TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

This management's discussion and analysis of the financial condition and results of operations ("MD&A") for Torex Gold Resources Inc. ("Torex" or the "Company") was prepared as at May 2, 2017 and is intended to supplement and complement the Company's unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2017. It should be read in conjunction with the Company's annual audited consolidated financial statements and annual management's discussion and analysis for the year ended December 31, 2016. All dollar figures included therein and in the following MD&A are stated in United States dollars ("U.S. dollar") unless otherwise stated.

FIRST QUARTER 2017 HIGHLIGHTS

- **Tonnes processed** of 941 kt at an **average gold grade** of 2.49 gpt and an **average gold recovery rate** of 85%, resulting in **gold production** of 70,887 ounces for the first quarter of 2017.
- **Plant throughput** averaged 10,455 tpd in the first quarter of 2017, or 75% of design capacity of 14,000 tpd (91% in April).
- **Tonnage and grade reconciliation** to the reserve model in the first quarter of 2017 was 126% for ore tonnes, 96% for grade, resulting in 121% of the ounces predicted by the reserve model.
- **Net income** for the first quarter of 2017 totalled $8.9 million, or $0.11 per share, on a basic and diluted basis.
- **Adjusted net earnings**[1]**,** which excludes, amongst other items, unrealized derivative and foreign exchange gains and losses, totalled $5.9 million, or $0.07 per share on a basic and diluted basis for the first quarter of 2017.
- **Earnings from mine operations** for the first quarter of 2017 totalled $16.0 million.
- **Cash flow from operations** totalled $19.8 million for the three months ended March 31, 2017.
- **Revenue** totalled $87.0 million and **cost of sales** totalled $71.0 million, or $1,004 per ounce of gold sold.
- **Gold sold** in the first quarter of 2017 totalled 70,747 ounces for total proceeds of $86.3 million. The average realized gold price[1] for the first quarter of 2017 was $1,227 per ounce.
- **Cash balances** as at March 31, 2017 totalled $108.5 million (including restricted cash of $14.6 million).
- **Total cash costs**[1] of $671 per ounce of gold sold in the first quarter of 2017.
- **All-in sustaining costs**[1] of $923 per ounce of gold sold for the first quarter of 2017.
- **Ore in stockpile** as at March 31, 2017 was 0.6 million tonnes at an average estimated grade of 1.50 gpt.
- **Maiden underground resource for the Sub-Sill** was announced and included 1.33 million inferred tonnes at 7.58 gpt Au containing 324,000 inferred gold ounces and 353,000 indicated tonnes at 7.82 gpt Au containing 89,000 indicated gold ounces.

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

The following table summarizes key operating and financial highlights on a quarterly basis for 2017 and 2016:

		Three Months Ended				
In millions of U.S. dollars, unless otherwise noted		**Mar 31, 2017**	**Dec 31, 2016**	**Sep 30, 2016**	**Jun 30, 2016**	**Mar 31, 2016**
Operating Data [1]						
Mining						
Ore tonnes mined	kt	711	853	869	684	516
Waste tonnes mined	kt	5,725	5,982	5,648	3,933	3,418
Total tonnes mined	kt	6,436	6,835	6,517	4,617	3,934
Strip ratio	waste:ore	8.1	7.0	6.5	5.8	6.6
Average gold grade of ore mined	gpt	2.19	3.03	3.08	3.18	2.60
Ore in stockpile	mt	0.6	0.8	0.8	0.8	1.1
Processing						
Average plant throughput	tpd	10,455	9,233	10,134	10,168	7,361
Average gold recovery	%	85	89	89	82	76
Average gold grade of ore processed	gpt	2.49	3.49	3.13	3.15	2.73
Production and sales						
Gold produced	oz	70,887	80,955	77,915	83,256	37,811
Gold sold	oz	70,747	83,259	80,064	80,772	31,518
Financial Data [1]						
Revenue [2]	$	87.0	102.3	108.1	102.1	-
Cost of sales	$	71.0	68.6	63.7	60.4	-
Earnings from mining operations	$	16.0	33.8	44.4	41.7	-
Net income (loss)	$	8.9	10.7	23.6	6.7	(37.8)
Per share - Basic [3]	$/share	0.11	0.13	0.30	0.08	(0.48)
Per share - Diluted [3]	$/share	0.11	0.13	0.30	0.08	(0.48)
Adjusted net earnings [4]	$	5.9	4.3	24.8	22.1	-
Per share - Basic [3,4]	$/share	0.07	0.05	0.31	0.28	-
Per share - Diluted [3,4]	$/share	0.07	0.05	0.31	0.28	-
Cost of sales	$/oz	1,004	823	795	748	-
Total cash costs [4]	$/oz	671	539	517	571	-
All-in sustaining costs [4]	$/oz	923	746	699	754	-
Average realized gold price [2,4,5]	$/oz	1,227	1,232	1,308	1,252	-
Cash and cash equivalents	$	93.9	104.0	93.6	74.1	30.5
Restricted cash	$	14.6	23.4	18.3	27.9	34.6
Working capital	$	121.0	124.5	120.2	82.4	3.7
Total debt	$	407.1	406.7	405.9	401.9	376.7
Total assets	$	1,198.0	1,206.3	1,167.1	1,154.3	1,106.2
Total liabilities	$	501.5	522.5	495.4	511.5	473.4

1. For accounting purposes, the transition to the production phase commenced on April 1, 2016. As such, comparative figures for certain measures or data are not available or are not meaningful and data related to the pre-production period may not be representative.
2. Proceeds from sales of gold and silver prior to achieving commercial production of $38.9 million were offset against the construction costs for the ELG Mine (as defined herein).
3. Effective June 30, 2016, the Company implemented a consolidation of its outstanding common shares on the basis of one post-consolidation share for every ten pre-consolidation shares (the "Consolidation"). Per share data reflects the Consolidation. Comparatives were restated.
4. Adjusted net earnings, total cash costs, all-in sustaining costs, and average realized gold price are financial performance measures with no standard meaning under International Financial Reporting Standards ("IFRS"). Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation. As transition to the production phase commenced April 1, 2016, amounts for these measures only include data starting April 1, 2016.
5. Average realized gold price includes realized gains from gold derivative contracts of $7 per ounce for the three months ended March 31, 2017. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.

FIRST QUARTER REPORT

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

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COMPANY OVERVIEW AND STRATEGY

The Company is a growth-oriented Canadian-based resource company engaged in the exploration, development and operation of the Morelos Gold property (the "Morelos Gold Property"). The Morelos Gold Property is located in the Guerrero Gold Belt in southern Mexico, approximately 180 kilometres to the southwest of Mexico City and 50 kilometres southwest of Iguala, and consists of seven mineral concessions covering a total area of approximately 29,000 hectares. The Company's principal assets are the El Limón Guajes ("ELG") mine (the "ELG Mine") and the Media Luna project (the "Media Luna Project"). The ELG Mine is an open pit operation with two main pits (the El Limón and Guajes pits), while the Media Luna Project is an early stage development project, for which the Company issued a Preliminary Economic Assessment (the "PEA") effective August 17, 2015, and titled "NI 43-101 Technical Report – El Limón Guajes Mine Plan and Media Luna Preliminary Economic Assessment, Guerrero State, Mexico" (the "Technical Report").

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

Exploration activities to advance this strategy continued in the first quarter of 2017. A maiden high grade underground resource was published for the Sub-Sill deposit and a follow-up drill program was planned. Execution of this drill program got underway early in the second quarter of 2017, with three diamond drill rigs deployed. The ramps toward the Sub-Sill and El Limón Deep ("ELD") target are advancing on schedule with an expected mid-year completion date. Mine planning for the Sub-Sill deposit is underway and the current in-fill and geotechnical drilling will inform that planning process. For mid-term growth prospects, a feasibility team is being assembled for the Media Luna project.

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

OBJECTIVES FOR 2017

Achieve the 2017 production target, within constraints:

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

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

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

Set up for growth:

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

FINANCIAL RESULTS

The following table summarizes the financial results of the Company:

	Three Months Ended		
In millions of U.S. dollars, unless otherwise noted	**March 31, 2017**	**March 31, 2016**	**December 31, 2016**
Revenue [1]	87.0	-	102.3
Gold	86.3	-	101.6
Silver	0.7	-	0.7
Cost of sales	71.0	-	68.6
Earnings from mine operations	16.0	-	33.8
Exploration and evaluation expenses	0.5	0.9	1.9
General and administrative expenses	5.5	2.9	3.8
Loss (gain) on derivative contracts	1.7	34.3	(15.3)
Financing costs, net	7.2	-	7.0
Foreign exchange (gain) loss	(3.2)	1.5	8.8
Income tax (recovery) expense, net	(4.6)	(1.8)	16.7
Net income (loss)	8.9	(37.8)	10.7
Per share - Basic ($/share) [2]	0.11	(0.48)	0.13
Per share - Diluted ($/share) [2]	0.11	(0.48)	0.13
Adjusted net earnings [3]	5.9	-	4.3
Per share - Basic ($/share) [2, 3]	0.07	-	0.05
Per share - Diluted ($/share) [2, 3]	0.07	-	0.05
Cost of sales ($/oz)	1,004	-	823
Total cash costs ($/oz) [3]	671	-	539
All-in sustaining costs ($/oz) [3]	923	-	746
Average realized gold price ($/oz) [3, 4]	1,227	-	1,232
Average realized margin ($/oz) [3, 4]	556	-	693

1. Proceeds from sales of gold and silver prior to achieving commercial production were offset against the construction costs for the ELG Mine.
2. Earnings per share reflect the Consolidation. Comparatives were restated.
3. Adjusted net earnings, total cash costs, all-in sustaining costs, average realized gold price and average realized margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.
4. Average realized gold price and average realized margin include realized gains from gold derivative contracts of $7 per ounce for the three months ended March 31, 2017 and realized gains from gold derivative contracts of $12 per ounce for the three months ended December 31, 2016. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.

FIRST QUARTER FINANCIAL RESULTS

Commercial production at the ELG Mine commenced on April 1, 2016, and hence there are no comparable financial results for revenue, cost of sales and earnings from mine operations for the first quarter of 2016.

Processed gold grade was 2.49 grams per tonne in the first quarter

At 2.49 gpt the gold grade was very close to the forecast life of mine (LOM) average grade of 2.59 gpt. The tonnes mined in the first quarter of 2017 reconciled well, for grade, at 96% of the grade forecasted by the reserve model. There were more ore tonnes available than predicted by the reserve model, with total ounces in the areas mined in the first quarter, reconciling positively at 121%.

2016, the first year of the ramp-up, could be characterized as above LOM average grades and below LOM average throughput. 2017, the second year of the ramp-up, the operations transition to LOM average grades and LOM average throughput. The change in grade from the fourth quarter of 2016 at 3.49 gpt to, close to LOM average grade in the first quarter of 2017, at 2.49 gpt, is 29% and this will have a material impact on financial per ounce metrics until the throughput ramps up to LOM average rates.

Processed average daily tonnage increased to 10,455 in the first quarter

Production through the tailings filters improved month to month through the quarter and accelerated in April. April plant throughput averaged 12,749 tpd. Continuing the ramp up to 14,000 will have a meaningful impact on unit costs by spreading the fixed costs across more tonnes and ounces.

Mining was stopped for 14 days in February because of an illegal site blockade. The processing plant operated throughout the blockade with ore supplied from the coarse ore stockpiles.

Revenue totalled $87.0 million

During the first quarter of 2017, the Company recognized $87.0 million in revenue compared to $102.3 million for the fourth quarter of 2016. The change in grade, without a corresponding increase in throughput, resulted in fewer ounces sold. The Company sold 70,747 ounces of gold at an average realized price of $1,227 per ounce in the first quarter of 2017, compared to 83,259 ounces of gold at an average realized price of $1,232 in the fourth quarter of 2016.

Realized gains on Gold Contracts were $0.5 million for the three months ended March 31, 2017 compared to realized gains on Gold Contracts of $1.0 million for the three months ended December 31, 2016. Realized losses and gains on gold derivative contracts are presented separately from revenue but included in the calculation of average realized gold price. The average realized gold price per ounce sold does not have any standardized meaning prescribed by IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

Revenue from the sale of gold is recognized based on the actual price received on the sale unless the gold is used to settle the Company's commitments under derivative contracts. Where gold is delivered to settle outstanding derivative contracts, revenues are recorded based on the spot market price at the time of settlement, and any difference between the spot price and the sales price received under the contract is recognized as a realized gain or loss on derivative contracts. Of the total 70,747 ounces of gold sold in the three months ended March 31, 2017, 28,479 ounces were delivered into the derivative contracts.

Cost of sales was $71.0 million or $1,004 per ounce in the first quarter

Cost of sales for the first quarter of 2017 was $71.0 million compared to $68.6 million in the fourth quarter of 2016. Production costs increased 7% to $45.5 million for the first quarter of 2017 compared to $42.6 million for the fourth quarter of 2016. The increase in production costs reflects 11% more tonnes processed.

Depreciation and amortization expense remaining consistent, amounting to $22.8 million for the first quarter of 2017 compared to $22.9 million for the fourth quarter of 2016.

Royalties were $2.7 million during the three months ended March 31, 2017 compared to $3.1 million during the three months ended December 31, 2016, representing 3% of proceeds from gold and silver sales. Of the 3% royalty expense, 2.5% is payable to the Mexican Geological Survey agency and 0.5% is payable to the Mexican Secretary of Finance.

Total cash costs were $671 per ounce sold in the first quarter

Total cash costs (net of by-product sales) for the first quarter of 2017 were $671 per ounce of gold sold, an increase of 24% or $132 per ounce of gold sold from the fourth quarter of 2016 of $539 per ounce of gold sold. This primarily reflects the impact of fewer ounces sold due to the lower gold grade processed.

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

All-in sustaining costs were $923 per ounce

AISC for the first quarter of 2017 were $923 per ounce of gold sold compared to $746 per ounce of gold sold for the fourth quarter of 2016. Sustaining capital expenditures in the first quarter of 2017 amounted to $12.1 million, slightly less than the $13.1 million spent in the fourth quarter of 2016. Sustaining capital expenditures were $8.5 million for capitalized stripping activities at El Limón and Guajes West, $2.9 million for sustaining equipment and $0.7 million for infrastructure.

An additional $13.5 million of non-sustaining capital expenditures were incurred in the first quarter of 2017; $6.5 million for mobile equipment, primarily to build out the fleet for El Limón, $3.2 million for the El Limón Deep and Sub -Sill tunnel, $2.5 million for initial development scope projects that are being completed post commercial production, and $1.3 million for the construction of the SART plant. These non-sustaining capital expenditures have been excluded from the AISC calculations. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

Exploration and evaluation expenses of $0.5 million

Exploration and evaluation expenditures were $0.5 million in the first quarter of 2017, compared to $0.9 million in the first quarter of 2016. In the first quarter of 2017, the exploration activities were largely focused on evaluating the results of the first phase of the Sub-Sill diamond drill program that was completed in the fourth quarter of 2016. A maiden underground resource for the Sub-Sill deposit was announced in first quarter of 2017 and phase two of the Sub-Sill diamond drill program commenced early in the second quarter of 2017.

General and administrative expenses of $5.5 million

General and administrative expenses were $5.5 million for the first quarter of 2017 compared to $2.9 million in the first quarter of 2016. The increase is primarily due to higher non-cash share-based compensation expenses.

Finance costs were $7.2 million

Finance costs in the first quarter of 2017 totalled $7.2 million. In the first quarter of 2016, finance costs were capitalized as the ELG mine was in the development phase. Finance costs reflect the interest expense on the Loan Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan (as all such terms are defined herein).

Loss on gold derivative contracts of $8.8 million in the first quarter

Based on an increase in the forward prices for gold since the end of 2016, the Company recognized an unrealized loss of $9.3 million for the first quarter of 2017 compared to an unrealized loss of $33.9 million for the first quarter of 2016. During the three months ended March 31, 2017, the Company realized a gain of $0.5 million on gold derivative contracts settled compared to a gain of $0.2 million for the three months ended March 31, 2016.

Gain on currency derivative contracts of $7.1 million due to the appreciation of the Mexican peso

Based on the forward prices for Mexican pesos at March 31, 2017, the Company recognized an unrealized gain of $7.5 million for the three months ended March 31, 2017 compared to an unrealized gain of $3.6 million for the three months ended March 31, 2016.

In the first quarter of 2017, the average exchange rate of the Mexican peso relative to the U.S. dollar was higher than the average contract forward prices. As such, the Company realized a loss of $0.4 million on the contracts it settled during the quarter, compared to a loss of $4.2 million for the comparable period in 2016.

Foreign exchange gain of $3.2 million due to the appreciation of the Mexican peso

The Company recognized a foreign exchange gain of $3.2 million for the quarter ended March 31, 2017, compared to a loss of $1.5 million for the first quarter ended March 31, 2016. The Mexico peso appreciated by 9% compared to the fourth quarter of 2016.

Income and mining tax recovery of $4.6 million in the first quarter

The Company recognized a current income tax expense of $2.8 million in the three months ended March 31, 2017 primarily related to the 7.5% Mexican mining royalty, compared to a current tax expense of $0.1 million in the three months ended March 31, 2016, which was prior to the commencement of commercial production.

The Company recognized a deferred income tax recovery of $7.4 million in the three months ended March 31, 2017, compared to a deferred income tax recovery of $1.9 million for the three months ended March 31, 2016. The increase in the deferred tax recovery is primarily as a result of an increase in the Mexican inflation rate and the impact of foreign exchange translation.

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

Net income of $8.9 million

Net income for the first quarter of 2017 totalled $8.9 million, or $0.11 per share, both on a basic and diluted basis, while adjusted net earnings amounted to $5.9 million, or $0.07 per share, both on a basic and diluted basis. Net income decreased 17% over the fourth quarter of 2016, largely due to fewer ounces sold as a result of processing lower grades of ore. Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net income (loss) to adjusted net earnings.

RESULTS OF OPERATIONS

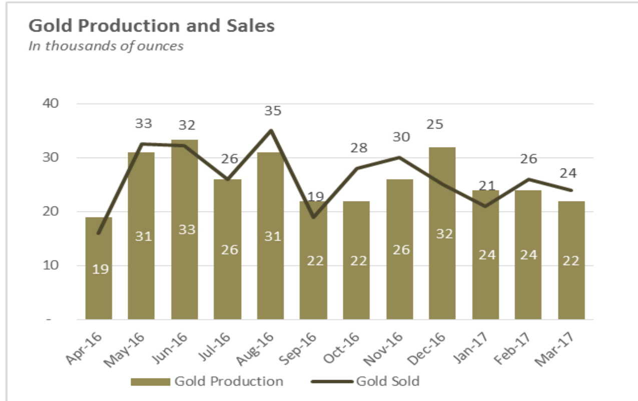
The following table summarizes the operating results for the Company's ELG Mine on a quarterly basis:

		Three Months Ended				
		March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Mining						
Guajes Pit						
Ore tonnes mined	kt	252	653	860	611	506
Waste tonnes mined	kt	2,432	3,495	3,653	2,582	2,209
Total tonnes mined	kt	2,684	4,148	4,513	3,193	2,715
Strip ratio	waste:ore	9.7	5.4	4.2	4.2	4.4
Average gold grade of ore mined	gpt	2.77	3.43	3.10	3.31	2.58
El Limón Pit						
Ore tonnes mined	kt	459	200	9	73	10
Waste tonnes mined	kt	3,293	2,487	1,995	1,351	1,209
Total tonnes mined	kt	3,752	2,687	2,004	1,424	1,219
Strip ratio	waste:ore	7.2	12.4	221.7	18.5	120.9
Average gold grade of ore mined	gpt	1.87	1.72	1.15	2.08	3.61
Total El Limón Guajes						
Ore tonnes mined	kt	711	853	869	684	516
Waste tonnes mined	kt	5,725	5,982	5,648	3,933	3,418
Total tonnes mined	kt	6,436	6,835	6,517	4,617	3,934
Strip ratio	waste:ore	8.1	7.0	6.5	5.8	6.6
Average gold grade of ore mined	gpt	2.19	3.03	3.08	3.18	2.60
Processing						
Total tonnes processed	kt	941	849	932	925	670
Average plant throughput	tpd	10,455	9,233	10,134	10,168	7,361
Average gold recovery	%	85	89	89	82	76
Average gold grade of ore processed	gpt	2.49	3.49	3.13	3.15	2.73
Production and sales						
Gold produced	oz	70,887	80,955	77,915	83,256	37,811
Gold sold [1]	oz	70,747	83,259	80,064	80,772	31,518

1. Proceeds from sales of gold and silver prior to achieving commercial production were offset against the construction costs for the ELG Mine.
2. Results of operations for El Limón Sur are included within El Limón.

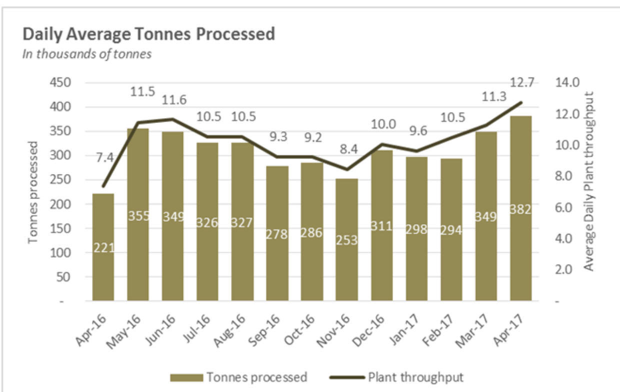
Gold Production and Sales

In the first quarter of 2017, 70,887 ounces of gold were produced and 70,747 ounces of gold were sold.



Plant Ramp-Up

The ramp up has progressed well, with the mines, crushing circuit, grinding circuit, leaching and CIP circuits, all meeting expectations. In the first quarter of 2017 the tailings filtration circuit at the end of the process continues to be the bottleneck. Actions taken to improve the performance of the filters resulted in consistent improvement in each month of the quarter and this performance improvement has accelerated in April.

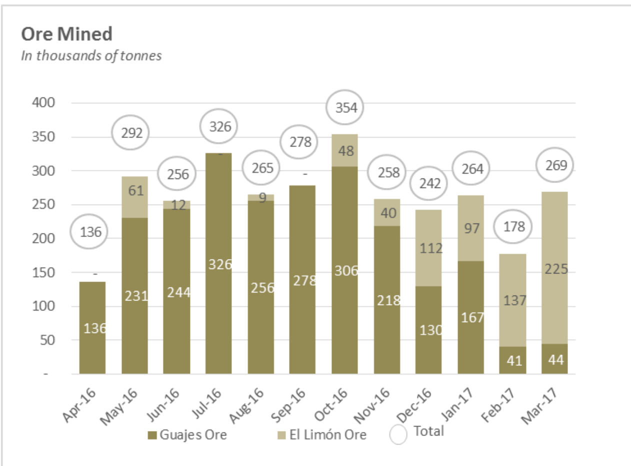


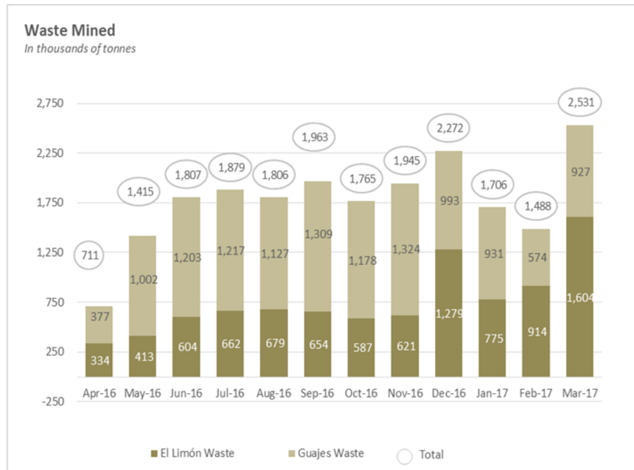
The filters are mechanically complex and mechanical availability has not been sufficient to keep 6 of the 7 filters operating at all times. A trade-off study has been completed and a decision taken to install two belt filters outside of the current building. The filters have been purchased and construction has started. Commissioning is expected early in the fourth quarter of 2017 and the project is expected to be completed within the budgeted expenditure of $10 million. The additional filtration capacity of up to 8,000 tpd is expected to eliminate the possibility of tailings filtration remaining as a bottleneck in the future. Ending the interdependence between the filters and the grinding circuit will also help with filter availability. This project has advanced ahead of schedule and was operational in early April 2017.

Soluble copper in the deposit has been successfully managed with higher than design level consumption of reagents. A decision has been made to install a SART Plant to recycle and reduce the consumption of the reagents that are used in association with the soluble copper. Construction of this plant is well underway with the earthworks and the concrete works effectively completed, and thickener installation well underway. This project is expected to be commissioned and fully functional by year-end 2017. The SART Plant in 2018 and beyond is expected to reduce AISC by $100 per ounce of gold sold by reducing reagent consumption and adding by-product credits resulting from the sale of a copper product.

Mining

During the first quarter of 2017, to conserve diesel fuel during an illegal blockade of the ELG site, mining was suspended for 14 days (processing operations continued during the blockade, with ore supplied from existing stockpiles). Accordingly, tonnes mined in the first quarter of 2017, were 6% lower compared to the previous quarter. A total of 6,436 thousand tonnes were mined in the quarter, approximately 42% of which was from Guajes with an average waste to ore strip ratio of 9.7. Mining at El Limón continues to focus on pit stripping of El Limón C and El Limón Sur with a total of 3,752 thousand tonnes mined at El Limón during the first quarter. At March 31, 2017, there were 560 thousand tonnes of ore in stockpile, consisting of 427 thousand tonnes from Guajes, 12 thousand tonnes from North Nose and 37 thousand tonnes from El Limón, with an additional 84 thousand tonnes in the fine ore stockpile.

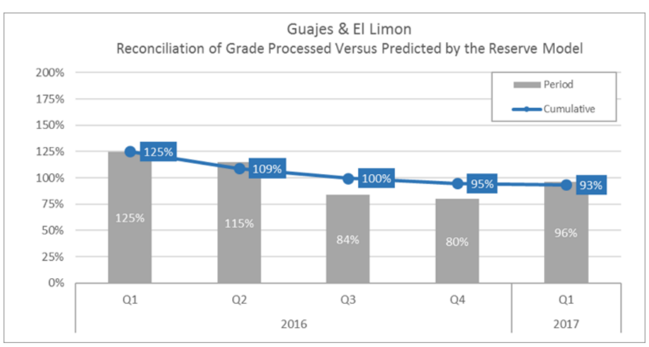


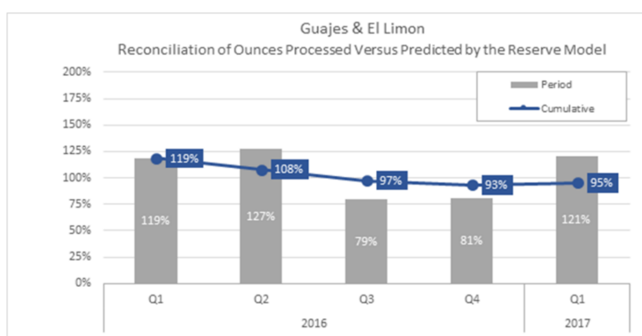


Tonnage and Grade Reconciliation to the Reserve Model

The El Limón pit is now a significant contributor to production and has been included in the reconciliation calculations. For the tonnes mined in first quarter, the grade reconciled at 96% of what was predicted by the reserve model and the ounces reconciled at 121% (More ore tonnes than predicted by the reserve model).

The charts below illustrate a flattening of the cumulative curve. This is to be expected as each new quarter represents a smaller percentage of the cumulative tonnes of the previous quarters. A few more quarters of production should be enough data to provide a good indication of where reconciliation for the entire deposit will settle out.





Safety
During the first quarter of 2017, there was one lost time incident where a person cut a finger while trying to repair a safety flag mast on a light vehicle. The person was wearing light gloves. The mast sprang back into place trapping and cutting his finger. He received 2 stitches and has since returned to work. The end of quarter lost time injury frequency rate was 1.36 per million hours worked. We continue to work to enhance our safety culture through training.

Community
As reported previously, during the first quarter of 2017, there was an illegal blockade that started in late January and lasted about 2 weeks. This blockade was headed by some of the leaders involved in the blockade in 2016. However, in this case, their demands were more direct – they just wanted money. The blockade leaders convinced some of the vulnerable people within Nuevo Balsas to join the blockade in the hope that some benefit would be derived from their actions. Another small group from La Fundición, led by one of the elected community officials, also established a blockade at the same time. The blockades were widely condemned by other community members and leaders.

The Company continued the operation of the processing plant while communicating with the people involved in the blockade. Help was provided in the resolution of the blockade by the state and municipal governments. The state and municipal governments negotiated for the removal of the blockade, which was accomplished peacefully. MML continued its long-standing policy of not negotiating under a blockade.

In the first quarter, several community projects were handed over to the communities. The projects ranged from public toilets to sporting facilities and roads.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

Work on the Media Luna mine design continued during the first quarter of 2017, with a focus on reducing the project schedule and capital costs, while preserving the low operating costs of the PEA. (The Technical Report is available on the Company's website at www.torexgold.com and was filed on SEDAR at www.sedar.com on September 3, 2015). Significant potential enhancements have been identified and a feasibility study team is being assembled to update the PEA and then advance the mine design to feasibility confidence levels. One of the scheduled enhancement options is to infill drill a portion of the deposit from surface, utilizing conventional directional drilling techniques. Bids for this work will be received from contractors in the second quarter of 2017. Drilling from surface will eliminate the need for an exploration ramp from surface and opens the door to faster, lower cost, and smaller footprint options to access the deposit for mining. Permit applications that include the exploration tunnel will be submitted in the second quarter of 2017. A decision on whether to proceed with the tunnel will be taken after costs of a surface drill program have been received and the effectiveness of the enhanced mine design has been confirmed through additional engineering studies.

Morelos Gold Property Exploration Update

There are a number of highly prospective targets on the Morelos Gold Property. Current exploration activities are focused on a 'near mine' target that lies above and below what has been identified as the El Limón Sill (The Sill). Diamond drilling of the Sub-Sill target commenced in the third quarter of 2016, and the 7,727 meter program was completed in the fourth quarter of 2016. Results of this program were positive and were released publicly, followed by a maiden underground resource, during the first quarter of 2017. The related press releases are available on the Company's website at www.torexgold.com and were filed on SEDAR at www.sedar.com. Planning for a step-out diamond drill program to infill and test for extensions to the Sub-Sill zone was completed during the first quarter of 2017. The next phase of the drill program commenced early in the second quarter of 2017, with three diamond drills active on the project.

Ahead of schedule, in the fourth quarter of 2016, a 5 metre wide by 5 metre high ramp was collared from the El Limón access road. This ramp is advancing toward the El Limón Deep, and Sub-Sill targets. Approximately the first

300 metres of the ramp will be common to both target areas. Beyond that point, there will be separate ramps for each area. Both of these separate ramps are expected to be approximately 300 metres in length and the common section of the ramp is complete. It is anticipated that the ramp will reach the Sub-Sill zone by mid-year and the El Limón Deep zone will be reached shortly thereafter.

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

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

The following table summarizes balance sheet items at March 31, 2017:

In millions of U.S. dollars		March 31, 2017		December 31, 2016
Cash and cash equivalents	$	93.9	$	104.0
Restricted cash		14.6		23.4
Gold derivative contracts		-		8.6
Value added tax receivable		76.1		61.8
Inventory		47.6		53.4
Property, plant and equipment		951.1		940.9
Other assets		14.7		14.2
Total assets	$	1,198.0	$	1,206.3
Accounts payable and accrued liabilities	$	47.3	$	50.4
Debt		407.1		406.7
Gold and currency derivative contracts		3.4		10.2
Other liabilities		43.7		55.1
Total liabilities	$	501.5	$	522.4
Total shareholders' equity	$	696.5	$	683.9

Cash and cash equivalents and restricted cash

The Company ended the first quarter of 2017 with cash on hand of $93.9 million, with an additional $14.6 million in restricted cash. The Company holds cash balances in both Canadian dollars and Mexican pesos in addition to its U.S. dollar holdings.

Pursuant to the Loan Facility, the Company maintains restricted cash of $14.6 million consisting of reserve funds of $13.7 million in case of an unplanned temporary closure of the ELG Mine and $0.9 million for accrued tax and royalties.

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

Derivative contracts

In October 2014 and May 2016, in connection with the Loan Facility, the Company entered into the Gold Contracts and Peso Contracts, which are marked-to-market at the end of every reporting period as they are considered non-designated hedges. The gain or loss relating to these contracts fluctuates with the price of gold and the Mexican peso exchange rate relative to the U.S. dollar, respectively. The Gold Contracts are recorded at a liability of $0.7 million at March 31, 2017, reflecting that the forward prices per the contracts are lower than current forward market prices in the market. The Peso Contracts are a liability of $2.7 million at March 31, 2017, reflecting a devaluation in the Mexican peso since the contracts were entered into.

Value added tax receivable

The Company has VAT receivables denominated in Mexican pesos. The VAT receivables balance fluctuates as additional VAT is paid and refunds are received, as well as with the movement of the Mexican peso exchange rate relative to the U.S. dollar. During the three months ended March 31, 2017, the Company collected $3.3 million in VAT receivables. Subsequently in April 2017, the Company collected $12.7 million of VAT, net of interest of $0.6 million.

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

Inventory

At March 31, 2017, inventories included $13.8 million of ore in stockpile, $7.4 million of gold-in-circuit, $4.4 million of finished metal inventory, and $22.0 million of materials and supplies. At December 31, 2016, inventory included $18.9 million of ore in stockpile, $12.4 million of gold-in-circuit, $4.1 million of finished metal inventory, and $18.0 million of materials and supplies. The decrease of $5.8 million is largely due to the use of stockpiles, including during the blockade, and less in-circuit inventory offset by higher materials and supplies as the Company ensures it has sufficient supplies on hand in case of an interruption.

Property, plant and equipment

Property, plant and equipment increased by $34.6 million for construction expenditures at the ELG Mine, infrastructure, equipment, finance lease assets and capitalized stripping costs. These increases are partly offset by depreciation and amortization of $23.5 million and disposals, net of accumulated depreciation, of $0.9 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by $3.1 million to $47.3 million at March 31, 2017.

Debt

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

DEBT FINANCING

Loan Facility

In August 2014, the Company, through its subsidiary Minera Media Luna, S.A. de C.V. ("MML"), signed a credit agreement (the "Credit Agreement") with BMO Harris N.A., BNP Paribas, Commonwealth Bank of Australia, ING Bank N.V., Société Générale, and The Bank of Nova Scotia (the "Lenders") and other definitive documentation giving effect to a $375.0 million senior secured project finance loan (the "Loan Facility"). The Loan Facility is comprised of two separate facilities, a project finance facility of $300.0 million (the "PFF") and a cost overrun facility of $75.0 million (the "COF"). Advances under the PFF bear interest at a rate of LIBOR + 4.25% to 4.75% and advances under the COF bear interest at the same rate plus 1%. The Loan Facility has a maturity date of June 30, 2022. The Loan Facility has been fully drawn, and the amount outstanding as at March 31, 2017 was $375.0 million. The proceeds of the Loan Facility were used to fund the development of the ELG Mine. The Loan Facility is presented in the Statement of Financial Position at amortized cost, net of deferred financing costs of $8.7 million, and totalled $366.3 million at March 31, 2017.

In connection with the Loan Facility, the Company placed $13.7 million of cash on deposit for potential obligations in the event of an unplanned temporary closure of the ELG Mine, as well as $30.9 million in a reserve account (the "Sponsor Reserve Account") to address potential impacts that a delay in the anticipated commencement of production may have on certain requirements under the Loan Facility. During 2016, the full amount in the Sponsor Reserve Account was released; $6.0 million was used to fund ELG Mine expenses and the remainder was made available to fund corporate priorities including exploration and development activities. At March 31, 2017, the remaining $14.6 million in restricted cash is comprised of the initial $13.7 million put aside for an unplanned temporary closure of the ELG Mine and $0.9 million in an account to fund tax and royalty obligations.

Further, the Company entered into commitments to deliver 204,361 ounces of gold from the ELG Mine to the Lenders between January 2016 and July 2017, at an average flat forward gold price of $1,241 per ounce. As at March 31, 2017, the Company had 66,602 ounces remaining to be delivered. Contracts that remain outstanding at the end of the reporting period are marked-to-market as they are considered non-designated hedges. As forward prices for gold at March 31, 2017 were higher than the average prices of the remaining Gold Contracts, the Company recognized a liability of $0.7 million with respect to the Gold Contracts.

The Company also executed the required Peso Contracts, which cover 75% of the Company's non-U.S. dollar denominated capital expenditures for the ELG Mine from November 2014 to the second quarter of 2017, as well as 75%, 50% and 25% annually, of the Company's estimated non-U.S. dollar denominated operating expenditures for the ELG Mine from May 2016 to December 2018. The contracts are secured on an equal basis with the Loan Facility and documented in the form of International Swaps and Derivatives Association Agreements. At March 31, 2017, the Company had 1,020.0 million pesos at an average price of 18.68 pesos per U.S. dollar. Contracts that remain outstanding at the end of the reporting period are marked-to-market as they are considered non-designated hedges. Based on the forward prices for pesos at March 31, 2017, the Company recognized a liability of $2.7 million with respect to the Peso Contracts.

The Loan Facility was subject to an Interim Completion Test ("ICT"). The deadline for completion of the ICT was September 30, 2016. The Company successfully completed, and the Lenders accepted, the ICT in September 2016. The Company was required to complete certain additional work with respect to the Tailings Dry Stack by the end of February 2017. The Company successfully completed, and the Lenders accepted, the additional work with respect to the Tailings Dry Stack in February 2017. In addition, the Loan Facility is subject to a Final Completion Test ("FCT"). The deadline for completion of the FCT is March 31, 2018. Successful completion of the FCT requires the Company to meet certain operational and legal criteria, as well as financial covenants related to the Company's ability to service its debt obligations, expected to be applicable as at March 31, 2018 and measured on a quarterly basis thereafter. Inability to achieve the FCT would constitute an event of default under the Loan Facility, unless a waiver or amendment to the Loan Facility is obtained. The Company is also restricted from repatriating funds from MML until the FCT has been achieved.

Equipment Loan

On December 23, 2015, the Company, through its subsidiary Minera Media Luna, executed a $7.6 million 4-year loan agreement with BNP Paribas (the "Equipment Loan"). The Equipment Loan, secured by certain mining vehicles that are owned by the Company, is due to mature on December 31, 2019, is repayable in quarterly instalments which started March 31, 2016, and bears interest at a rate of LIBOR + 3.75%. The loan is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges of $0.2 million, and totalled $4.2 million at March 31, 2017. In the three months ended March 31, 2017, the Company repaid $1.3 million.

Finance Lease Arrangement

Further, on December 31, 2015, the Company, through its subsidiary Minera Media Luna, executed a finance lease arrangement with Parilease SAS (the "Finance Lease Arrangement") which provided up to $17.4 million in lease financing for mining equipment. On December 26, 2016, the Company signed an amendment extending the available funds to $23.7 million. As of March 31, 2017, the Company had utilized $22.7 million under the Finance Lease Arrangement. Advances under the Finance Lease Arrangement bear interest at a rate of LIBOR + 4.0%, and are repayable in quarterly rent instalments over five years. The loan under the Finance Lease Arrangement is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges of $0.6 million, and totalled $20.6 million at March 31, 2017. In the first quarter of 2017, the Company repaid $0.8 million.

VAT Loan

On June 3, 2016, the Company, through its subsidiary Minera Media Luna, executed a line of credit agreement with Banco Nacional de Comercio Exterior for an amount equivalent to 84.2% of 95% of the Company's outstanding VAT filings, up to 800.0 million Mexican pesos (approximately $42.5 million at March 31, 2017) (the "VAT Loan"). The VAT Loan is secured by the Company's VAT receivable amounts, and advances under the facility bear interest equal to the 91-day Interbank Equilibrium Interest (TIIE) Rate as published by the Bank of Mexico + 2.99%. Interest payments are due quarterly and VAT refunds received are applied against the balance outstanding. A final payment of all principal and any accrued interest is due 24 months following the date of the first advance. Upon signing the agreement, the Company paid 0.5% of the total amount committed, and will pay 0.5% of each advance. During the term of the VAT Loan, MML is restricted from repaying loans from the parent company and its affiliates.

The Company drew down its first advance on June 24, 2016, in the amount of 450.5 million Mexican pesos (approximately $24.3 million at the time of the advance). The remaining 349.5 million pesos under the loan were available until March 31, 2017, but were not utilized. The loan is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges of $0.2 million, and totalled $16.0 million at March 31, 2017. In April 2017, the Company collected $12.7 million, net of interest of $0.6 million, which was used to pay down part of the VAT Loan.

LIQUIDITY AND CAPITAL RESOURCES

The Company commenced selling gold from the ELG Mine in February 2016, and on March 30, 2016, announced that the ELG Mine had achieved commercial production.

The total assets of the Company as at March 31, 2017 were $1,198.0 million (December 31, 2016 - $1,206.3 million), which includes $93.9 million in cash and cash equivalents (December 31, 2016 - $104.0 million), excluding restricted cash of $14.6 million (December 31, 2016 - $23.4 million). The Company had working capital of $121.0 million as at March 31, 2017, compared to $124.6 million at December 31, 2016. Current cash on hand, along with proceeds from gold sales, is expected to be sufficient to fund operations and settle outstanding liabilities as the plant ramps up to design capacity of 14,000 tpd.

Cash flow generated from operating activities, including changes in non-cash working capital, for the three months ended March 31, 2017 totalled $19.8 million compared to cash flow used in operating activities of $8.8 million for the three months ended March 31, 2016. The increase in cash flow from operations is primarily due to the commencement of commercial production at the ELG Mine.

Investing activities resulted in cash outflows of $19.5 million in the first quarter of 2017, compared with cash outflows of $6.4 million for the comparative period in 2016. The outflows include the additions to property, plant and equipment of $25.6 million. Sustaining capital expenditures of $12.1 million in the three months ended March 31, 2017 are related to $8.5 million for the cash component of capitalized stripping activities at El Limón and Guajes West, sustaining equipment of $2.9 million and infrastructure expenditures of $0.7 million. Non-sustaining capital expenditures of $13.5 million in the three months ended March 31, 2017 consist of the SART Plant of $1.3 million, development of the El Limón Deep tunnel of $3.2 million, $2.5 million related to construction at the ELG Mine post-commercial production and acquisition of mobile and other equipment of $6.5 million. VAT paid for investing activities was $2.7 million for the three months ended March 31, 2017 compared to $8.3 million for the comparative period. Cash flows generated from investing activities in the three months ended March 31, 2017 include $3.3 million in VAT refunds received and $8.8 million released from restricted cash to fund tax and royalty payments. Cash flows generated from investing activities for the comparative period include proceeds from pre-production gold sales, which totalled $38.7 million (excluding proceeds from deliveries under derivative contracts), withdrawals from amounts in the sponsor reserve account of $10.0 million, and the collection of $9.9 million in VAT refunds, excluding interest.

Financing activities resulted in cash outflows of $11.5 million for the three months ended March 31, 2017 compared with cash outflows of $1.1 million in the comparative period. Cash flows used in financing activities in the first quarter of 2017 relate primarily to interest paid of $6.5 million and repayments under the Finance Lease Arrangement, VAT Loan and Equipment Loan totalling $5.4 million. In comparison, for the first quarter of 2016, cash flows used in financing activities related to repayments under the Equipment Loan and deferred finance charges.

As at March 31, 2017, the Company's contractual obligations included a head office lease agreement, office equipment leases, long-term land lease agreements with the Rio Balsas, the Real del Limón, and the Valerio Trujano Ejidos and the individual owners of land parcels within certain of those Ejido boundaries, a five-year exploration access agreement with the Puente Sur Balsas Ejido, and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine. All of the long-term land lease agreements and the exploration agreement can be terminated at the Company's discretion at any time without penalty. The five-year exploration access agreement includes access to the new discoveries at the Media Luna Project. These agreements are not included in the contractual commitments reported below. In addition, the Company has entered into several exploration-related agreements, all of which are cancellable within a year at the Company's discretion.

In addition, production revenue from the "Reducción Morelos Norte" concession is subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and payable on a quarterly basis. In January 2017, the Company paid $2.4 million relating to the fourth quarter of 2016 for the 2.5% royalty. Further, in 2014, the Mexican government enacted a tax reform introducing a mining tax of 7.5% on earnings before the deduction of taxes, interest, depreciation and amortization, and a royalty of 0.5% on sales of gold, silver and platinum. Both the mining tax and 0.5% royalty are payable on an annual basis in March of the following year. In March 2017, the Company paid $7.3 million and $1.7 million relating to 2016 for the 7.5% mining tax and 0.5% royalty.

Contractual Commitments

		Payments Due by Period			
In millions U.S. dollars	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Greater than 5 years**
ELG Mine commitments	59.0	59.0	-	-	-
Debt	416.8	13.3	141.7	227.3	34.5
Total	**$ 475.8**	**$ 72.3**	**$ 141.7**	**$ 227.3**	**$ 34.5**

OUTSTANDING SHARE DATA

Outstanding Share Data at May 2, 2017	Number
Common shares	79,768,569
Share purchase options [1]	1,078,333
Restricted share units [2,3]	314,215
Performance share units [4]	268,804

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

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

NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Company has presented certain non-IFRS measures in this document. The Company believes that these measures, while not a substitute for measures of performance prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.

Total cash costs

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

All-In Sustaining Costs

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

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

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

In million of U.S. dollars, unless otherwise noted		**Three Months Ended March 31, 2017**	**Three Months Ended December 31, 2016**
Gold sold	oz	70,747	83,259
Total cash costs per ounce sold			
Production costs and royalties	$	48.2	45.6
Less: Silver sales	$	(0.7)	(0.7)
Total cash costs	$	47.5	44.9
Total cash costs per ounce sold	$/oz	671	539
All-in sustaining costs per ounce sold			
Total cash costs	$	47.5	44.9
Corporate general and administrative costs [1]	$	5.4	3.8
Reclamation and remediation costs	$	0.3	0.3
Sustaining capital expenditure [2]	$	12.1	13.1
Total all-in sustaining costs	$	65.3	62.1
Total all-in sustaining costs per ounce sold	$/oz	923	746

1. Includes share-based compensation in the amount of $2.8 million, or $39/oz, and $0.9 million, or $10/oz, for the three months ended March 31, 2017 and December 31, 2016, respectively.
2. Based on additions to property, plant and equipment per the Statement of Cash Flows for the three months ended March 31, 2017. Capital expenditures for the three months ended March 31, 2017 totalled $25.6 million. Sustaining capital expenditures of $12.1 million in the three months ended March 31, 2017 are related to $8.5 million for the cash component of capitalized stripping activities at El Limón and Guajes West, sustaining equipment of $2.9 million and infrastructure expenditures of $0.7 million. Sustaining capital expenditures in the three months ended December 31, 2016 of $13.1 million include $5.2 million for the cash component of capitalized stripping activities at El Limón and Guajes West, sustaining equipment of $4.7 million, and infrastructure expenditures of $3.2 million.

   Non-sustaining capital expenditures of $13.5 million in the three months ended March 31, 2017 consisting of the SART Plant of $1.3 million, development of the El Limón Deep tunnel of $3.2 million, $2.5 million related to construction at the ELG Mine post-commercial production and acquisition of mobile and other equipment of $6.5 million were considered non-sustaining and have been excluded from AISC. Non-sustaining capital expenditures in the three months ended December 31, 2016 of $9.5 million include $2.5 million for the SART Plant, $2.6 million for the development of the El Limón Deep tunnel, $1.3 million for open pit development in ponds and perimeter ditches, $1.2 million related to construction at the ELG Mine post-commercial production, and acquisition of mobile and other equipment of $1.9 million.

Average Realized Price and Average Realized Margin

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

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

The average realized price for the first quarter of 2017 was $1,227 per ounce of gold sold compared to $1,232 per ounce of gold sold for the fourth quarter of 2016. The decrease is primarily a result of lower spot gold prices.

The average realized margin for the first quarter of 2017 was $556 per ounce of gold sold compared to $693 per ounce of gold sold for the fourth quarter of 2016. The decrease reflects lower spot gold prices and higher total cash costs per ounce of gold sold during the first quarter of 2017.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

In millions of U.S. dollars, unless otherwise noted		Three Months Ended March 31, 2017	Three Months Ended December 31, 2016
Gold sold	oz	70,747	83,259
Revenue	$	87.0	102.3
Less: Silver sales	$	(0.7)	(0.7)
Plus: Realized gain on Gold Contracts	$	0.5	1.0
Total proceeds	$	86.8	102.6
Total average realized price per ounce	$/oz	1,227	1,232
Less: Total cash costs per ounce	$/oz	671	539
Total average realized margin per ounce	$/oz	556	693

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

Adjusted Net Earnings

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

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

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

The adjusted net earnings for the first quarter of 2017 were $5.9 million compared to $4.3 million for the fourth quarter of 2016. The increase is largely due to the impact of unrealized foreign exchange and unrealized losses on derivative contracts.

Reconciliation of Adjusted Net Earnings to Net Income

In millions of U.S. dollars, unless otherwise noted		**Three Months Ended March 31, 2017**	**Three Months Ended December 31, 2016**
Basic weighted average shares outstanding	shares	79,729,618	79,644,131
Diluted weighted average shares outstanding	shares	80,429,245	80,062,987
Net income	$	8.9	10.7
Adjustments, after-tax:			
Unrealized foreign exchange (gain) loss	$	(5.0)	4.4
Deferred income tax recovery relating to foreign exchange	$	(0.1)	0.3
Unrealized loss (gain) on derivative contracts	$	1.8	(16.0)
Tax effect of adjustments	$	0.3	4.9
Adjusted net earnings	$	5.9	4.3
Per share - Basic	$/share	0.07	0.05
Per share - Diluted	$/share	0.07	0.05

ADDITIONAL IFRS FINANCIAL MEASURES

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

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

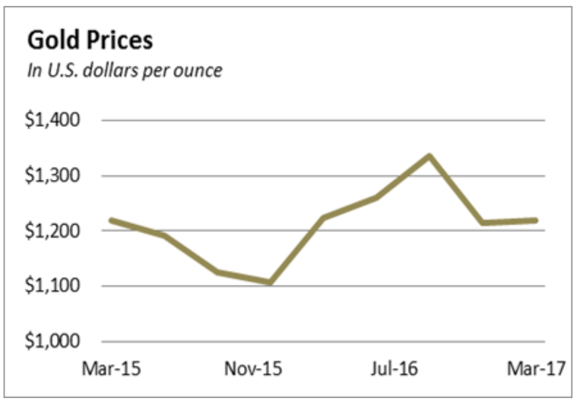
“Cash generated from (used in) operating activities before change in non-cash working capital balances” provides useful information to management and investors as an indication of the cash flows from operations before consideration of the impact of changes in working capital balances in the period.

ECONOMIC TRENDS

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

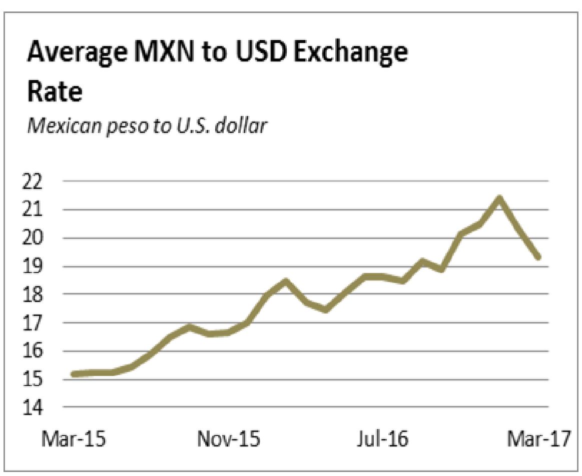
		Three Months Ended March 31,		Three Months Ended December 31,	
		2017	**2016**	**2016**	**2015**
Average market spot prices					
Gold	$/oz	1,217	1,183	1,214	1,106
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : $	20.4	18.1	19.8	16.8
Canadian dollar : U.S. dollar	C$: $	1.32	1.37	1.33	1.34

Metal prices



The Company's profitability and operating cash flows are significantly impacted by the price of gold. During the three months ended March 31, 2017 approximately 42% of the gold sold by the Company was delivered into the Gold Contracts at an average flat forward price of $1,241 per ounce of gold with the remaining sold at the market spot price. The market price of gold continued to exhibit volatility during the first quarter of 2017 but ended the quarter at $1,249 per ounce, up nearly 9% over the closing price on December 31, 2016. The average price of gold was $1,217 per ounce in the first quarter of 2017. The Company has entered into commitments under the Gold Contracts to deliver a remaining 66,602 ounces of its gold production from the ELG Mine over the first half of 2017, at an average flat forward price of $1,241 per ounce of gold.

Foreign exchange rates



The Company's functional and reporting currency is the U.S. dollar and it is therefore exposed to financial risk related to foreign exchange rates. In particular, approximately 49% of the Company's operating costs for the first quarter of 2017 were incurred in Mexican pesos. Although the Company has entered into the Peso Contracts to fix a portion of its Mexican-denominated costs and operating expenditures, changes in exchange rates are still expected to have an impact on the Company's results. In addition, the Company is exposed to foreign exchange risk on its non-U.S. dollar denominated monetary assets and liabilities. The average exchange rate of the Mexican peso relative to the U.S. dollar was 20.4 and 18.1 pesos for the first quarter of 2017 and the first quarter of 2016, representing a devaluation of 13%.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

		2017	2016					2015	
In millions of U.S. dollars, unless otherwise noted		Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Key Operating Data									
Mining									
Ore mined	kt	711	853	869	684	516	68	236	488
Waste mined	kt	5,725	5,982	5,648	3,933	3,418	3,542	3,826	3,943
Total mined	kt	6,436	6,835	6,517	4,617	3,934	3,610	4,062	4,431
Strip ratio	waste : ore	8.1	7.0	6.5	5.8	6.6	52.1	16.2	8.1
Average gold grade of ore mined	gpt	2.19	3.03	3.08	3.18	2.60	2.33	2.94	2.64
Processing									
Tonnes processed	kt	941	849	932	925	670	89	-	-
Plant recovery	%	85	89	89	82	76	87	-	-
Head gold grade	gpt	2.49	3.49	3.13	3.15	2.73	1.77	-	-
Production and Sales									
Gold ounces produced	oz	70,887	80,955	77,915	83,256	37,811	350	-	-
Gold ounces sold	oz	70,747	83,259	80,064	80,772	31,518	-	-	-
Financial Results									
Revenue [1]	$	87.0	102.3	108.1	102.1	-	-	-	-
Cost of sales	$	71.0	68.6	63.7	60.4	-	-	-	-
Earnings from mining operations	$	16.0	33.8	44.4	41.7	-	-	-	-
General and administrative	$	5.5	3.8	4.4	4.2	2.9	3.8	2.8	2.7
Exploration and evaluation	$	0.5	1.9	0.4	0.5	0.9	1.6	1.7	2.7
Income tax expense (recovery)	$	(4.6)	16.7	5.1	2.5	(1.8)	2.0	1.6	1.5
Net income (loss)	$	8.9	10.7	23.6	6.7	(37.8)	0.1	(4.8)	(9.2)
Per share - Basic [3]	$/share	0.11	0.13	0.30	0.08	(0.48)	0.00	(0.06)	(0.12)
Per share - Diluted [3]	$/share	0.11	0.13	0.30	0.08	(0.48)	0.00	(0.06)	(0.12)
Adjusted net earnings [2]	$	5.9	4.3	24.8	22.1	-	-	-	-
Per share - Basic [2, 3]	$/share	0.07	0.05	0.31	0.28	-	-	-	-
Per share - Diluted [2, 3]	$/share	0.07	0.05	0.31	0.28	-	-	-	-
Cost of sales	$/oz	1,004	823	795	748	-	-	-	-
Total cash costs [2]	$/oz	671	539	517	571	-	-	-	-
All-in sustaining costs [2]	$/oz	923	746	699	754	-	-	-	-
Average realized gold price [2]	$/oz	1,227	1,232	1,308	1,252	-	-	-	-
Average realized margin [2]	$/oz	556	693	791	681	-	-	-	-

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

1. Proceeds from sale of gold and silver prior to achieving commercial production were offset against the construction costs for the ELG Mine.
2. Adjusted net earnings, total cash costs, all-in sustaining costs, average realized gold price, and average realized margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation. As transition to the production phase commenced April 1, 2016, these measures are not available or meaningful for periods prior to this date.
3. Earnings per share reflect the Consolidation. Comparatives were restated.

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

TRANSACTIONS WITH RELATED PARTIES

There were no material related party transactions during the three months ended March 31, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

The areas which require management to make significant judgments in applying the Company's accounting policies to determine carrying values in the unaudited condensed consolidated interim financial statements are the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2016.

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

RECENT ACCOUNTING PRONOUNCEMENTS

There have been no recent accounting pronouncements during the three months ended March 31, 2017, as compared to the recent accounting pronouncements described in the Company's audited consolidated financial statements that are of significance or potential significance to the Company.

FINANCIAL RISK MANAGEMENT

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

Credit risk

Credit risk is the risk of a loss associated with a counterparty's inability to fulfill its contractual payment obligations. To mitigate exposure to credit risk, the Company has adopted strict investment policies, which prohibit any equity or money market investments. All of the Company's cash, cash equivalents, restricted cash, derivative contracts, and VAT receivables are with reputable financial institutions or government agencies and, as such, the Company does not consider its credit risk on these balances to be significant as at March 31, 2017.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company has a history of operating losses during the exploration and development stages and has traditionally obtained cash from its financing activities. However, the Company's liquidity may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. In the opinion of management, the Company's cash balances and proceeds from gold sales will be sufficient to sustain operations and corporate activities.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2017, the Company had cash balances of $93.9 million, excluding restricted cash of $14.6 million (December 31, 2016 – cash balance of $104.0 million, excluding restricted cash of $23.4 million). The Company maintains its cash in fully liquid business accounts. At March 31, 2017, the cash balance held by MML totalled $63.9 million (December 31, 2016 - $70.1 million).

During the three months ended March 31, 2017, the Company utilized a total of $3.7 million from its Finance Lease Arrangement to finance certain mining equipment. As at March 31, 2017, the amounts outstanding under the Loan Facility, Equipment Loan, Finance Lease Arrangement, and VAT Loan, totalled $375.0 million, $4.4 million, $21.2 million and $16.2 million respectively.

As discussed in "Liquidity and Capital Resources", under the terms of the Credit Agreement, the Company is restricted from repatriating funds from MML until the FCT has been achieved, which the Company expects will occur in the second half of 2017. In addition, the Company is also restricted from repatriating funds until the VAT loan is paid in full.

Cash flows that are expected to fund the ELG Mine and settle current liabilities are dependent on, among other things, proceeds from gold sales and recovery of the Company's VAT receivables. The Company is exposed to liquidity and credit risk with respect to its VAT receivables if the Mexican tax authorities are unable or unwilling to make payments in a timely manner in accordance with the Company's monthly filings. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. As at March 31, 2017, the Company expects to recover $38.0 million over the next twelve months and a further $38.1 million thereafter. Significant delays in the collection of VAT receivables may affect the Company's ability to repay the VAT loan and repatriate funds from MML. The Company's approach to managing liquidity risk with respect to its VAT receivables is to file its refund requests on a timely basis, monitor actual and projected collections of its VAT receivables, and cooperate with the Mexican tax authorities in providing information as required. Although the Company expects a full recovery, there remains risk on the amount and timing of collection of the Company's VAT receivables, which may affect the Company's liquidity and ability to fund other priorities. The Company has mitigated the impact of potential delays in the collection of VAT receivables by securing the VAT Loan, as described in "Debt Financing".

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

Commodity Price Risk

Gold prices have fluctuated widely in recent years and the market price of gold has decreased significantly since 2013. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. Under requirements from the Loan Facility, the Company entered into commitments to deliver a total of 204,361 ounces of gold over an 18-month period which commenced in January 2016 to the Lenders, at an average flat forward gold price of $1,241 per ounce. As at March 31, 2017, there were 66,602 ounces remaining to be delivered under the Gold Contracts. A 10% appreciation or depreciation of gold prices would result in an increase or decrease of $5.2 million and $5.6 million (using the spot rate as at March 31, 2017 of $1,249 per ounce) in the Company's net income for the quarter relating to the Gold Contracts.

Foreign Currency Risk

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

As at March 31, 2017, the Company had cash and cash equivalents, amounts receivable, VAT receivables, accounts payable and accrued liabilities and income taxes payable that are in Mexican pesos and in Canadian dollars. As at March 31, 2017, a 10% appreciation or depreciation of the Mexican peso and Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $2.9 million and $0.3 million in the Company's net income for the quarter, respectively.

As at March 31, 2017, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $3.7 million and $3.5 million (using the spot rate as at March 31, 2017 of $18.81 Mexican pesos per U.S. dollar) in the Company's net income for the quarter, as a result of the change in the value of the Peso Contracts.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument or its fair value will fluctuate because of changes in market interest rates. As at March 31, 2017, a 100 basis point change in the LIBOR rate would result in a $0.9 million change per annum in interest expense relating to the Company's Loan Facility, Equipment Loan and Finance Lease Arrangement for the quarter. A change of 100 basis points in the TIIE would not result in a significant change per annum in interest expense related to the VAT Loan. The Company has not entered into any agreements to hedge against unfavourable changes in interest rates.

The Company deposits cash in fully liquid business bank accounts with reputable financial institutions or government agencies. As such, the Company does not consider its interest rate risk exposure to be significant at March 31, 2017 with respect to its cash and cash equivalent positions.

RISKS AND UNCERTAINTIES

Operational risks

Precious metal exploration, mine development and operations

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There was no change in the Company's internal controls over financial reporting that occurred during the first quarter of 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures, that as of March 31, 2017, the Company's disclosure controls and procedures have been designed to provide reasonable assurance that material information is made known to them by others within the Company.

Limitations of Controls and Procedures

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

QUALIFIED PERSONS

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future exploration, development and exploitation plans concerning the Morelos Gold Property, the adequacy of the Company's financial resources, business plans and strategy and other events or conditions that may occur in the future, and the results set out in the Technical Report including the PEA including with respect to mineral resource and mineral reserve estimates, the ability to exploit estimated mineral reserves, the Company's expectation that the ELG Mine will be profitable with positive economics from mining, recoveries, grades, annual production, receipt of all necessary approvals and permits, the parameters and assumptions underlying the mineral resource and mineral reserve estimates and the financial analysis, and gold prices, the timing and completion of the remaining construction and commissioning of the mine and processing facilities of the ELG Mine and achieving full production, expected metal recoveries, gold production (including without limitation the estimated gold sales by year), total cash costs per ounce of gold sold, AISC and revenues from operations, the expected completion of the FCT, the ability to mine and process estimated mineral reserves, plans to complete the access ramps to El Limón Deep and Sub-sill targets and exploration tunnel for Media Luna, plans to mine and process the material in the Sub-Sill area, plans to complete the SART plant and debottleneck the Tailings Filtration Plant ("TFP") and plans to complete the mineral resources estimate on the Sub-sill, and further advances of funds if required, pursuant to the Finance Lease Arrangement (which is subject to certain customary conditions precedent), expected timing and receipt of VAT refunds. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," or "believes" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "occur," or "be achieved." Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the ramp-up of the processing plant, fluctuation in gold and other metal prices, commodity price risk, currency exchange rate fluctuations, capital and operational cost estimates, dependence on key executives and employees, limited operating history, generating positive cash flow, the ability of the Company to secure additional financing, the safety and security of the Company properties, servicing of the indebtedness of the Company, the ability to secure necessary permits and licenses, title to the land on which the Company operates, including surface and access rights, foreign operations and political and country risk, government policies and practices in respect of the administration of recovery of VAT funds and recovery of VAT funds, exploration, development, exploitation and the mining industry generally, environmental risks and hazards, decommissioning and reclamation costs, parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect, actual results of current exploration, development and exploitation activities not being consistent with expectations, potential litigation, hiring the required personnel and maintaining personnel relations, future commodity prices, infrastructure, single property focus, use and reliance of experts outside Canada, competition, hedging contracts, interest rate risk, price and volatility of public stock, conflicts of interest of certain personnel, credit and liquidity risk, compliance with anti-corruption laws, enforcement of legal rights, accounting policies and internal controls as well as those risk factors included herein and elsewhere in the Company's public disclosure.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A and in the Company's annual information form ("AIF"), assumptions have been made regarding, among other things: the Company's ability to carry on its exploration, development and exploitation activities planned for the Morelos Gold Property, the timely completion of development and construction of the ELG Mine, including tailings filtration plant, to bring it into full production, timely completion of the SART plant and the timing and receipt of any required approvals and permits, the price of gold, the ability of the Company to obtain qualified personnel, equipment, goods, consumables and services in a timely and cost-efficient manner, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to obtain financing on acceptable terms, the ability of the Company to access the Morelos Gold Property, the ability to conclude the land access agreements for the Media Luna Project, the accuracy of the Company's mineral resource and mineral reserve estimates, annual production, the financial analysis contained in the Technical Report including the PEA, as updated by the new mineral resource estimate, mineral reserve estimate and life of mine in the AIF, and geological, operational and price assumptions on which these are based and the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

May 2, 2017