TOREX GOLD RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

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 November 2, 2016 and is intended to supplement and complement the Company's unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2016. 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, 2015. All dollar figures included therein and in the following MD&A are stated in United States dollars ("U.S. dollar") unless otherwise stated.

THIRD QUARTER 2016 HIGHLIGHTS

- **Net income** for the third quarter of 2016 totalled $23.6 million, or $0.30 per share, on a basic and diluted basis.
- **Adjusted net earnings**[1]**,** which excludes, amongst other items, derivative and foreign exchange losses, totalled $24.8 million, or $0.31 per share for the third quarter of 2016.
- **Earnings from mine operations** for the third quarter of 2016 totalled $44.4 million.
- **Cash flow from operations** totalled $50.2 million and $115.7 million for the three and nine month periods.
- **Revenue** totalled $108.1 million and **cost of sales** totalled $63.7 million for the third quarter of 2016.
- **Gold sold** in the third quarter of 2016 totalled 80,064 ounces for total proceeds of $104.7 million. Total ounces sold year-to-date in 2016 were 192,354 ounces for total proceeds of $244.7 million. The average realized gold price[1] for the third quarter was $1,308 per ounce.
- **Cash balances** as at September 30, 2016 totalled $112 million (including cash and cash equivalents of $93.7 million and restricted cash of $18.3 million). During the third quarter, the Company met the conditions necessary to release the remaining $12.9 million from the cash restricted in the Sponsor Reserve Account.
- **Gold production** totalled 77,915 ounces for the third quarter of 2016, for a total of 198,982 ounces year-to-date.
- **Total cash costs**[1] of $517 per ounce sold for the third quarter of 2016.
- **All-in sustaining costs**[1] of $699 per ounce sold for the third quarter of 2016.
- **Plant throughput** averaged 10,134 tpd in the third quarter of 2016, or 72% of design capacity of 14,000 tpd.
- **Average gold grade** processed was 3.13 gpt for the third quarter of 2016.
- **Average gold recovery rate** for the third quarter was 89%, exceeding the Life of Mine design recovery of 87%.
- **Positive grade reconciliation**, from start of mining at the Guajes Pit, shows 4% more ounces produced than was predicted by the reserve model (3% more tonnes and 1% higher grade).
- **Ore in stockpile** as at September 30, 2016 was 0.8 million tonnes at an average estimated grade of 2.34 gpt.

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[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 2016:

In thousands of U.S. dollars, unless otherwise noted		Three months ended September 30, 2016	Three months ended June 30, 2016	Three months ended March 31, 2016	Nine Months Ended September 30, 2016
Operating Data [1]					
Mining					
Ore tonnes mined	kt	869	684	516	2,069
Waste tonnes mined	kt	5,648	3,933	3,418	12,999
Total tonnes mined	kt	6,517	4,617	3,934	15,068
Strip ratio	waste:ore	6.5	5.8	6.6	6.3
Average gold grade of ore mined	gpt	3.08	3.18	2.60	3.00
Ore in stockpile	mt	0.8	0.8	1.1	0.8
Processing					
Average plant throughput	tpd	10,134	10,168	7,361	9,224
Average gold recovery	%	89	82	76	83
Production and sales					
Gold produced	oz	77,915	83,256	37,811	198,982
Gold sold	oz	80,064	80,772	31,518	192,354
Financial Data [1]					
Revenue [2]	$	108,061	102,132	-	210,193
Cost of sales	$	63,657	60,396	-	124,053
Earnings from mining operations	$	44,404	41,736	-	86,140
Net income (loss)	$	23,615	6,666	(37,831)	(7,550)
Per share - Basic [3]	$/share	0.30	0.08	(0.48)	(0.10)
Per share - Diluted [3]	$/share	0.30	0.08	(0.48)	(0.10)
Adjusted net earnings [4]	$	24,763	22,115	-	46,878
Per share - Basic [3, 4]	$/share	0.31	0.28	-	0.59
Per share - Diluted [3, 4]	$/share	0.31	0.28	-	0.59
Total cash costs [4]	$/oz	517	571	-	545
All-in sustaining costs [4]	$/oz	699	754	-	727
Average realized gold price [2, 4, 5]	$/oz	1,308	1,252	-	1,280
Cash and cash equivalents	$	93,658	74,079	30,481	93,658
Restricted cash	$	18,250	27,896	34,619	18,250
Working capital	$	120,245	82,442	3,715	120,245
Total debt	$	405,900	401,887	376,690	405,900
Total assets	$	1,167,132	1,154,256	1,106,246	1,167,132
Total liabilities	$	495,394	511,473	473,359	495,394

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. Further, data that relate 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, year-to-date amounts for these measures only include data starting April 1, 2016.
5. Average realized gold price includes realized losses from gold derivative contracts of $31.5 per ounce for the three months ended September 30, 2016 and $20.4 per ounce for the period from April 1, 2016 to September 30, 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. Year-to-date amounts for these measures only include data starting April 1, 2016.

THIRD 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 that has been primarily 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 advanced stage exploration project, for which the Company issued a Preliminary Economic Assessment (the "PEA") effective August 17, 2015.

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 and the many untested exploration targets.

Exploration activities re-started in the third quarter of 2016 with drill testing of the 'Under the Sill' target. An exploration tunnel into the 'El Limon Deep' target is expected to commence in the first quarter of 2017, and an exploration tunnel into Media Luna is expected to commence in the second quarter of 2017.

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

OBJECTIVES FOR 2016

Safety and Health

- **No fatalities**.
- **Lost time injury frequency** of no more than 2 injuries per million hours worked (contractors and employees combined).

Environment

- **No reportable spills** of 1,000 litres or more to the river or reservoir.

Production

- **2016 Production**: Sell 275,000 ELG Mine gold ounces.
- **2017 Production set up**: Strip 17 million tonnes of waste in 2016.

Cost Control

- **Total Cash Costs**: Less than $550 per equivalent gold ounce.
- **All-In Sustaining Costs**: Less than $775 per equivalent gold ounce.

Milestones

- Achieve **commercial production** in the second quarter of 2016. ✓
- Complete commissioning of the **El Limón crusher** and **RopeCon** in the second quarter of 2016. ✓
- Complete the resettlement of the **Real del Limón village** in the second quarter of 2016. ✓
- Complete the commissioning of the **truck shop** for the ELG Mine in the second quarter of 2016. ✓
- Obtain the permits for an **exploration tunnel** for the Media Luna Project.

THIRD QUARTER FINANCIAL RESULTS

The following table summarizes financial results of the Company's third quarter of 2016:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In thousands of U.S. dollars, unless otherwise noted	**2016**	**2015**	**2016**	**2015**
Revenue [1]	108,061	-	210,193	-
Gold	107,220	-	209,090	-
Silver	841	-	1,103	-
Cost of sales	63,657	-	124,053	-
Earnings from mine operations	44,404	-	86,140	-
Exploration and evaluation expenses	412	1,666	1,762	8,053
General and administrative expenses	4,423	2,773	11,537	8,372
Loss (gain) on derivative contracts	2,889	(9,809)	56,170	(5,248)
Financing costs (income), net	6,929	(462)	13,561	(789)
Foreign exchange loss	1,008	9,004	4,803	10,932
Income tax expense, net	5,128	1,649	5,857	3,453
Net income (loss)	23,615	(4,821)	(7,550)	(24,773)
Per share - Basic ($/share) [2]	0.30	(0.06)	(0.10)	(0.32)
Per share - Diluted ($/share) [2]	0.30	(0.06)	(0.10)	(0.32)
Adjusted net earnings [3]	24,763	-	46,878	-
Per share - Basic ($/share) [2, 3]	0.31	-	0.59	-
Per share - Diluted ($/share) [2, 3]	0.31	-	0.59	-
Total cash costs ($/oz) [3]	517	-	545	-
All-in sustaining costs ($/oz) [3]	699	-	727	-
Average realized gold price ($/oz) [3, 4]	1,308	-	1,280	-
Average realized margin ($/oz) [3, 4]	791	-	735	-

1. Proceeds from sales of gold and silver prior to achieving commercial production are 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-GAAP 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. Year-to-date amounts for these measures only include data starting April 1, 2016.
4. Average realized gold price and average realized margin include realized losses from gold derivative contracts of $31.5 per ounce for the three months ended September 30, 2016 and $20.4 per ounce for the period from April 1, 2016 to September 30, 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. Year-to-date amounts for these measures only include data starting April 1, 2016.

Second quarter of commercial production

The ELG Mine achieved commercial production in late March 2016, ahead of schedule and under budget, reaching an average of more than 60% of design throughput of 14,000 tpd for 30 days. For accounting purposes, the transition to the production phase commenced April 1, 2016. As this is the second quarter of commercial production for the ELG Mine, comparative figures for certain measures or data are not available or are not meaningful.

Revenue totalled $108.1 million in the third quarter

During the third quarter of 2016, the Company recognized $108.1 million in revenue compared to $102.1 million for the second quarter of 2016, reflecting a higher average realized price on slightly fewer ounces sold. The Company sold 80,064 ounces of gold at an average realized price of $1,308 per ounce in the third quarter compared to 80,772 ounces of gold at an average realized price of $1,252 in the second quarter, for a total of 160,836 ounces sold since entering commercial production and 192,354 ounces sold year-to-date in 2016. Realized losses on gold derivative contracts totalled $2.5 million for the three months ended September 30, 2016 compared to $0.8 million for the three months ended June 30, 2016, and are recognized separately from revenue but included in the calculation of average realized gold price.

The Company reports average realized gold price in accordance with the standard developed by the Gold Institute. Refer to “Non-IFRS Financial Performance Measures” for further information and a detailed reconciliation.

Proceeds from sales of gold and silver for the nine months ended September 30, 2016 totalled $245.9 million, net of realized losses on gold derivative contracts of $3.1 million. Proceeds from gold and silver sold during the first quarter of 2016, totalling $38.9 million, are not recognized as revenue, but instead offset the costs capitalized for the construction of the ELG Mine as commercial production had not yet been reached.

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, 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 192,354 ounces sold year-to-date in 2016, 55,161 ounces were delivered into the derivative contracts.

Cost of sales was $63.7 million in the third quarter

Cost of sales for the third quarter of 2016 was $63.7 million compared to $60.4 million in the second quarter of 2016. Cost of sales includes costs associated with mining, processing and refining, land agreements with local ejidos, production overhead and site administration, as well as depreciation and amortization expenses. Depreciation of mineral properties, and plant and equipment commenced upon the start of commercial production, and depreciation and amortization expense amounted to $21.4 million for the third quarter of 2016 compared to $14.0 million for the second quarter of 2016. The increase in depreciation from the previous quarter is primarily due to lower depreciation amounts included in the opening inventory balances at the commencement of commercial production and less ore from the stockpile was processed this quarter. Royalties were $3.2 million during the three months ended September 30, 2016 compared to $3.1 million during the three months ended June 30, 2016, representing 3% of proceeds from gold and silver sales.

Expenditures directly attributable to the development of the ELG Mine were capitalized until reaching commercial production, which was announced on March 30, 2016 and effective for accounting purposes as of April 1, 2016.

Total cash costs were $517 per ounce in the third quarter

Total cash costs (net of by-product sales) for the third quarter of 2016 were $517 per ounce of gold sold, a decline of 9% or $54 per ounce of gold sold from the second quarter of 2016 of $571 per ounce of gold sold. This primarily reflects the processing of higher cost pre-commercial production inventories in the second quarter of 2016.

The Company reports total cash costs in accordance with the standard developed by the Gold Institute. Refer to “Non-IFRS Financial Performance Measures” for further information and a detailed reconciliation.

All-in sustaining costs were $699 per ounce in the third quarter

AISC for the third quarter of 2016 were $699 per ounce of gold sold compared to $754 per ounce of gold sold for the second quarter of 2016.

Sustaining capital expenditures in the third quarter of 2016 amounted to $9.4 million compared to $9.7 million in the second quarter and largely relates to capitalized pre-stripping activities at El Limón to prepare the pit for production, and sustaining equipment and infrastructure expenditures.

An additional $10.2 million of non-sustaining capital expenditures incurred in the third quarter of 2016 associated with construction activities for the ELG Mine post-commercial production have been excluded from sustaining capital expenditures in calculating AISC. Non-sustaining capital expenditures primarily relate to construction activities, open pit development, ponds, perimeter ditches and certain mobile equipment.

The Company reports AISC in accordance with the guidance issued by the World Gold Council ("WGC") in June 2013. Refer to "Non-IFRS Financial Performance Measures" for further information and a detailed reconciliation.

Exploration and evaluation expenses lower due to decreased exploration activities

Exploration and evaluation expenditures decreased to $0.4 million in the third quarter of 2016 from $1.7 million in the comparable period in 2015, and to $1.8 million for the nine months ended September 30, 2016 from $8.1 million for the nine months ended September 30, 2015. The decrease in exploration expenses reflects the Company's focus on the ELG Mine ramp up to date in 2016. Expenditures incurred in 2015 related primarily to the PEA for the Media Luna Project.

General and administrative expenses of $4.4 million for the third quarter due to higher compensation expenses

Corporate general and administrative expenses increased to $4.4 million from $2.8 million in the third quarter of 2015, and to $11.5 million for the nine months ended September 30, 2016 from $8.4 million for the nine months ended September 30, 2015. The increase is primarily due to higher compensation expenses.

Finance costs were $6.9 million for the third quarter primarily due to borrowing costs no longer being capitalized

Finance costs in the third quarter of 2016 totalled $6.9 million, compared to net finance income of $0.5 million in the third quarter of 2015. For the nine months ended September 30, 2016, finance costs were $13.6 million compared to net finance income of $0.8 million for the nine months ended September 30, 2015. The increase in finance costs reflects the interest expense on the Loan Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan (as all such terms are defined herein) which are no longer capitalized due to the commencement of commercial production on April 1, 2016. In the 2015 comparative periods, these costs were capitalized as borrowing costs during the construction stage and included in property, plant and equipment. Finance costs for the third quarter of 2016 and the nine months ended September 30, 2016 are presented net of interest income collected on Value Added Tax ("VAT") receivables.

Gain on gold derivative contracts of $1.0 million in the third quarter due to lower forward gold prices

The Company has entered into gold derivative contracts ("Gold Contracts") to deliver gold ounces at an average flat forward price of $1,241 per ounce (as described in "Debt Financing".) During the nine months ended September 30, 2016, the Company settled 76,365 ounces, and 127,995 ounces remain to be delivered under its Gold Contracts until July 2017. As average market spot prices were higher than the average forward price, the Company realized a loss on the contracts it settled during the quarter of $2.5 million and a loss of $3.1 million for the nine months ended September 30, 2016. 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 gold at September 30, 2016, the Company recognized an unrealized gain of $3.5 million for the third quarter of 2016 compared to an unrealized gain of $12.9 million for the quarter ended September 30, 2015. As at September 30, 2016 the Company has recorded a liability of $10.4 million on its remaining Gold contracts.

Loss on currency derivative contracts of $3.9 million due to the depreciation of the Mexican peso

The Company has also entered into currency forward contracts ("Peso Contracts") to purchase Mexican pesos (as described in "Debt Financing"). At September 30, 2016, the Company had 36 million pesos remaining to be purchased at an average price of 13.79 pesos per U.S. dollar, and 1,485 million pesos at 18.68 pesos per U.S. dollar. As the average exchange rate of the Mexican peso relative to the U.S. dollar was higher than the average forward prices, the Company realized a loss on the contracts it settled during the quarter of $1.2 million, compared to a loss of $3.1 million for the comparable period in 2015. 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 Mexican pesos at September 30, 2016, the Company recognized an unrealized loss of $2.7 million for the quarter ended September 30, 2016 compared to an unrealized gain of $41 thousand for the quarter ended September 30, 2015. As at September 30, 2016 the Company has recorded a liability of $7.2 million for the outstanding peso hedges.

Foreign exchange loss of $1.0 million in the third quarter due to the depreciation of the Canadian and Mexican currencies

The Company recognized a foreign exchange loss of $1.0 million for the quarter ended September 30, 2016, compared to a loss of $9.0 million for the third quarter ended September 30, 2015. The Company recognized a foreign exchange loss of $4.8 million for the nine months ended September 30, 2016 compared to a foreign exchange loss of $10.9 million for the comparable period in 2015. As the Company holds a portion of its monetary assets and liabilities in Mexican pesos or Canadian dollars, the foreign exchange gains and losses fluctuate with the value of these currencies relative to the U.S. dollar, the Company's functional currency. A weakening Mexican peso and Canadian dollar resulted in a foreign exchange loss on non-U.S. dollar denominated monetary assets, and a foreign exchange gain on non-U.S. dollar denominated monetary liabilities.

Income and mining tax expense increased to $5.1 million largely due to earnings and the 7.5% mining royalty

The Company recognized current income tax expense of $5.4 million in the quarter ended September 30, 2016 primarily as a result of accruing income tax payable of $5.0 million related to the 7.5% Mexican mining royalty. The Company recognized a current income tax expense of $9.3 million in the nine months ended September 30, 2016 primarily as a result of accruing income tax payable of $8.6 million related to the 7.5% Mexican mining royalty. This royalty is calculated based on an earnings measure and therefore the Company considers it a tax for financial reporting purposes. The first payment under the 7.5% Mexican mining royalty regime will be due in the first quarter of 2017. For the three and nine months ended September 30, 2016, the Company has not paid income taxes in relation to its operations at the ELG Mine.

The Company recognized a deferred income tax recovery of $0.3 million in the quarter ended September 30, 2016, compared to a deferred tax expense of $1.6 million for the third quarter ended September 30, 2015. The Company recognized a deferred income tax recovery of $3.4 million in the nine months ended September 30, 2016, compared to a deferred tax expense of $3.5 million for the nine months ended September 30, 2015. The Company's functional currency for financial reporting purposes differs from its tax filing currency. Therefore, the tax basis of non-monetary assets and liabilities that are denominated in a foreign currency, other than the U.S. dollar, are subject to a re-measurement for changes in currency exchange rates at each reporting period.

Net income (loss) higher due to the commencement of commercial production

Net income for the third quarter of 2016 totalled $23.6 million, or $0.30 per share, while adjusted net earnings amounted to $24.8 million, or $0.31 per share, both on a basic and diluted basis. Net loss for the nine months ended September 30, 2016 totalled $7.6 million, or $0.10 per share, while adjusted net earnings amounted to $46.9 million, or $0.59 per share basic and diluted. In calculating adjusted net earnings, net income (loss) has been adjusted to exclude specific items that are significant, and not reflective of the underlying operations of the Company, including the after-tax impact of foreign exchange gains and losses on monetary assets and liabilities, deferred tax component relating to foreign exchange impact, and the non-cash unrealized gains and losses on derivative instruments. Adjusting for these items provides an additional measure to evaluate the operating performance of the Company as a whole for the reporting periods presented. Refer to the section "Non-IFRS Financial Performance Measures" for a reconciliation of net income (loss) to adjusted net earnings.

RESULTS OF OPERATIONS

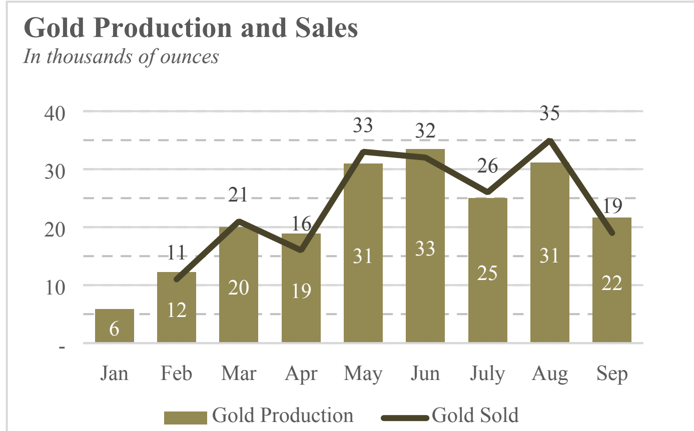
The following table summarizes the operating results for the Company's ELG Mine for the first nine months of 2016:

		Three Months Ended			Nine Months Ended
		September 30, 2016	June 30, 2016	March 31, 2016	September 30, 2016
Mining					
Guajes Pit					
Ore tonnes mined	kt	860	611	506	1,977
Waste tonnes mined	kt	3,653	2,582	2,209	8,444
Total tonnes mined	kt	4,513	3,193	2,715	10,421
Strip ratio	waste:ore	4.2	4.2	4.4	4.3
Average gold grade of ore mined	gpt	3.10	3.31	2.58	3.03
El Limón Pit					
Ore tonnes mined	kt	9	73	10	92
Waste tonnes mined	kt	1,995	1,351	1,209	4,555
Total tonnes mined	kt	2,004	1,424	1,219	4,647
Strip ratio	waste:ore	233.5	18.5	120.9	49.8
Average gold grade of ore mined	gpt	1.15	2.08	3.61	2.17
Total El Limón Guajes					
Ore tonnes mined	kt	869	684	516	2,069
Waste tonnes mined	kt	5,648	3,933	3,418	12,999
Total tonnes mined	kt	6,517	4,617	3,934	15,068
Strip ratio	waste:ore	6.5	5.8	6.6	6.3
Average gold grade of ore mined	gpt	3.08	3.18	2.60	3.00
Processing					
Total tonnes processed	kt	932	925	670	2,527
Average plant throughput	tpd	10,134	10,168	7,361	9,224
Average gold recovery	%	89	82	76	83
Average gold grade of ore processed	gpt	3.13	3.15	2.73	3.03
Production and sales					
Gold produced	oz	77,915	83,256	37,811	198,982
Gold sold [1, 2]	oz	80,064	80,772	31,518	192,354

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. Further, data for the pre-production period may not be representative.
2. Proceeds from sales of gold and silver prior to achieving commercial production are offset against the construction costs for the ELG Mine.

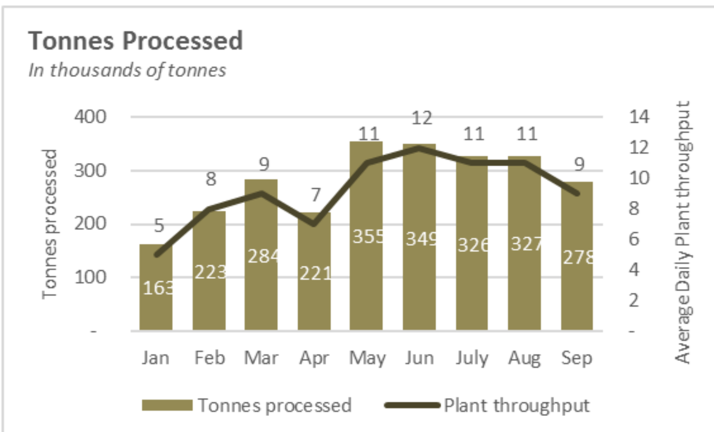
Gold Production and Sales

In the third quarter of 2016, 77,915 ounces of gold were produced and 80,064 ounces of gold were sold, for a total 198,982 ounces produced and 192,354 ounces sold year-to-date in 2016.



Plant Ramp-Up

The year to date ramp-up of the mine and processing plant remains ahead of schedule. During the third quarter, the rainy season was particularly heavy with rainfall of 68% more than average for this period. The mine was able to continue ramping up production through this heavy rainfall, but the processing plant exited the quarter at the same production levels as the beginning of the quarter. Uptime was affected by lightning strikes, materials that got muddy and didn't flow properly, and conveyor head pulleys that spun in the very wet conditions. Minor alterations to the plant will be made during the dry season to minimize the likelihood of a reoccurrence of these interruptions next year.



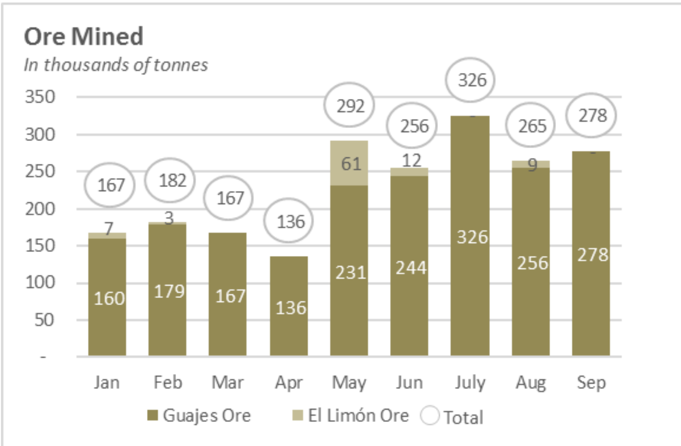
The tailings filtration circuit continues to be the bottleneck of the processing plant. The efforts to bring the performance of the filtration circuit up to design capacity include an optimization team that has been brought to site to refine the operations and maintenance practices. Another issue that will be examined by the team is the inter-dependence between the filtration and grinding circuits. As currently configured, the filters can only operate when the SAG mill is operating, because the filtrate water reports to the SAG mill. This forces the SAG mill to operate at the pace of the filters, which is currently significantly below the capacity of the SAG mill.

Running the SAG mill at these levels has resulted in broken liners and over grinding. Both of these issues cause delays in the filters. Over ground material is harder to filter and broken liners must be replaced, which shuts down the SAG and consequently the filters because of the inter-dependence. In the short term, rubber liners have been installed in the SAG to eliminate the breakage risk and to downgrade SAG performance to minimize over grinding. Efforts are also underway to find a piping and storage solution that allows for the elimination of the inter-dependence between these two process steps.

Soluble copper continues to be managed through the consumption of higher than planned levels of reagents. The SART plant, scheduled to be commissioned by the end of 2017 at an estimated cost of $25 million, will recover copper as a payable product and recycle most of the cyanide before it reaches the cyanide destruction process. Soluble copper grades have correlated with gold grades. In the third quarter of 2016 there were occasions when the tenor of copper in the process water rose to levels that had the potential to affect gold recoveries. Blending in ores of lower gold grade also reduces the copper content and thereby brings the copper back to acceptable levels. This process of carefully managing the feed grades will continue until the SART plant is commissioned.

Mining

During the third quarter of 2016, the pace of mining accelerated at both Guajes and El Limón, resulting in an increase of over 40% in tonnes mined compared to the previous quarter. A total of 6,517 thousand tonnes were mined in the quarter, approximately 69% of which was from Guajes with an average waste to ore strip ratio of 4.2. Mining at El Limón continues to focus on pit pre-stripping with a total of 2,004 thousand tonnes mined at El Limón during the third quarter. At September 30, 2016, there were 777 thousand tonnes of ore in stockpile, consisting of 630 thousand tonnes from Guajes, 94 thousand tonnes from North Nose and 19 thousand tonnes from El Limón, with an additional 34 thousand tonnes in the fine ore stockpile.



Safety

Three employees, of a drilling contractor at the ELG Mine, experienced a lost time accident during the three months ended September 30, 2016. All three individuals have returned to work. In October 2016, a contractor working in the Guajes pit suffered fatal injuries resulting from falling rock. The incident investigation is underway to confirm the facts which will allow for corrective actions to be designed and completed.

Community

The Company is committed to maintaining productive relationships with neighboring communities and has been successful in this effort. Relationship building is a continuous undertaking of multiple pathways and the Company and our community partners put significant effort into understanding each other's interests. Transparency, as a pathway to trust, is a major focus and this continued in the third quarter of 2016 with a number of independent studies to confirm that the operations have negligible impact on the surrounding environment.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Media Luna Project Update

Work on the Media Luna Project during the nine months ended September 30, 2016 continued in preparation for the underground exploration program. This work included continued environmental studies and land acquisition to support the permit application. The goal is to submit the required applications in the first quarter of 2017 to have the permits in hand by mid 2017 when the Company is scheduling to begin the exploration tunnel on the south side of the Media Luna ridge, as recommended in the updated ELG Mine Plan and Media Luna Project Preliminary Economic Assessment (the "PEA"), dated effective August 17, 2015, and titled "NI 43-101 Technical Report – El Limon Guajes Mine Plan and Media Luna Preliminary Economic Assessment, Guerrero State, Mexico" (the "Technical Report"). 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.

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 below the sill commenced ahead of schedule in third quarter of 2016, with 3,600 of the 5,500 metre drill program completed by the end of quarter. The drill program is expected to be completed and the results released late in the fourth quarter of 2016, or early in the first quarter of 2017. A tunnel is also being planned to access the above the sill target that is located below the current design of the El Limón Pit. The permits are expected to be issued in the fourth quarter of 2016, allowing excavation work for the tunnel to commence in the first quarter of 2017.

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 September 30, 2016:

In thousands of U.S. dollars		**September 30, 2016**		**December 31, 2015**
Cash and cash equivalents	$	93,658	$	46,055
Restricted cash		18,250		44,591
Gold derivative contracts		-		34,407
Value added tax receivable		58,666		51,333
Inventory		49,959		10,597
Property, plant and equipment		935,981		930,818
Other assets		10,618		3,263
Total assets	$	1,167,132	$	1,121,064
Accounts payable and accrued liabilities	$	33,397	$	42,389
Debt		405,900		370,461
Gold derivative contracts		10,408		-
Currency derivative contracts		7,153		5,574
Other liabilities		38,536		32,504
Total liabilities	$	495,394	$	450,928
Total shareholders' equity	$	671,738	$	670,136

Cash and cash equivalents and restricted cash

The Company ended the third quarter with cash on hand of $93.7 million, with an additional $18.3 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 $18.3 million consisting of reserve funds of $13.7 million if there is an unplanned temporary closure of the ELG Mine and $4.5 million for accrued tax and royalties. As at December 31, 2015 the Company also held $30.9 million in the sponsor reserve account. The conditions required to release these funds were met by the Company during the nine months ended September 30, 2016. During the second quarter $6 million was released to fund expenditures for the ELG Mine and $12 million for future corporate expenditures. The remaining $12.9 million was released during the third quarter.

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 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.

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 and nine months ended September 30, 2016, the Company collected $7.4 million and $18.4 million, respectively, in VAT receivables. In June 2016, the Company also 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 September 30, 2016, inventories included $21.4 million of ore in stockpile, $8.0 million of gold-in-circuit, $5.4 million of finished metal inventory, and $15.2 million of materials and supplies. At December 31, 2015 gold inventory balances were included in Property, Plant and Equipment as part of the Construction in Progress.

Property, plant and equipment

Property, plant and equipment increased by $102.1 million for construction expenditures at the ELG Mine, infrastructure, equipment, finance lease assets and capitalized pre-stripping costs. These increases are partly offset by depreciation and amortization of $52.5 million. Further, $44.5 million was transferred from Construction in Progress to inventory and prepaid expenses when the ELG Mine entered the production stage.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by $9 million to $33.4 million at September 30, 2016, largely reflecting operating expenditures of the ELG Mine of $26.9 million and another $6.5 million relating to capital expenditures.

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 million senior secured project finance loan (the "Loan Facility"). The Loan Facility is comprised of two separate facilities, a project finance facility of $300 million (the "PFF") and a cost overrun facility of $75 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 September 30, 2022. The Loan Facility has been fully drawn down, and the amount outstanding as at September 30, 2016 was $375 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, and totalled $365.1 million as at September 30, 2016.

In connection with the Loan Facility, the Company placed $13.7 million 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 the nine months ended September 30, 2016, the full amount in the Sponsor Reserve Account was released and is now available to fund corporate priorities including exploration and development activities. At September 30, 2016, the remaining $18.3 million in restricted cash comprised of the initial $13.7 million put aside for an unplanned temporary closure of the ELG Mine and $4.5 million in an account to fund tax and royalty obligations.

Further, the Company entered into commitments to deliver 204,360 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 September 30, 2016, the Company had 127,995 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 September 30, 2016 were higher than the average prices of the remaining Gold Contracts, the Company recognized a liability of $10.4 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 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 September 30, 2016, the Company had 36 million pesos remaining to be purchased at an average price of 13.79 pesos per U.S. dollar, and 1,485 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 September 30, 2016, the Company recognized a liability of $7.2 million with respect to the Peso Contracts.

The Loan Facility is subject to an Interim and Final Completion Test ("ICT" and "FCT") requiring the Company to meet certain operational, legal and financial criteria. The deadlines for completion of the ICT and FCT are September 30, 2016 and March 31, 2018, respectively. The Company successfully completed, and the Lenders accepted, the ICT in September 2016. The Company is required to complete certain additional work with respect to the Tailings Dry Stack with deadlines in November 2016 and February 2017. Inability to achieve the FCT, or the inability to meet the aforementioned deadlines by the end of a 15-day grace period, 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, which the Company believes will occur in the second half of 2017.

Equipment Loan

On December 23, 2015, the Company 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, and totalled $5.8 million as at September 30, 2016.

Finance Lease Arrangement

Further, on December 31, 2015, the Company executed a finance lease arrangement with Parilease SAS (the "Finance Lease Arrangement") which provides up to $17.4 million in lease financing for mining equipment. As of September 30, 2016, the Company utilized $13.1 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, and totalled $12.5 million as at September 30, 2016.

VAT Loan

On June 3, 2016, the Company executed a line of credit agreement with Banco Nacional de Comercio Exterior ("Bancomext") for an amount equivalent to 84.2% of 95% of the Company's outstanding VAT filings, up to 800 million Mexican pesos (approximately $41.0 million at September 30, 2016) (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 loan is carried at amortized cost on the Statement of Financial Position, net of deferred finance charges, and totalled $22.4 million as at September 30, 2016.

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. In addition to potential proceeds from gold sales, sources of funding include undrawn amounts under existing debt arrangements, as well as proceeds from stock option exercises.

The total assets of the Company as at September 30, 2016 were $1,167.1 million (December 31, 2015 - $1,121.1 million), which includes $93.7 million in cash and cash equivalents (December 31, 2015 - $46.1 million), excluding restricted cash of $18.3 million (December 31, 2015 - $44.6 million). The Company had working capital of $120.2 million as at September 30, 2016, compared to $56.7 million at December 31, 2015. Current cash, along with proceeds from gold sales, are 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 nine months ended September 30, 2016 totalled $115.7 million compared to cash flow used in operating activities of $19.6 million for the nine months ended September 30, 2015. The increase in cash flow from operations is primarily due to the commencement of commercial production at the ELG Mine. Cash flow generated from operating activities, including changes in non-cash working capital, for the three months ended September 30, 2016 totalled $50.2 million, compared to cash flow from operating activities of $74.3 million for the three months ended June 30, 2016. The decrease in operating cash flows is largely due to changes in the working capital balances including paying down accounts payable during the third quarter.

Investing activities resulted in cash outflows of $78.9 million for the nine months ended September 30, 2016, compared with cash outflows of $270 million for the comparative period in 2015. In both periods, the outflows include the purchase of equipment and the capitalization of expenditures directly related to the development of the ELG Mine, as well as capitalized borrowing costs of $5.6 million in the nine months ended September 30, 2016 (September 30, 2015 - $8.9 million). For the nine months ended September 30, 2016, VAT payments were $16.1 million compared to $35.6 million for the nine months ended September 30, 2015. Cash flows generated from investing activities in the nine months ended September 30, 2016 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 $30.9 million, and the collection of $18.4 million in VAT refunds, excluding interest. In comparison, in the nine months ended September 30, 2015, the Company had no gold sales as the ELG Mine was still in the construction phase, and VAT collections were $24.4 million.

Investing activities resulted in cash outflows of $26.4 million for the three months ended September 30, 2016, compared with cash outflows of $77.8 million for the comparative period in 2015. For the three months ended September 30, 2016, $19.6 million in cash outflows are primarily related to infrastructure, equipment, capitalized pre-stripping costs and construction activities pertaining to open pit development, ponds, and perimeter ditches. A further $18.6 million in outflows reflects working capital for property, plant and equipment and an additional $5.3 million is related to VAT paid. In the comparative period in 2015, cash outflows of $73.2 million are related to purchases of equipment and the capitalization of expenditures directly related to the development of the ELG, VAT paid of $11.1 million, and capitalized borrowing costs of $3.8 million. Cash flows generated from investing activities for the three months ended September 30, 2016 consist of VAT refunds received of $7.4 million and $9.7 million in net withdrawals from restricted cash accounts. In the comparative period in 2015, cash flows generated from investing activities primarily relate to VAT collections of $9.2 million.

Financing activities resulted in cash inflows of $14.0 million for the nine months ended September 30, 2016, compared with net inflows of $269.4 million for the nine months ended September 30, 2015. Cash flows from financing activities in the nine months ended September 30, 2016 relate primarily to the first drawdown on the VAT Loan, net of interest paid and repayments under the Equipment Loan. In comparison, the nine months ended September 30, 2015 included $270 million in draws from the Loan Facility. Financing activities for the three months ended September 30, 2016 resulted in cash outflows of $3.2 million primarily due to interest paid of $6.4 million which was partially offset by the proceeds of $4.4 million from the exercise of stock options. Comparatively in the third quarter of 2015, financing activities resulted in cash inflows of $80 million from drawdowns on the Loan Facility.

As at September 30, 2016, the Company's contractual obligations included a head office lease agreement, office equipment leases, long-term land lease agreements with the Rio Balsas, the Real del Limón, and the Valerio Trujano Ejidos and the individual owners of land parcels within certain of those Ejido boundaries, a five-year exploration access agreement with the Puente Sur Balsas Ejido, and contractual commitments related to the purchases of goods and services used in the operation of the ELG Mine. All of the long-term land lease agreements and the exploration agreement can be terminated at the Company's discretion at any time without penalty. The five-year exploration access agreement includes access to the new discoveries at the Media Luna Project. These agreements are not included in the contractual commitments reported below. In addition, the Company has entered into several exploration-related agreements, all of which are cancellable within a year at the Company's discretion. The Company has entered into development-related agreements for the ELG Mine that extend through 2016.

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. 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.

Contractual Commitments

			Payments Due by Period		
In thousand U.S. dollars	Total	Less than 1 year	1-3 years	4-5 years	Greater than 5 years
Long-term leases	$ 603	$ 42	$ 481	$ 80	$ -
ELG Mine commitments	43,285	43,285	-	-	-
Debt	416,698	4,061	118,458	198,141	96,038
Total	**$ 460,586**	**$ 47,388**	**$ 118,939**	**$ 198,221**	**$ 96,038**

OUTSTANDING SHARE DATA

Outstanding Share Data at November 2, 2016	Number
Common shares	79,647,381
Share purchase options [1]	1,269,819
Restricted share units [2,3]	234,750
Performance share units [4]	172,492

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 RSUs and ERSUs issued under the RSU Plan and the 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 unaudited interim condensed 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. As a result of the Consolidation, at December 31, 2015, after rounding of fractional shares, there were and 78,544,682 common shares outstanding on a post-consolidation basis.

The Company has three share-based compensation plans: the Stock Option plan (the "SOP Plan"), the Employee Share Unit plan (the "ESU Plan"), and the Restricted Share Unit plan (the "RSU Plan"). The Employee Share Unit Plan provides for the granting of restricted share units ("ERSUs") and performance share units ("EPSUs") to employees of the Company.

Under the terms of each plan, the aggregate number of securities that may be issued or outstanding under all share-based compensation arrangements of the Company is limited.

During the three and nine months ended September 30, 2016, the Company granted nil and 102,833 stock options, respectively, issued 357,046 and 445,020 common shares as a result of 567,255 and 1,921,315 stock option exercises. Of the options exercised during the three and nine month periods, 210,209 and 1,476,295 were exercised under the Company's SOP Plan's cashless exercise option, resulting in the issuance of 114,264 and 329,949 shares, respectively. The remaining 357,046 and 445,020 shares were issued pursuant to regular stock option exercises.

Restricted share units comprise both RSUs under the RSU Plan and ERSUs granted under the ESU Plan.

During the third quarter, the Company granted 113,648 ERSUs under the ESU Plan. These ERSUs vest on January 15, 2019 and convert into common shares of the Company upon settlement. A further 216,101 RSUs were issued in the first half of 2016 under the RSU plan. The Company issued 206,406 and 277,259 common shares as a result of RSUs redeemed in the three and nine months ended September 30, 2016, respectively.

During the three and nine months ended September 30, 2016, the Company granted 170,473 EPSUs to certain employees of the Company. An EPSU represents the right to receive a common share of the Company at vesting, or at the discretion of the Company, the cash equivalent of a common share. During the quarter 337 EPSUs were forfeited. The EPSUs will vest on January 15, 2019.

The number of EPSUs that vest is determined by multiplying the number of EPSUs granted to the participant by an adjustment factor, which ranges from 0 to 2. Therefore, the number of EPSUs that will vest and settle may be higher or lower than the number of EPSUs originally granted to a participant. The adjustment factor is based on the Company's total shareholder return relative to a group of comparable companies over the term of the applicable EPSU performance period. Under the terms of the ESU Plan, the Board of Directors is authorized to determine the adjustment factor.

The estimated fair value of an EPSU at the time of grant was C$34.18.

For the nine months ended September 30, 2016, there were no other changes in the Company's outstanding share capital.

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 costs 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 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 thousands of U.S. dollars, unless otherwise noted		**Three Months Ended September 30, 2016**	**From April 1, 2016 to September 30, 2016**
Gold sold	oz	80,064	160,836
Total cash costs per ounce sold			
Production costs and royalties	$	42,274	88,695
Less: Silver sales	$	(841)	(1,103)
Total cash costs	$	41,433	87,592
Total cash costs per ounce sold	$/oz	517	545
All-in sustaining costs per ounce sold			
Total cash costs	$	41,433	87,592
Corporate general and administrative costs [1]	$	4,390	8,562
Reclamation and remediation costs [2]	$	338	726
Sustaining exploration costs	$	412	913
Sustaining capital expenditure [3]	$	9,359	19,096
Total all-in sustaining costs	$	55,932	116,889
Total all-in sustaining costs per ounce sold	$/oz	699	727

1. Includes share-based compensation in the amount of $1.0 million, or $12.4/oz, and $3.3 million, or $20.7/oz, for the three and nine months ended September 30, 2016, respectively. As transition to the production phase commenced April 1, 2016, year-to-date amounts only include data starting April 1, 2016.
2. Includes accretion expense of $0.1 million, or $1.0/oz, and amortization expense of $0.3 million, or $1.0/oz for the three months ended September 30, 2016, and accretion expense of $0.2 million, or $1.4/oz and amortization expense of $0.5 million, or $3.1/oz for the nine months ended September 30, 2016. As transition to the production phase commenced April 1, 2016, year-to-date amounts only include data starting April 1, 2016.
3. Based on additions to property, plant and equipment per the Statement of Cash Flows. Capital expenditures for the three months ended September 30, 2016 totalled $19.6 million, and $42.9 million year-to-date (amount only includes data starting April 1, 2016). Capital expenditures of $23.7 million associated with construction activities for the ELG Mine post-commercial production were considered non-sustaining and have been excluded from AISC for the period from April 1, 2016 to September 30, 2016. Non-sustaining capital expenditures in the third quarter of 2016 of $10.2 million primarily relate to construction activities relating to open pit development, ponds, perimeter ditches and certain mobile equipment.

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 consolidated 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 third quarter of 2016 was $1,308 per ounce of gold sold compared to $1,252 per ounce of gold sold for the second quarter of 2016. The increase is primarily a result of higher spot gold prices. For the period from April 1, 2016 to September 30, 2016, the average realized price was $1,280 per ounce of gold sold.

The average realized margin for the third quarter of 2016 was $791 per ounce of gold sold compared to $681 per ounce of gold sold for the second quarter of 2016. The increase reflects higher spot gold prices and lower total cash costs per ounce of gold sold. For the period from April 1, 2016 to September 30, 2016, the average realized margin was $735 per ounce of gold sold.

Reconciliation of Average Realized Price and Average Realized Margin to Revenue

In thousands of U.S. dollars, unless otherwise noted		**Three Months Ended September 30, 2016**	**From April 1, 2016 to September 30, 2016**
Gold sold	oz	80,064	160,836
Revenue [1]	$	108,061	210,193
Less: Silver sales	$	(841)	(1,103)
Less: Realized loss on Gold Contracts	$	(2,525)	(3,279)
Total gold sales	$	104,695	205,811
Total average realized price per ounce	$/oz	1,308	1,280
Less: Total cash costs per ounce	$/oz	517	545
Total average realized margin per ounce	$/oz	791	735

1. Proceeds from sale of gold and silver of $38.9 million prior to achieving commercial production are 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 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 third quarter of 2016 were $24.8 million compared to $22.1 million for the second quarter of 2016. The increase is due to higher net income offset by a smaller unrealized loss on derivative contracts. For the period from April 1, 2016 to September 30, 2016, adjusted net earnings were $46.9 million.

Reconciliation of Adjusted Net Earnings to Net Income

In thousands of U.S. dollars, unless otherwise noted		Three Months Ended September 30, 2016	From April 1, 2016 to September 30, 2016
Basic weighted average shares outstanding	shares	79,084,348	78,933,024
Diluted weighted average shares outstanding	shares	79,977,227	79,740,405
Net income	$	23,615	30,281
Adjustments, after-tax:			
Unrealized foreign exchange loss	$	1,868	5,531
Deferred income tax recovery relating to foreign exchange	$	133	560
Unrealized (gain) loss on derivative contracts	$	(793)	16,132
Tax effect of adjustments	$	(60)	(5,626)
Adjusted net earnings	$	24,763	46,878
Per share - Basic	$/share	0.31	0.59
Per share - Diluted	$/share	0.31	0.59

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.

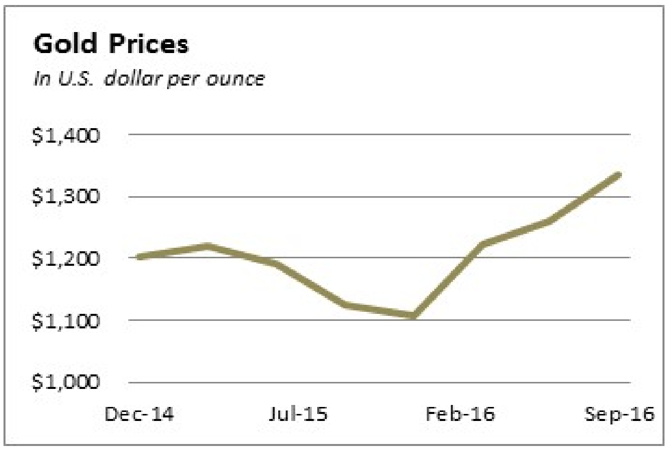
ECONOMIC TRENDS

The following factors have a significant impact on the Company's results from operations:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2016	2015	2016	2015
Average market spot prices					
Gold	$/oz	1,335	1,124	1,260	1,178
Average market exchange rates					
Mexican peso : U.S. dollar	Peso : $	18.7	16.4	18.3	15.6
Canadian dollar : U.S. dollar	C$: $	1.31	1.31	1.32	1.26

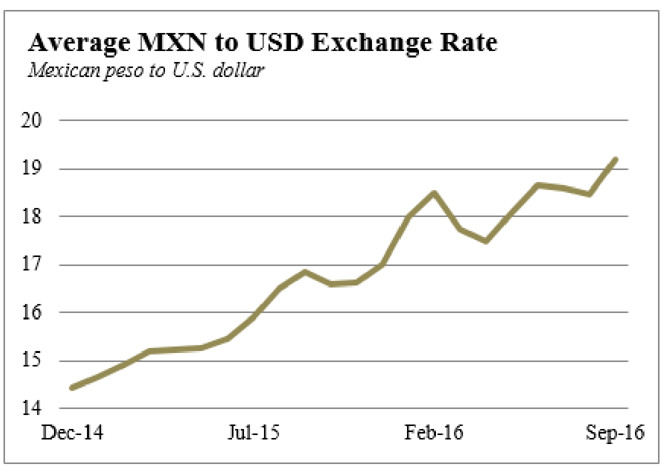
Metal prices

The price of gold is the largest single factor affecting the Company's profitability and operating cash flows. Although the Company has entered into commitments under the Gold Contracts to deliver a further 127,995 ounces of its gold production from the ELG Mine at an average flat forward price of $1,241 per ounce, a significant portion of the Company's gold production is impacted by fluctuations in the price of gold. The market price of gold continues to exhibit significant volatility. The price of gold has increased during the nine months ended September 30, 2016 compared to the end of 2015, ending at $1,317 per ounce at September 30, 2016. The average market price of a troy ounce of gold for the three and nine months ended September 30, 2016 was $1,335 and $1,260 respectively, compared to $1,124 and $1,178 for the three and nine months ended September 30, 2015. This has contributed to the Company's revenues of $108.1 million from gold sales in the third quarter of 2016.



Foreign exchange rates

The Company's reporting currency is the U.S. dollar and it is therefore exposed to financial risk related to foreign exchange rates. In particular, approximately 41% of the Company's operating costs for the third quarter of 2016 were incurred in Mexican pesos. Although the Company has entered into the Peso Contracts to fix a portion of its Mexican-denominated costs and capital, 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 18.7 and 18.3 pesos for the three and nine months ended September 30, 2016, compared to 16.4 and 15.6 pesos for the comparative periods in 2015, representing a devaluation of 14% and 17% year over year, respectively.



SUMMARY OF QUARTERLY RESULTS

Quarterly Results for the Eight Most Recently Completed Quarters

In millions of U.S. dollars, unless otherwise noted		2016			2015				2014
		Sep 30	**June 30**	**Mar 31**	**Dec 31**	**Sep 30**	**June 30**	**Mar 31**	**Dec 31**
Key Operating Data									
Mining									
Ore mined	kt	869	684	516	68	236	488	158	185
Waste mined	kt	5,648	3,933	3,418	3,542	3,826	3,943	3,416	2,558
Total mined	kt	6,517	4,617	3,934	3,610	4,062	4,431	3,574	2,743
Strip ratio	waste : ore	6.5	5.8	6.6	52.1	16.2	8.1	21.6	13.8
Average gold grade of ore mined	gpt	3.08	3.18	2.60	2.33	2.94	2.64	1.96	1.38
Processing									
Tonnes processed	kt	932	925	670	89	-	-	-	-
Plant recovery	%	89	82	76	87	-	-	-	-
Head gold grade	gpt	3.13	3.15	2.73	1.77	-	-	-	-
Production and Sales									
Gold ounces produced	oz	77,915	83,256	37,811	350	-	-	-	-
Gold ounces sold	oz	80,064	80,772	31,518	-	-	-	-	-
Financial Results									
Revenue [1]	$	108.1	102.1	-	-	-	-	-	-
Cost of sales	$	63.7	60.4	-	-	-	-	-	-
Earnings from mining operations	$	44.4	41.7	-	-	-	-	-	-
Corporate general and administrative	$	4.4	4.2	2.9	3.8	2.8	2.7	2.9	4.5
Exploration and evaluation	$	0.4	0.5	0.8	1.6	1.7	2.7	3.7	5.5
Income tax expense (recovery)	$	5.1	2.5	(1.8)	2.0	1.6	1.5	0.3	(3.6)
Net income (loss)	$	23.6	6.7	(37.8)	0.1	(4.8)	(9.2)	(10.7)	(15.7)
Per share - Basic [3]	$/share	0.30	0.08	(0.48)	0.00	(0.06)	(0.12)	(0.14)	(0.21)
Per share - Diluted [3]	$/share	0.30	0.08	(0.48)	0.00	(0.06)	(0.12)	(0.14)	(0.21)
Adjusted net earnings [2]	$	24.8	22.1	-	-	-	-	-	-
Per share - Basic [2, 3]	$/share	0.31	0.28	-	-	-	-	-	-
Per share - Diluted [2, 3]	$/share	0.31	0.28	-					
Total cash costs [2]	$/oz	517	571	-	-	-	-	-	-
All-in sustaining costs [2]	$/oz	699	754	-	-	-	-	-	-
Average realized gold price [2]	$/oz	1,308	1,252	-	-	-	-	-	-
Average realized margin [2]	$/oz	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-GAAP 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.

The Company commenced selling gold from the ELG Mine in February 2016, and proceeds from gold sales prior to commercial production were offset against the costs capitalized for the ELG Mine. Revenue from the sale of gold is recognized based on the actual price received on the sale unless the gold sold is used to settle the Company's commitments under derivative contracts. Where the gold is delivered to settle outstanding derivative contracts, revenues are recorded based on the spot market price at the time, and any difference between the spot price and the price received under the contract is recognized as a realized gain or loss on derivative contracts. On March 30, 2016, the Company announced that the ELG Mine had achieved commercial production. For accounting purposes, the transition to the production phase commenced April 1, 2016. As commercial production for the ELG Mine commenced the second quarter of 2016, comparative figures for certain measures or data are not available.

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, 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

Certain key management personnel of the Company purchased refined gold from the Company's first gold pour at the then prevailing gold market prices. Total sales to key management personnel for the nine months ended September 30, 2016 amounted to $44 thousand.

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, 2015, other than as described in Note 4 to the unaudited condensed consolidated interim financial statements.

Other than as described in Note 3 to the unaudited condensed consolidated interim financial statements, 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 and nine months ended September 30, 2016, 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. The Company's financial assets are primarily composed of cash and cash equivalents, restricted cash, derivative contracts and VAT receivables. 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 and derivative contracts 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 September 30, 2016.

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 proceeds from gold sales, cash balances and undrawn amounts on the Finance Lease Arrangement 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 September 30, 2016, the Company had cash balances of $93.7 million, excluding restricted cash of $18.3 million (December 31, 2015 – cash balance of $ 46.1 million, excluding restricted cash of $44.6 million). The Company maintains its cash in fully liquid business accounts. At September 30, 2016, the cash balance held by MML totalled $58.3 million (December 31, 2015 - $30.3 million).

During the nine months ended September 30, 2016, the Company utillized a total of $13.1 million from its Finance Lease Arrangement to finance certain mining equipment. As at September 30, 2016, the amounts outstanding under the Loan Facility, Equipment Loan, and Finance Lease Arrangement, and VAT Loan, totalled $375 million, $6.1 million, $12.8 million and $22.7 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 September 30, 2016, the Company expects to recover $27.2 million over the next twelve months and a further $31.5 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 204,360 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 September 30, 2016, there remained 127,995 ounces to be delivered under the Gold Contracts. A 10% appreciation or depreciation of gold prices would result in an increase or decrease of $10.5 million (using the spot rate as at September 30, 2016 of $1,317 per ounce) in the Company's marked-to-market asset 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 September 30, 2016, the Company had cash and cash equivalents, amounts receivable, VAT receivables, accounts payable and accrued liabilities and income tax payable that are in Mexican pesos and in Canadian dollars. As at September 30, 2016, 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 $1.6 million and $0.5 million in the Company's net income (loss) for the period, respectively.

As at September 30, 2016, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would have resulted in a decrease or increase of $4.8 million (using the spot rate as at September 30, 2016 of 19.5 Mexico peso per U.S. dollar) in the Company's net income (loss) for the period, 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 September 30, 2016, a 100 basis point change in the LIBOR rate would result in a $3.7 million change per annum in interest expense relating to the Company's Loan Facility, Equipment Loan and Finance Lease Arrangement. 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 September 30, 2016 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; conducting further exploration of other properties; operating risks; safety and security of operations, including criminal activity such as theft and robbery; risks inherent in mineral exploration, mine development and mining operations; risks associated with the potential construction and start-up of a new mine, including the ability to reach full production, open pit mine risks, risks of interruptions to construction or operating activities as a result of contractor, labour, or community demands, protests or blockades, political and country risk, foreign taxation, the timing and receipt of the Company's anticipated refunds of VAT, recent increases in demand for and cost of mining contract services and equipment, availability of all applicable permits and licenses and adequate infrastructure, risks associated with land title, reliability of mineral resource and reserve estimates, environmental risks and hazards, the absence of history of mineral production by the Company, dependence on key executives and employees, competition within the industry, exchange rate fluctuations, the absence of any hedging policy by the Company, litigation and insurance risks, volatility of the market price of the common shares of the Company, limitations under the Loan Facility, Equipment Loan and Finance Lease Arrangement, liquidity of parent company, potential conflicts of interest with directors and officers, dilution risk, risks associated with compliance with anti-corruption laws and enforcement of legal rights under the laws of Mexico and Canada, no certainty of economically viable mining operations, volatility and fluctuations in gold prices, and the volatility of global markets, the impact of which is to cause volatility in the Company's stock price and may have a resulting effect on the Company's ability to obtain and secure financing if required. For 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 third quarter of 2016 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 September 30, 2016, 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 ("NI 43-101").

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 as updated by the new mineral resource estimate, mineral reserve estimate and life of mine in the MD&A for the three months ended March 31, 2016, the ability to realize estimated mineral reserves, the positive grade reconciliation as more gold ounces were produced year to date than was predicted by the reserve model, 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), completing the remaining construction and commissioning of the mine and processing facilities of the ELG Mine, achieving full production, expected metal recoveries, gold production (including without limitation the estimated gold sales by year) and revenues from operations, the ability to mine and process estimated mineral reserves, if required, the further advances of funds pursuant to the Finance Lease Arrangement and the VAT Loan (each of which is subject to certain customary conditions precedent), expected timing and receipt of VAT refunds. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "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 exploration, development, exploitation and the mining industry generally such as economic factors as they effect exploration, development, exploitation and mining, future commodity prices, government policies and practices in respect of the administration of VAT refunds, market conditions, changes in interest rates, safety and security, access to the Morelos Gold Property, actual results of current exploration, development and exploitation activities not being consistent with expectations, the variability of the skarn deposits and it is not determinable whether the positive grade reconciliation will continue in the future, unexpected events and delays impacting exploration, development and exploitation activities, parameters and assumptions underlying mineral resource and mineral reserve estimates and financial analyses being incorrect, government regulation, political, social or economic developments, environmental matters, insurance, capital expenditures, operating or technical difficulties in connection with development and mining activities, hiring the required personnel and maintaining personnel relations, ability to realize estimated mineral reserves, annual production, recoveries, grades, receipt of all necessary approvals and permits, the speculative nature of gold exploration, development and exploitation, including the risks of diminishing quantities of grades of mineral resources and mineral reserves, contests over property title, and changes in project parameters as plans for the Morelos Gold Property continue to be refined 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, 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 to bring it into full production, the receipt of any required approvals and permits, the price of gold, the ability of the Company to obtain qualified personnel, equipment 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 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 MD&A for the three months ended March 31, 2016, 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.

November 2, 2016