TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Three and Six Month Periods Ended June 30, 2015

(Expressed in U.S. dollars)

Condensed Consolidated Interim Statements of Financial Position

Thousands of U.S. dollars		**June 30, 2015**		December 31, 2014
		(unaudited)		
Assets				
Current Assets:				
Cash and cash equivalents	**$**	**83,247**	$	99,367
Derivative contracts (note 8)		**3,330**		—
VAT Receivable (note 6)		**36,138**		—
Prepaid expenses and other receivables		**2,426**		2,109
		125,141		101,476
Restricted cash (note 4)		**44,573**		15,000
Property, plant and equipment (note 5)		**768,738**		590,188
VAT Receivable (note 6)		**16,854**		46,433
Deferred finance charges (note 7)		**5,322**		9,108
Derivative contracts (note 8)		**8,526**		11,370
Total Assets	**$**	**969,154**	$	773,575
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**27,462**	$	11,095
Income tax payable		**709**		376
Derivative contracts (note 8)		**7,790**		6,077
		35,961		17,548
Long term accounts payable (note 7)		**1,875**		—
Derivative contracts (note 8)		**739**		1,953
Decommissioning liabilities (note 9)		**10,307**		—
Loan facility (note 7)		**227,802**		43,997
Deferred income tax liabilities		**18,724**		17,290
		295,408		80,788
Shareholders' equity:				
Share capital (note 10)		**942,035**		941,589
Contributed surplus		**34,642**		34,177
Other reserves		**(62,470)**		(62,470)
Deficit		**(240,461)**		(220,509)
		673,746		692,787
Total Liabilities and Shareholders' Equity	**$**	**969,154**	$	773,575

Commitments (note 16)

Approved on behalf of the Board:

"Fred Stanford"	"Andrew Adams"
Fred Stanford (signed) Director	Andrew Adams (signed) Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss and Income

Thousands of U.S. dollars, except per share amounts	Three months ended June 30, 2015	Three months ended June 30, 2014 (Restated Note 3(c))	Six months ended June 30, 2015	Six months ended June 30, 2014 (Restated Note 3(c))
Expenses:				
General and administrative	**$ 2,673**	$ 3,566	**$ 5,597**	$ 6,933
Exploration and evaluation	**2,712**	588	**6,387**	4,895
	5,385	4,154	**11,984**	11,828
Other expense (income):				
Derivative costs, net (note 8)	**(1,164)**	—	**4,561**	—
Financing costs, net (note 7)	**462**	(347)	**(327)**	(634)
Foreign exchange loss (gain)	**3,052**	1,975	**1,928**	(2,561)
Loss (gain) on sale of equipment	**—**	(22)	**2**	(18)
	2,350	1,606	**6,164**	(3,213)
Net loss before income tax expense	**7,735**	5,760	**18,148**	8,615
Income tax expense	**1,469**	426	**1,804**	835
	1,469	426	**1,804**	835
Net loss for the period	**9,204**	6,186	**19,952**	9,450
Other comprehensive income	**—**	(16,903)	**—**	(34,772)
Comprehensive loss (income)	**$ 9,204**	$ (10,717)	**$ 19,952**	$ (25,322)
Basic and diluted loss per share (note 12)	**0.01**	0.01	**0.03**	0.01
Weighted average number of common shares outstanding	**785,371,918**	726,388,156	**785,342,084**	697,891,401

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited)

Thousands of U.S. dollars, except number of common shares	Number of Common Shares	Common Shares	Warrants	Contributed Surplus	Other Reserves	Deficit	Total Shareholders' Equity (Restated Note 3(c))
Balance, January 1, 2014	**606,500,126**	**$ 737,064**	**$ —**	**$ 32,445**	**$ (43,322)**	**$ (194,215)**	**$ 531,972**
Exercise of stock options	100,000	133	—	(45)	—	—	**88**
Exercise of RSU	110,600	127	—	(127)	—	—	**—**
Amortization of stock options	—	—	—	1,536	—	—	**1,536**
Amortization of RSU expense	—	—	—	240	—	—	**240**
Issue of shares	119,830,000	126,520	—	—	—	—	**126,520**
Share issuance cost	—	(6,209)	—	—	—	—	**(6,209)**
Issuance of warrants	—	—	3,522	—	—	—	**3,522**
Exercise of Warrants	1,000	1	(1)	—	—	—	**—**
Currency translation adjustment	—	—	—	—	6,766	—	**6,766**
Net loss for the period	—	—	—	—	—	(9,450)	**(9,450)**
Balance, June 30, 2014	**726,541,726**	**$ 857,636**	**$ 3,521**	**$ 34,049**	**$ (36,556)**	**$ (203,665)**	**$ 654,985**

Thousands of U.S. dollars, except number of common shares	Number of Common Shares	Common Shares	Warrants	Contributed Surplus	Other Reserves	Deficit	Total Shareholders' Equity
Balance, January 1, 2015	**785,071,918**	**$ 941,589**	**$ —**	**$ 34,177**	**$ (62,470)**	**$ (220,509)**	**$ 692,787**
Exercise of stock options	300,000	446	—	(150)	—	—	**296**
Amortization of stock options	—	—	—	502	—	—	**502**
Amortization of RSU expense	—	—	—	113	—	—	**113**
Net loss for the period	—	—	—	—	—	(19,952)	**(19,952)**
Balance, June 30, 2015	**785,371,918**	**$ 942,035**	**$ —**	**$ 34,642**	**$ (62,470)**	**$ (240,461)**	**$ 673,746**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

	Six months ended	
Thousands of U.S. dollars	**June 30, 2015**	June 30, 2014
		(Restated Note 3(c))
Cash flow from (used in) operating activities:		
Loss for the period	**$ (19,952)**	$ (9,450)
Adjustments for:		
Stock-based compensation	**615**	1,775
Depreciation and amortization	**523**	404
Unrealized foreign exchange loss (gain)	**5,045**	(439)
Income tax expense	**1,434**	1,033
Other	**15**	46
Change in non-cash working capital balances:		
Prepaid expenses and other receivables	**(317)**	2,796
Accounts payable and accrued liabilities	**1,415**	(2,773)
Income taxes payable	**333**	(13)
	(10,889)	(6,621)
Cash flow from (used in) investing activities:		
Restricted cash	**(29,573)**	—
VAT receivable	**(24,473)**	(9,580)
VAT refund received	**15,275**	—
Accounts payable for Property, plant and equipment	**14,953**	(3,659)
Property, plant and equipment	**(163,344)**	(84,933)
Borrowing costs capitalized to Property, plant and equipment	**(5,085)**	—
	(192,247)	(98,172)
Cash flow from (used in) financing activities:		
Loan facility	**190,000**	—
Deferred finance charges	**(938)**	—
Issuance of share capital, net of share issuance costs	**—**	123,833
Exercise of stock-based compensation awards	**446**	88
	189,508	123,921
Effect of foreign exchange rate changes in cash and cash equivalents	**(2,492)**	(1,508)
(Decrease) increase in cash and cash equivalents	**(16,120)**	17,620
Cash and cash equivalents, beginning of period	**99,367**	202,474
Cash and cash equivalents, end of period	**$ 83,247**	$ 220,094

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

(Unaudited)

Note 1. Corporation Information

Torex Gold Resources Inc. (the "Company" or "Torex") is a Canadian-based resource company engaged in the exploration and development of the Morelos Gold Property. The Morelos Gold Property includes a large land package and contains two projects, the El Limón-Guajes Mine (the "ELG Mine"), currently under development, and the Media Luna Project (the "Media Luna Project") that is at an advanced stage of exploration. The Company's registered address is 130 King Street, Suite 740, Toronto, Ontario, Canada, M5X 2A2.

The condensed consolidated interim financial statements (herein after referred to as "financial statements") of the Company as at and for the three and six months ended June 30, 2015 are comprised of the Company and its subsidiaries.

Note 2. Basis of Preparation

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. These statements do not include all of the information required for full annual financial statements and should be read with the annual financial statements for the year ended December 31, 2014.

The accounting policies applied in these unaudited condensed interim financial statements are the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2014, except for the new IFRS standards adopted by the Company as described below:

Note 3. Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

A. Basis of Measurement

The financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value.

B. Basis of Consolidation

These financial statements are comprised of the financial statements of Torex and the accounts of the Company's wholly-owned subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group have been eliminated in full. The Company's significant subsidiaries are as follows:

- 2290456 Ontario Inc. ("2290456")
- TGRXM, S.A. de C.V. ("TGRXM")
- Minera Media Luna, S.A. de C.V. ("MML")
- TGRXM2010, S.A. de C.V. ("TGRXM2010")

C. Foreign Currency

Functional and presentation currency

The condensed consolidated interim financial statements are presented in U.S. dollars, which is the Company's and its subsidiaries functional currency effective November 1, 2014.

Prior to November 1, 2014, the functional currency of Torex Gold Resources Inc. was the Canadian dollar and the functional currency for all of the other subsidiaries was the Mexican Peso. The functional currency of the Company and its subsidiaries changed on a prospective basis to the U.S. dollar on November 1, 2014 as a result of changes in its economic circumstances. Specifically, the Company's debt financing is denominated in U.S. dollars and there is sourcing of U.S. dollar denominated goods and services in support of the construction of the El Limón-Guajes Mine. Transactions in foreign currencies are translated into the entities' functional currencies at the exchange rates at the date of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the U.S. dollar are translated using exchange rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Revenue and expense items are translated at the exchange rates in effect at the date of the underlying transaction, except for depletion and depreciation related to non-monetary assets, which are translated at historical exchange rates. Exchange differences are recognized in the statements of earnings in the period in which they arise.

As the presentation currency of the Company is the U.S. dollar, the results and financial position of comparative periods have been translated to U.S. dollar as follows:

- Assets and liabilities are translated at the closing exchange rate at the date of the Statement of Financial Position;
- income and expenses for each statement presenting profit or loss and other comprehensive income are translated at the average exchange rates for the period presented; and
- All resulting exchange rate differences are recognized in other comprehensive income.

Other reserves in the Statement of Financial Position represents exchange rate differences which arose from translating the functional currency amounts in the comparative periods presented to the presentation currency due to the change of the Company's functional currency as of November 1, 2014.

D. Accounting Pronouncements

(i) Recent accounting pronouncements issued but not yet effective

IFRS 9 - Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The Company s evaluating the impact of this standard on its financial statements.

IFRS 15 - *Revenue from Contracts and Customers*

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 C*ustomer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenu*e – *Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the standard to have a material impact on the financial statements.

Note 4. Restricted cash

Pursuant to the Loan Facility (note 7), the Company maintains restricted cash of $44,573 (December 31, 2014 - $15,000) consisting of committed funds of $13,700 on deposit held for potential obligations in the event of an unplanned temporary closure of the El Limón-Guajes mine ("ELG Mine") and reserve funds of $30,873 maintained for potential project cost overruns, which can be partially or fully withdrawn subject to meeting certain conditions as outlined in the Credit Agreement, as defined in Note 7.

(Amounts in thousands of U.S. dollars, except per share amounts)

(Unaudited)

Note 5. Property, Plant & Equipment

	Mexico				
	Mineral Property	Property & Equipment	Construction in Progress	Corporate Office	**Total**
Costs					
As at January 1, 2014	**$ 203,004**	**$ 4,121**	**$ 131,345**	**$ 1,081**	**$ 339,551**
Additions	—	685	261,253	178	262,116
Disposals	—	(93)	—	(6)	(99)
Currency translation difference	(4,390)	(89)	(4,147)	(56)	(8,682)
As at December 31, 2014	**$ 198,614**	**$ 4,624**	**$ 388,451**	**$ 1,197**	**$ 592,886**
Additions	—	70	178,775	228	179,073
Disposals	—	—	—	(2)	(2)
As at June 30, 2015	**$ 198,614**	**$ 4,694**	**$ 567,226**	**$ 1,423**	**$ 771,957**
Accumulated depreciation					
As at January 1, 2014	**$ —**	**$ 1,262**	**$ —**	**$ 614**	**$ 1,876**
Depreciation	—	703	—	241	944
Disposals	—	(58)	—	(4)	(62)
Currency translation difference	—	(21)	—	(39)	(60)
As at December 31, 2014	$ —	$ 1,886	$ —	$ 812	$ 2,698
Depreciation	—	340	—	183	523
Disposals	—	—	—	(2)	(2)
As at June 30, 2015	**$ —**	**$ 2,226**	**$ —**	**$ 993**	**$ 3,219**
Net book value					
As at December 31, 2014	**$ 198,614**	**$ 2,738**	**$ 388,451**	**$ 385**	**$ 590,188**
As at June 30, 2015	**$ 198,614**	**$ 2,468**	**$ 567,226**	**$ 430**	**$ 768,738**

Additions to Construction in Progress relate to the purchase of equipment and the capitalization of expenditures directly related to the ELG Mine. As at June 30, 2015, these included $10,239 (December 31, 2014 - $nil) related to the decommissioning liability for the Company's ELG Mine (note 9).

Note 6. Value Added Tax Receivable

Value Added Tax ("VAT"), or "Impuesto al Valor Agregado", receivables are generated on the purchase of supplies and services and are refundable from the Mexican government. As of June 30, 2015 the amount of IVA due from the Mexican tax authorities is $52,992 (or Mexican Pesos 824,966) (December 31, 2014 – $46,433) of which $36,138 is expected to be collected within the next year and is presented as a current asset, with the remainder of $16,854 presented as a non-current asset. Refund claims have all been filed with the Mexican tax authorities. To date, the Company has received a formal assessment only on claims filed for the fourth quarter of 2011 and 2012. For the six months ended June 30, 2015, the Company received $15,275 (excluding interest of $813) (or Mexican Pesos 234,695 excluding interest of 12,479) for VAT claims for fiscal years 2012, 2013, 2014 and 2015. Each reporting period, VAT receivables are reviewed for collectability. Any allowance is based on determination that the Mexican government may not allow the complete refund of these taxes. A full recovery is expected by the Company.

(Amounts in thousands of U.S. dollars, except per share amounts)

(Unaudited)

Note 7. Loan Facility

On August 11, 2014 the Company signed a credit agreement (the "Credit Agreement") with BMO Harris Bank N.A., BNP Paribas, Commonwealth Bank of Australia, ING Bank N.V., Société Générale, (collectively referred to as "Mandated Lead Arrangers") and The Bank of Nova Scotia and other definitive documentation with respect to its previously announced syndicated senior secured $375,000 project finance facility (the "Loan Facility") that is due to mature September 30, 2022.

The Loan Facility is comprised of two separate facilities, a project finance facility of $300,000 (the "PFF") and a cost overrun facility of $75,000 (the "COF"). Advances under the PFF will bear interest at a rate of LIBOR + 4.25% to 4.75% and advances under the COF will bear interest at the same rate plus 1% until project completion. Drawing under the Credit Agreement is subject to the satisfaction of certain customary conditions precedent, including the execution of the hedging programs described below. The Loan Facility is supported by secured guarantees from the Company and each of its material subsidiaries.

As at June 30, 2015, the Company has drawn down a total of $235,000 ($190,000 in 2015; and $45,000 in 2014) under this facility which remains outstanding as at June 30, 2015. The loan is carried at amortized cost on the Statement of Financial Position. Finance charges totaling $12,923 (December 31, 2014 - $10,111) relating to this Loan Facility have been deferred of which an amount of $7,198 (December 31, 2014 - $1,003) has been recorded net of the loan obligation, net of amortization of $403 (December 31, 2014 - $nil) recognized using the effective interest method over the term of the credit agreement. The remaining deferred finance charges of $5,322 (December 31, 2014 - $9,108) will be netted against future drawdowns and similarly will be amortized over the term of the credit agreement using an effective interest rate ranging between 0.374% and 1.256%.

The following table shows net financing costs for the three and six months ended June 30, 2015 and 2014:

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Financing fees related to Loan Facility	**$ 608**	$ —	**$ 608**	$ —
Interest income	**(214)**	(347)	**(1,003)**	(634)
Accretion of decommissioning liability (note 9)	**68**	—	**68**	—
	$ 462	$ (347)	**$ (327)**	$ (634)

On March 30, 2015, the Credit Agreement was amended. Included in the amendment was the deferral of the starting date for the Loan Facility's scheduled repayments. Specifically, the start date of repayment commences in March 2018, instead of September 2017. In addition, the amounts of scheduled repayment were also amended.

(Amounts in thousands of U.S. dollars, except per share amounts)

The following table shows the expected repayment schedule and unamortized portion of deferred finance charges:

		As at June 30, 2015		As at December 31, 2014
2017	$	—	$	4,905
2018		**29,140**		5,445
2019		**33,558**		6,975
2020		**59,572**		10,125
2021		**71,135**		11,385
2022		**41,595**		6,165
Loan facility	$	**235,000**	$	45,000
Unamortized deferred finance charges		**(7,198)**		(1,003)
	$	**227,802**	$	43,997

An amendment fee of $938 was netted from the $50,000 drawn on March 31, 2015. An additional fee of $1,875 is due on September 30, 2016.

Note 8. Derivative Contracts

Currency and Commodity Gold Contracts

In connection with the Loan Facility, the Company entered into commitments to deliver 204,360 ounces of gold over an 18-month period commencing in January 2016 to the Mandated Lead Arrangers, at an average flat forward gold price of $1,241 per ounce. The gold hedging program provides price protection for the Company's debt obligations and represents approximately 6% of the Company's expected total gold production for the Project.

The Company has also executed, as required by the Loan Facility, foreign exchange currency hedges which cover 75% of the Company's non-U.S. dollar denominated capital expenditures for the Project from November 2014 to the second quarter of 2017. An operating expenditures foreign exchange currency hedge to cover exposure for 75%, 50% and 25% annually, on a three year rolling basis, of the Company's non-U.S. dollar denominated operating expenditures for the Project is required upon the start-up of commercial production. The hedging programs are secured on an equal basis with the Loan Facility and documented in the form of ISDA Agreements.

Derivatives arising from the currency swaps and gold contracts are intended to manage the Company's risk management objectives associated with changing market values, but they do not meet the strict hedge effectiveness criteria designated in a hedge accounting relationship. Accordingly, these derivatives have been classified as "non-hedge derivatives." Changes in the fair value of the gold currency and foreign exchange contracts are recognized in the Statement of Operations and Comprehensive Loss as gains or losses on derivatives.

(Amounts in thousands of U.S. dollars, except per share amounts)

(Unaudited)

The table below provides a summary of the gold contracts outstanding as at June 30, 2015:

Gold Contracts

Gold Ounces	Contract Price per Ounce	Notional Amount by Term to Maturity: Within 1 Year	Within 2 to 3 years	Total	Fair Value as at June 30, 2015
40,872	$ 1,245	$ 64,537	$ 188,972	$ 253,509	$ 11,856
122,616	$ 1,240				
40,872	$ 1,238				
204,360					

The table below provides a summary of the currency contracts outstanding as at June 30, 2015:

Currency Contracts

Notional Amount	Weighted Average Price (MXN)	Notional Amount by Term to Maturity (MXN): Within 1 Year	Within 2 to 3 years	Total	Fair Value as at June 30, 2015
475,800	$13.62	$ 729,000	$ 64,000	$ 793,000	$ (8,529)
158,600	$13.63				
158,600	$13.65				
793,000					

The following table shows the classification of the fair value of the gold and currency contracts in the Statements of Financial Position as at June 30, 2015 and as at December 31, 2014:

	Classification	**Fair Value as at June 30, 2015**	Fair Value as at December 31, 2014
Gold contracts	Current Assets	**$ 3,330**	$ —
Gold contracts	Long-term Asset	**8,526**	11,370
Currency contracts	Current Liabilities	**(7,790)**	(6,077)
Currency contracts	Long-term Liabilities	**(739)**	(1,953)

The following table shows derivative costs for the three and six month periods ended June 30, 2015 and 2014:

	For the three months ended		**For the six months ended**	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Unrealized (gain) on gold contracts	**$ (2,136)**	—	**$ (486)**	—
Unrealized loss (gain) on currency contracts	**(741)**	—	**499**	—
Realized loss on currency contracts	**1,713**	—	**4,548**	—
Total	**(1,164)**	—	**4,561**	—

(Amounts in thousands of U.S. dollars, except per share amounts)

(Unaudited)

Note 9. Decommissioning Liabilities

The Company has recognized a decommissioning liability relating to its ELG Mine, which is currently under development, and has determined that no significant decommissioning liabilities exist in connection with the exploration activities at its Media Luna Project.

Assumptions have been made, based on the current economic environment, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time.

The Company has calculated the estimated fair value of the decommissioning liability at June 30, 2015 using a pre-tax discount rate ranging between 3.14% and 3.73%, and has estimated that payments will be made between 2019 and 2044. The estimated total future undiscounted cash flows to settle the decommissioning liability at June 30, 2015 is $23,777. The total decommissioning liability for the ELG Mine as at June 30, 2015 is $10,307. As the liability is a monetary liability denominated in Mexican pesos, it is translated at the spot exchange rate at each reporting date. Exchange differences arising from the revaluation of the decommissioning liability are capitalized as part of property, plant and equipment.

The following table shows the decommissioning liability as at June 30, 2015:

	For the six months ended June 30, 2015	Year ended December 31, 2014
Balance, beginning of the period	$ —	$ —
Revisions to estimated cash flows	**10,462**	—
Accretion expense	**68**	—
Foreign exchange movement	**(223)**	—
Total	$ **10,307**	$ —

Note 10. Share Capital

(a) The Company is authorized to issue an unlimited number of common shares without par value.

(b) For the six month period ended June 30, 2015, 300,000 (for the six month period ended June 30, 2014 - 100,000) common share options and nil (for the six month period ended June 30, 2014 - 110,600) restricted share units were exercised.

(c) On February 12, 2014, the Company completed a bought deal financing of 119,830,000 Units at a price of CDN$1.20 per Unit, for gross proceeds of $130,042 and net proceeds of $123,833. Each Unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitled the holder to purchase one common share of the Company at an exercise price of CDN $1.50 until August 12, 2014. The fair value of the warrants at the date of grant was determined to be $3,522. As of June 30, 2014, 1,000 common share purchase warrants were exercised for gross proceeds of $1.

(Amounts in thousands of U.S. dollars, except per share amounts)

Note 11. Share-Based Payments

The Company's stock option plan (the "SOP Plan"), as amended in June 2015, authorizes the board of directors to grant options to directors, officers, consultants or employees to acquire not more than 7% of the then issued and outstanding common shares. The aggregate number of common shares reserved for issuance pursuant to this Plan or any other share compensation arrangement (pre-existing or otherwise) to insiders shall not exceed 7% of the common shares outstanding from time to time. The exercise price of options granted may not be less than the price permitted by any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction. The term of any common share option grant may not exceed five years.

The Company also amended its restricted share unit plan (the "RSU Plan") in June 2015, pursuant to which the aggregate number of shares reserved for issuance of RSU's shall not exceed 1.5% of the common shares outstanding from time to time.

The SOP and RSU Plan have also been amended to require shareholder approval for any increases to the foregoing limits imposed on non-employee directors.

As at June 30, 2015, 24,872,516 common share options are available for issuance under the SOP Plan (December 31, 2014 – 47,803,674).

As at June 30, 2015, common share options held by directors, officers, employees and consultants are as follows:

	Outstanding			Exercisable		
Range (CDN)	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (CDN)
$0.96-$1.20	16,555,300	1.40	$ 1.17	14,571,293	1.07	$ 1.17
$1.21-$1.40	243,000	3.02	1.34	131,000	1.87	1.31
$1.41-$1.60	6,625,718	1.22	1.51	6,480,386	1.16	1.51
$1.61-$1.80	928,500	1.46	1.63	855,167	1.23	1.62
$1.81-$2.17	5,751,000	2.25	2.12	5,751,000	2.25	2.12
	30,103,518	1.54	$ 1.44	27,788,846	1.34	$ 1.46

(Amounts in thousands of U.S. dollars, except per share amounts)

A summary of changes in the number of common share options issued by the Company for the six months period ended June 30, 2015 is presented below:

	Number of options		Weighted average exercise price (CDN)
Balance as at January 1, 2014	26,302,965	$	1.49
Issued to directors, officers, employees	6,640,000		1.18
Exercised	(2,023,447)		1.17
Forefeited	(216,000)		1.55
Balance as at December 31, 2014	30,703,518	$	1.44
Exercised	(300,000)		1.18
Forfeited	(300,000)		1.28
Balance as at June 30, 2015	30,103,518	$	1.44

The following is a summary of the amounts of share-based payments expensed for the six month period ended June 30, 2015 and 2014:

	Number Outstanding	**Six months ended**			
	June 30, 2015		**June 30, 2015**		June 30, 2014
Common share options	**30,103,518**	**$**	**502**	$	1,536
Restricted share units	**1,821,460**		**113**		239
	31,924,978	**$**	**615**	$	1,775

RSUs are valued based on the closing stock price at the date of grant and are recognized into the consolidated statements of operations over the vesting period. The RSUs are converted into common shares of the Company. Qualified participants may elect to defer the receipt of all or any part of their entitlement to the RSUs.

	Number of RSU's		Weighted average value (CDN)
Balance, January 1, 2014	1,500,000	$	1.56
Grant	500,000		1.15
Exercised	(178,540)		1.15
Balance, December 31, 2014 and June 30, 2015	1,821,460	$	1.49

(Amounts in thousands of U.S. dollars, except per share amounts)

Note 12. Loss per Share

Loss per share has been calculated using the weighted average number of common shares outstanding for the three and six months period ended June 30, 2015 and 2014 as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Net loss for the period	**$ 9,204**	$ 6,186	**$ 19,952**	$ 9,450
Basic and diluted weighted average shares outstanding	**785,371,918**	726,388,156	**785,342,084**	697,891,401
Basic and diluted loss per share	**$ 0.01**	**$ 0.01**	**$ 0.03**	**$ 0.01**

The diluted weighted average common shares outstanding used in the calculation of diluted net loss per share exclude the outstanding common share options and common share purchase warrants as their exercise would be anti-dilutive in the net loss per share calculation.

Note 13. Financial Instruments and Risks

The Company's financial instruments consist of cash, amounts receivable, VAT receivable, accounts payable and accrued liabilities, derivative contracts and debt. Other than the Loan Facility, the fair values of these financial instruments approximate their carrying values due to their short-term maturity.

The carrying values and fair values of the Company's financial instruments as at June 30, 2015 and December 31, 2014 are as follows:

	As at June 30, 2015		As at December 31, 2014	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets				
Cash and cash equivalents	**$ 83,247**	**$ 83,247**	$ 99,367	$ 99,367
VAT receivable	**52,992**	**52,992**	46,433	46,433
Derivative contracts	**11,856**	**11,856**	11,370	11,370
Financial Liabilities				
Accounts payable and accrued	**$ 27,462**	**$ 27,462**	$ 11,095	$ 11,095
Derivative Contracts - Current	**8,529**	**8,529**	8,030	8,030
Loan facility	**227,802**	**235,000**	43,997	45,000

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk:

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

(b) Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 2015 the Company had a cash balance of $83,247 (excluding restricted cash of $44,573) (December 31, 2014 – cash balance of $99,367, excluding restricted cash of $15,000). The Company invests its cash in fully liquid Schedule A bank business investment savings accounts.

During the six months period ended June 30, 2015, the Company received four additional drawdowns on its Loan Facility amounting to $190,000, for a total of $235,000 drawn to date. Subsequent draws on the Loan Facility are subject to satisfaction of certain customary conditions precedent. Cash flows that are expected to fund, in part, the mine construction are dependent on, among other things, pre-production revenues and recovery of receivables related to value added taxes.

(c) Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(i) Interest rate risk:

The Company deposits cash in fully liquid Schedule A bank business accounts. As such, the Company does not considers its interest rate risk exposure to be significant at June 30, 2015.

(ii) Foreign currency risk:

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada and Mexico and has exposure to financial risk arising from fluctuations in foreign exchange rates. The Company expects a significant amount of project development and exploration expenditures and decommissioning costs associated with the Morelos Gold Property to be paid in Mexican pesos and U.S. dollars.

At June 30, 2015, the Company has hedged its exposure to foreign currency exchange fluctuations through the execution of foreign exchange currency hedges which cover 75% of the Company's non-U.S. dollar denominated capital expenditures from November 2014 to the second quarter of 2017 and is required by the Loan Facility to have an operating expenditures foreign exchange currency hedge to cover exposure for 75%, 50% and 25% annually, on a three year rolling basis, of the Company's non-U.S. dollar denominated operating expenditures for the ELG Mine is required upon the start-up of commercial production. A 10% appreciation or depreciation of the Mexican Peso relative to the US dollar would have resulted in approximately $4,631 (using spot rate as at June 30, 2015) increase or decrease in the Company's net loss for the period.

As at June 30, 2015, the Company had cash and cash equivalents, amounts receivable, VAT receivables, accounts payable and liabilities and income tax payable that are in Canadian dollars and in Mexican Pesos. A 10% appreciation or depreciation of the Mexican Peso and Canadian dollar relative to the US dollar would have resulted in approximately $6,118 and $1,462 increase or decrease in the Company's net loss for the period, respectively.

(d) Fair value

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

(Amounts in thousands of U.S. dollars, except per share amounts)

The following tables illustrate the classification of the Company's financial instruments within the fair value hierarchy, representing all recurring financial assets and liabilities. The levels in the hierarchy are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at June 30, 2015		**Level 1**		**Level 2**		**Level 3**
Financial assets						
Cash and cash equivalents	$	83,247	$	—	$	—
Restricted cash		44,573		—		—
VAT receivable		—		52,992		—
Derivative contracts		—		11,856		—
	$	**127,820**	**$**	**64,848**	**$**	**—**
Financial liabilities						
Accounts payable and accrued liabilities	$	—	$	27,462	$	—
Income tax payable		—		709		—
Derivative contracts		—		8,529		—
	$	**—**	**$**	**36,700**	**$**	**—**

Note 14. Capital Management

Capital is comprised of the Company's shareholders' equity and debt. As at June 30, 2015, the Company's shareholders' equity was $673,746 (December 31, 2014 – $692,787) and it had accounts payable and accrued liabilities of $29,337 (December 31, 2014 – $11,095) and Loan Facility debt, net of deferred finance charges, of $227,802 (December 31, 2014 - $43,997). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The capital for expansion was raised through the issuance of common shares in fiscal year 2010 and bought deal financings in fiscal years 2012 and 2014. In addition, in fiscal 2014, the Company signed a credit agreement in respect to the senior secured $375,000 Loan Facility (note 7). The net proceeds raised are used to advance the development of the ELG Mine and provide sufficient working capital to meet the Company's ongoing obligations.

During the six month period ended June 30, 2015, the Company received four additional drawdowns on its Loan Facility amounting to $190,000, for a total of $235,000 drawn to date. On March 30, 2015, an amendment to the Facility was completed. The amendment includes adjustments to accommodate the financing impacts of the change in the planned schedule, as well as additional conservatism in the event that the schedule for the first gold pour is delayed into the first quarter of fiscal 2016. Consequently, additional funding may be required to be deposited into the ELG Mine's reserve fund (note 4) for potential project cost overruns. Furthermore, as set out in the Credit Agreement, as amended on March 30, 2015, the Company is restricted from repatriating funds from MML, the borrower to the Credit Agreement, until Final Completion pursuant to the Loan Facility, which the Company believes will be achieved in the second half of 2017.

(Amounts in thousands of U.S. dollars, except per share amounts)

Note 15. Segmented Information

The Company's mineral property and equipment is substantially located in Mexico. The Company operates one segment, being exploration and development of mineral properties in Mexico.

Note 16. Commitments

As at June 30, 2015, the Company's contractual obligations include a head office lease agreement, an office equipment lease and several long lead time equipment purchase orders related to the development of the ELG Mine. These purchase orders range from two to three years and relate to long lead time equipment. As of June 30, 2015, there is one year remaining on these purchased orders.

The following table summarizes commitments within the next 5 years and beyond as at June 30, 2015:

2015	$	20,633
2016		182
2017		173
2018		170
2019		170
Beyond		85
	$	21,413