three months of 2021 were incurred in Mexican pesos, which is higher than prior quarters due to annual tax and royalty payments. The Company entered into currency forwards to hedge approximately 50% of its estimated 2020 peso-denominated expenditures for $234.0 million in the first quarter of 2020. As at March 31, 2021, $10.0 million are outstanding at a weighted average rate of 19.61 pesos, which will be settled in the second quarter of 2021. Changes in exchange rates are expected to have an impact on the Company's results. In addition, the Company is exposed to foreign exchange risk on its non-U.S. dollar denominated monetary assets and liabilities. The average exchange rate of the Mexican peso relative to the U.S. dollar was 20.3 and 20.0 pesos during the quarters ended March 31, 2021 and 2020, representing a depreciation of 2% in the Mexican peso.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

Table 17.

		2021	2020				2019		
In millions of U.S. dollars		**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**
Financial Results									
Revenue	$	231.2	251.6	256.5	109.1	172.0	190.0	198.2	150.7
Net income (loss)	$	55.0	91.9	60.3	3.8	(47.0)	35.1	27.4	10.0
Per share - Basic	$/share	0.64	1.07	0.71	0.04	(0.55)	0.41	0.32	0.12
Per share - Diluted	$/share	0.62	1.05	0.69	0.04	(0.57)	0.41	0.32	0.12

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

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

TRANSACTIONS WITH RELATED PARTIES

In June 2018, Fred Stanford, the Company's President and Chief Executive Officer ("CEO") at that time, sold, assigned and transferred to the Company (the "Assignment"), with the exception of trademarks (including the name "Muckahi"), his entire right, title and interest in a proprietary mining system (the "Mining System" which is sometimes referred to as "Muckahi") for use in underground mines for nominal consideration. The Company has granted an irrevocable license (the "License" and together with the Assignment, the "IP Agreements"), in any intellectual property associated with the Mining System, including any improvements, to Muckahi Inc., an entity controlled by Fred Stanford. The License restricted Muckahi Inc. from making use of the License during Fred Stanford's tenure as CEO. In August 2018, the Company and Muckahi Inc. entered into an agreement which grants to the Company the right to use the name "Muckahi" on a royalty free basis. The term of the agreement is perpetual, however, Muckahi Inc. may terminate the agreement at any time by giving the Company 60 days prior notice. On June 17, 2020, the License was amended such that Muckahi Inc. may not make use of the License while Fred Stanford, now Executive Chair of the Board, holds any position with the Company as employee, officer or director. On April 28, 2021, the Company announced that Fred Stanford will not stand for re-election at the Company's annual shareholder meeting (the "AGM") in June 2021; immediately following the AGM, Fred Stanford will no longer hold any position with the Company and Muckahi Inc. will be permitted to use the License.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes in the accounting policies adopted by the Company or significant judgments, estimates and assumptions made by the Company from those detailed in Note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2020.

RECENT ACCOUNTING PRONOUNCEMENTS

There have been no changes in the accounting policies adopted by the Company from those detailed in Note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2020.

FINANCIAL RISK MANAGEMENT

The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include liquidity risk, foreign currency risk, commodity price risk and interest rate risk, and are detailed in Note 13 of the Company's unaudited condensed consolidated financial statements for the three months ended March 31, 2021.

RISKS AND UNCERTAINTIES

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

COVID-19 and Other Global Pandemics

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

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There was no change in the Company's internal control over financial reporting that occurred during the first quarter of 2021 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures, that as of March 31, 2021, the Company's disclosure controls and procedures have been designed to provide reasonable assurance that material information is made known to them by others within the Company.

Limitations of Controls and Procedures

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

QUALIFIED PERSONS

Scientific and technical information contained in this MD&A has been reviewed and approved by Clifford Lafleur, P.Eng., Director, Resource Management and Mine Engineering of Torex Gold Resources Inc. and a Qualified Person under NI 43-101.

ADDITIONAL INFORMATION

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

CAUTIONARY NOTES

Medial Luna

A feasibility study is based on a number of factors and there can be no assurance that the Media Luna project feasibility study will be successful in demonstrating within a reasonable confidence that the Media Luna project can be constructed and operated in an economically viable manner. While the Company intends to advance the Media Luna project to production in the first quarter of 2024 and continues the Early Works to maintain the schedule to first production, the Company has not taken a production decision in advance of completing the feasibility study.

Muckahi

The Media Luna PEA includes information on Muckahi. It is important to note that Muckahi is experimental in nature and has not yet been fully tested in an operating mine. Since the date of the Technical Report, the majority of the components of the Muckahi system have been tested by Torex and their functionality demonstrated. Although, the components have not yet been tested together as a system to demonstrate the rates per day in which tunnels can be excavated and material removed from long hole open stopes. A detailed analysis of all test program data collected to date, commenced in late March 2021. The objective is to validate cycle timings, production rates and performance metrics for all parts of the Muckahi process (development and production) and confirm what data passes acceptance criteria. This will then feed into an updated test program design for the final phase of Muckahi testing in the second quarter of 2021. Drill and blast fundamentals, standards and best practices for underground hard rock mining are applied in the Muckahi system as described in of the Technical Report, where applicable. The proposed application of a monorail system for underground transportation for mine development and production mining is unique to underground mining. There are existing underground mines that use a monorail system for transportation of materials and equipment, however not in the capacity of Muckahi which is described in detail in the Technical Report. The mine design, equipment performance and cost estimations involving Muckahi in the Technical Report are conceptual in nature, and do not demonstrate technical or economic viability.

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

Forward-Looking Statements

This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future mining, development and exploration plans concerning the Morelos Gold Property; the adequacy of the Company's financial resources, particularly in light of the COVID-19 pandemic; the Company's business plans and strategy, including without limitation, plans to realize the full potential of the Morelos Gold Property and opportunities to acquire assets that enable profitable and productive geographic diversification; the results set out in the Technical Report including the PEA including with respect to mineral resource and mineral reserve estimates, the ability to exploit estimated mineral reserves, the Company's expectation that the ELG Mine Complex will continue to be profitable with positive economics from mining, expected recoveries, grades, annual production, receipt of all necessary approvals and permits, the parameters and assumptions underlying the mineral resource and mineral reserve estimates and the financial analysis, and expected gold prices; achieving planned production levels, development and exploration activities with the COVID-19 prevention efforts; standalone climate report aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures will be released later this year; the objectives for 2021; the reiteration of full year operational guidance and notes production and costs are expected to normalize towards guided ranges throughout the remainder of the year; the expected reverse of decline in reserves at the property when the Feasibility Study for Media Luna brings Media Luna resources into reserves; that expected publication of the Feasibility Study for Media Luna in the first quarter of 2022; the planned roll out of SafeStart; continued work on a self-assessment against the RGMPs, which will be independent verified by a third-party assurer later this year; ongoing work on the self-assessment and implementation plan for the International Cyanide Management Code (ICMC); plans to build a new 8.5 megawatt solar plant at the Morelos Property; expectations that the solar plant will reduce Scope 2 greenhouse gas emissions by up to 8.6% using 2019 as the baseline year; the significant potential to increase the capacity of the solar plant in the future, including through battery storage, to further reduce emissions; work to develop and evaluate the Muckahi mining system will continue in the first half of 2021; 2021 investment in Media Luna guided between $90.0 million and $100.0 million with the allocations as set in the MD&A; expectation that a decline in the value of the Mexican peso relative to the U.S. dollar will increase deferred tax expense (or decrease deferred tax recovery), while an increase in the value of the Mexican peso relative to the U.S. dollar will reduce deferred tax expense (or increase deferred tax recovery); intention to advance the Media Luna project from early stage development to production in the first quarter of 2024; continued advance of the Media Luna project Feasibility Study and Early Works in order to make a production decision in the first quarter of 2022 and maintain the schedule to first production; upon making a production decision, intention to commence with construction of the project facilities in the second quarter of 2022 and continue through to the start of ramp-up in the first quarter of 2024; the 2019 resource model will be updated to include the results from the full 128-hole program once necessary quality control activities are completed with the release of an updated Mineral Resource estimate to follow in the second quarter of 2021; intention that future infill drill programs will target the remaining Inferred tonnes for upgrading to the Indicated confidence category; completion of key trade-off studies in the second quarter of 2021 and setting the scope for the remainder of the feasibility study; intention to collar the South Portal early in the third quarter of 2021; 2021 investment in Media Luna guided between $90.0 million and $100.0 million with the allocations as set in the MD&A; expectation that capital expenditure on Media Luna will increase in 2022 and peak in 2023, with a moderate spend in 2024 to finalize construction and commissioning; environmental, exploitation, land use, water and infrastructure construction permits required for the commencement of Media Luna are tracking to schedule; pre-commercial capital expenditures were estimated at $496.5 million as per the Technical Report; intention to fund these expenditures from cash flows generated from the existing mining operations or other financing arrangements; the ongoing mine design, planning and scheduling work to evaluate the potential benefits of the option of a monorail-based transportation system at Media Luna; the identification of six well-supported target areas in the near-mine environment, which include the direct down-dip extension to current underground workings; the expected continuation of the total proposed ELG "brownfields" program over the next three years, with the intention to add additional mine life to the operations at the ELG Mine Complex; the positive results reinforce confidence in the Company's ability to extend the life of both Sub-Sill and ELD beyond current reserves, and to maintain a consistent underground production profile in 2023 and into 2024 during the transition period between the ELG Mine Complex and Media Luna; further evaluation of the known regional targets is under preparation for start-up in 2021; the allocation of $2.4 million in the 2021 budget to fund the expansion of a "greenfields" exploration program within the MML tenement; the 2021 "greenfields" exploration program will explore three of the most prospective targets which forms part of a 3 to 4 year exploration strategy intended to identify and prove up sources of ore feed to extend the life of MML or increase the annual production; no expectation of any significant seasonality in production in 2021, with any minor quarter-over-quarter deviations driven by the natural variability of skarn-hosted deposits; given timing of payments, the Company expects cash flow from operations to be weighted towards the second half of the year as was the case in 2020; cash flow from operations in the first quarter of 2021 will be impacted by payment of the Mexican based mining tax of $30.4 million (accrued throughout the year and paid out the following March) as well as corporate income tax owing at year-end of $35.9 million; the Company expects cash flow from operations after changes in non-cash working capital to be impacted by payment of the employee profit sharing arrangement; an increasing gold price will tend to increase the liability recorded for the fair market value of gold contracts due to settle in future periods; changes in exchange rates are expected to have an impact on the Company's results and, the Company expects a significant amount of exploration, capital development, operating and decommissioning expenditures associated with the Morelos Gold Property to be paid in Mexican pesos and U.S. dollars. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," "believes", "potential", "objective", "target", "guided" or "tends" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "occur," or "be achieved." Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the COVID-19 pandemic; predictability of the grade; ability to achieve design gold recovery levels; fluctuation in gold and other metal prices; commodity price risk; currency exchange rate fluctuations; risks associated with hedging programs; capital and operational cost estimates; satisfying financial covenants under the Debt Facility; illegal blockades; dependence on good relationships with employees and contractors and labour unions; dependence on key executives and employees; limited operating history; generating positive cash flow; the ability of the Company to secure additional financing if required; the safety and security of the Company properties; servicing of the indebtedness of the Company; the ability to secure necessary permits and licenses, title to the land on which the Company operates, including surface and access rights; foreign operations and political and country risk; the uncertainty of diversifying the Company's single asset risk; government policies and practices in respect of the administration of recovery of VAT funds and recovery of VAT funds; exploration, development, exploitation and the mining industry generally; environmental risks and hazards; decommissioning and reclamation costs; parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect; actual results of current exploration, development and exploitation activities not being consistent with expectation; risks associated with skarn deposits; potential litigation; hiring the required personnel and maintaining personnel relations; future commodity prices; infrastructure; single property focus; use and reliance of experts outside Canada; competition; hedging contracts; interest rate risk; price and volatility of public stock; conflicts of interest of certain personnel; credit and liquidity risk; compliance with anti-corruption laws; enforcement of legal rights; accounting policies and internal controls as well as those risk factors included herein and elsewhere in the Company's public disclosure.

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

May 12, 2021