TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2016

(Expressed in thousands of U.S. dollars)

Condensed Consolidated Interim Statements of Financial Position

Thousands of U.S. dollars		**March 31, 2016**		December 31, 2015
		(Unaudited)		
Assets				
Current Assets:				
Cash and cash equivalents	**$**	**30,481**	$	46,055
Derivative contracts (note 9)		**514**		17,384
Value added tax receivable (note 6)		**28,054**		29,753
Supplies inventory		**12,177**		10,597
Other current assets		**2,122**		3,263
		73,348		107,052
Restricted cash (note 4)		**34,619**		44,591
Value added tax receivable (note 6)		**21,182**		21,580
Derivative contracts (note 9)		**—**		17,023
Deferred finance charges (note 7)		**251**		—
Property, plant and equipment (note 5)		**976,846**		930,818
Total Assets	**$**	**1,106,246**	$	1,121,064
Liabilities and Shareholders' Equity				
Current Liabilities:				
Accounts payable and accrued liabilities	**$**	**64,061**	$	42,389
Income tax payable		**654**		949
Debt (note 7)		**2,988**		1,778
Derivative contracts (note 9)		**1,930**		5,270
		69,633		50,386
Derivative contracts (note 9)		**13**		304
Debt (note 7)		**373,702**		368,683
Decommissioning liabilities (note 10)		**10,037**		9,441
Deferred income tax liabilities		**19,974**		22,114
		473,359		450,928
Shareholders' Equity:				
Share capital (note 11)		**947,760**		942,141
Contributed surplus		**30,511**		35,548
Other reserves		**(62,470)**		(62,470)
Deficit		**(282,914)**		(245,083)
		632,887		670,136
Total Liabilities and Shareholders' Equity	**$**	**1,106,246**	$	1,121,064

Commitments (note 18)

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Unaudited)

	Three months ended	
Thousands of U.S. dollars, except share and per share amounts	**March 31, 2016**	March 31, 2015
Expenses:		
General and administrative	**$ 2,906**	$ 2,924
Exploration and evaluation	**849**	3,675
	3,755	6,599
Other expenses:		
Loss on derivative contracts (note 9)	**34,322**	5,725
Financing income, net (note 8)	**(45)**	(789)
Foreign exchange loss (gain)	**1,581**	(1,124)
Loss on sale of equipment	**—**	2
	35,858	3,814
Net loss before income tax expense	**39,613**	10,413
Current income tax expense	**148**	—
Deferred income tax (recovery) expense	**(1,930)**	335
	(1,782)	335
Net loss and comprehensive loss	**$ 37,831**	$ 10,748
Basic and diluted loss per share (note 13)	**0.05**	0.01
Weighted average number of common shares outstanding	**786,718,054**	785,311,918

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	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	—	—	309	—	—	309
Amortization of RSU expense	—	—	64	—	—	64
Net loss	—	—	—	—	(10,748)	(10,748)
Balance, March 31, 2015	785,371,918	$ 942,035	$ 34,400	$ (62,470)	$ (231,257)	$ 682,708

Thousands of U.S. dollars, except number of common shares	Number of Common Shares	Common Shares	Contributed Surplus	Other Reserves	Deficit	Total Shareholders' Equity
Balance, January 1, 2016	**785,446,918**	**$ 942,141**	**$ 35,548**	**$ (62,470)**	**$ (245,083)**	**$ 670,136**
Exercise of stock options	1,514,200	5,619	(5,601)	—	—	**18**
Amortization of stock options	—	—	356	—	—	**356**
Amortization of RSU expense	—	—	208	—	—	**208**
Net loss	—	—	—	—	(37,831)	**(37,831)**
Balance, March 31, 2016	**786,961,118**	**$ 947,760**	**$ 30,511**	**$ (62,470)**	**$ (282,914)**	**$ 632,887**

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

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31,	
Thousands of U.S. dollars	**2016**	2015
Operating activities		
Net loss	**$ (37,831)**	$ (10,748)
Adjustments for:		
Stock-based compensation	**564**	373
Depreciation and amortization expense	**163**	318
Accretion expense	**80**	—
Unrealized loss on derivative contracts	**30,262**	5,001
Foreign exchange loss (gain)	**189**	1,237
Deferred income tax expense	**(1,930)**	335
Income taxes paid	**(443)**	(37)
Financing costs	**175**	—
Loss on disposal of assets	**—**	2
Change in non-cash working capital balances:		
Supplies inventory	**(1,580)**	—
Prepaid expenses and other receivables	**1,141**	265
Accounts payable and accrued liabilities	**367**	2,443
Net cash used in operating activities	**$ (8,843)**	$ (811)
Investing activities		
Additions to property, plant and equipment	**(72,365)**	(91,805)
Proceeds from pre-production sales	**38,707**	—
Borrowing costs capitalized to property, plant and equipment	**(5,588)**	(2,147)
Accounts payable for property, plant and equipment	**21,306**	19,128
VAT paid	**(8,338)**	(11,029)
VAT refunds received	**9,892**	11,109
Restricted cash	**9,972**	(28,831)
Net cash used in investing activities	**$ (6,414)**	$ (103,575)
Financing activities		
Loan facility	**—**	110,000
Equipment loan repayment	**(472)**	—
Deferred finance charges	**(390)**	(938)
Financing costs relating to loan facility	**(175)**	—
Exercise of stock-based compensation awards	**18**	446
Net cash generated from financing activities	**$ (1,019)**	$ 109,508
Effect of foreign exchange rate changes on cash and cash equivalents	**702**	(2,146)
Decrease in cash and cash equivalents	**$ (15,574)**	$ 2,976
Cash and cash equivalents, beginning of period	**$ 46,055**	$ 99,367
Cash and cash equivalents, end of period	**$ 30,481**	$ 102,343

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

Note 1. Corporation Information

Torex Gold Resources Inc. (the "Company" or "Torex") is a growth-oriented, Canadian-based resource company engaged in the exploration, development and operation of its 100% owned Morelos Gold Property, located 180 kilometers southwest of Mexico City. Within this property, Torex has two assets: the ELG Mine, which is in the production stage effective April 1, 2016, and the Media Luna Project, for which the Company issued a Preliminary Economic Assessment.

The Company is a corporation governed by the *Business Corporations Act* (Ontario). The Company's shares are listed on the Toronto Stock Exchange under the symbol TXG. Its registered address is 130 King Street, Suite 740, Toronto, Ontario, Canada, M5X 2A2.

The condensed consolidated interim financial statements (herein after referred to as "consolidated financial statements") of the Company as at and for the three months ended March 31, 2016 and 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") under the historical cost convention, as modified by revaluation of derivative contracts and certain financial instruments. These statements do not include all of the information required for full financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015.

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, 2015.

These financial statements were authorized for issuance by the Company's Audit Committee on May 11, 2016.

Note 3. Significant Accounting Policies

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

Basis of Consolidation

These consolidated 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. 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")

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

Note 4. Restricted Cash

Pursuant to the Loan Facility (note 7), the Company maintains restricted cash of $34,619 (December 31, 2015 - $44,591) consisting of committed funds of $13,716 (December 31, 2015 - $13,706) on deposit held for potential obligations in the event of an unplanned temporary closure of the ELG Mine and reserve funds (the "Sponsor Reserve Account") of $20,903 (December 31, 2015 - $30,885) maintained for potential project cost overruns, which can be partially or fully withdrawn subject to meeting certain conditions.

During the three months ended March 31, 2016, the Company withdrew $4,000 from the Sponsor Reserve Account to fund future corporate expenditures, and utilized $6,000 from the Sponsor Reserve Account to fund expenditures for the ELG Mine.

Note 5. Property, Plant and Equipment

	Mexico				
	Mineral Property	Property & Equipment	Construction in Progress	Corporate Office	**Total**
Costs					
As at January 1, 2015	**198,614**	**4,624**	**388,451**	**1,197**	**592,886**
Additions	—	1,009	340,272	308	341,589
Disposals	—	—	—	(111)	(111)
As at December 31, 2015	**198,614**	**5,633**	**728,723**	**1,394**	**934,364**
Additions	**—**	**—**	**46,191**	**—**	**46,191**
As at March 31, 2016	**$ 198,614**	**$ 5,633**	**$ 774,914**	**$ 1,394**	**$ 980,555**
Accumulated depreciation					
As at January 1, 2015	**$ —**	**$ 1,886**	**$ —**	**$ 812**	**$ 2,698**
Depreciation	—	585	—	328	913
Disposals	—	—	—	(65)	(65)
As at December 31, 2015	**$ —**	**$ 2,471**	**$ —**	**$ 1,075**	**$ 3,546**
Depreciation	—	126	—	37	163
As at March 31, 2016	**$ —**	**$ 2,597**	**$ —**	**$ 1,112**	**$ 3,709**
Net book value					
As at December 31, 2015	**$ 198,614**	**$ 3,162**	**$ 728,723**	**$ 319**	**$ 930,818**
As at March 31, 2016	**$ 198,614**	**$ 3,036**	**$ 774,914**	**$ 282**	**$ 976,846**

Property & Equipment relates to property and equipment used in exploration activities. Additions to Construction in Progress relate to the purchase of equipment and the capitalization of expenditures directly related to the ELG Mine. Further, as at March 31, 2016, Construction in Progress included $23,275 in capitalized borrowing costs and $9,688 (December 31, 2015 - $9,172) related to the decommissioning liability for the ELG Mine (note 10), and is net of $38,707 of pre-production sales, excluding amounts realized from gold derivative contracts of $178 (note 9).

In 2011, the Company entered into a long?term land lease agreement with the Rio Balsas Ejido and the Real Limon Ejido for the use of its common land and long?term land lease agreements with individual owners of land parcels within the Ejido boundary. The land subject to these agreements is part of the total land required for the current and future construction, mining, and processing of gold at the Morelos Gold Property. The lease agreements are for 30 years with annual payments of 23,000 Mexican pesos per hectare during the first two years, and for the subsequent 13 years, commencing in 2013, the equivalent, in Mexican pesos, of 2.5 troy ounces of gold per hectare, calculated at the annual average gold price published by the London Bullion Market Association. Starting in year 16, and every 5 years thereafter, the amount of the annual payments will be renegotiated. All of the long?term land lease agreements can be terminated at the Company's discretion at any time without penalty. Also, in 2012, the Company entered into an exploration access agreement with the Puente Sur Balsas Ejido. The lease agreement is for 5 years with an annual payment of 4 million Mexican pesos (or approximately $230 using exchange rates as at March 31, 2016). The five?year exploration access agreement includes access to the new discovery at Media Luna. As with the land use agreements, this agreement can be terminated at the Company's discretion at any time without penalty. The Company has entered into several other exploration and evaluation related agreements, all of which are cancellable within a year at the Company's discretion.

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

Note 6. Value Added Tax Receivable

Value Added Tax ("VAT"), or "Impuesto al Valor Agregado" ("IVA"), receivables are generated on the purchase of supplies and services and are refundable from the Mexican government. As at March 31, 2016, the amount of VAT due from the Mexican tax authorities is $49,236 (or 855,346 Mexican pesos) (December 31, 2015 – $51,333), of which $28,054 is expected to be collected within the next year and is presented as a current asset, with the remaining $21,182 presented as a non-current asset. In the three months ended March 31, 2016, the Company received $9,892 (excluding interest of $145) (or 179.1 million Mexican pesos excluding interest of 2.6 million Mexican pesos) for VAT claims for fiscal year 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.

Note 7. Debt

The following table shows the total debt of the Company as at March 31, 2016 and December 31, 2015:

	March 31, 2016	December 31, 2015
Debt:		
Loan Facility	**$ 363,938**	$ 363,348
Equipment Loan	**6,692**	7,113
Finance Lease	**6,060**	—
Total debt	**376,690**	370,461
Less: current portion	**2,988**	1,778
Long-term portion	**$ 373,702**	**$ 368,683**

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

Contractual undiscounted debt repayments

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

		March 31, 2016		December 31, 2015
2016	**$**	**2,235**	$	1,889
2017		**3,033**		1,889
2018		**49,595**		48,389
2019		**56,710**		55,439
2020		**96,403**		95,063
2021		**113,931**		113,512
2022		**66,375**		66,375
Total debt	**$**	**388,282**	$	382,556
Unamortized deferred finance charges		**(11,592)**		(12,095)
Total debt, net of deferred finance charges	**$**	**376,690**	$	370,461
Less: current portion		**(2,988)**		(1,778)
Long-term debt	**$**	**373,702**	$	368,683

Loan Facility

On August 11, 2014 the Company, through its subsidiary MML, signed a 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 has a maturity date of September 30, 2022. The Credit Agreement was subsequently amended on March 30, 2015. Included in the amendment was the deferral of the starting date for the Loan Facility’s scheduled repayments, as well as amendments to the amounts of scheduled repayments.

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 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% until project completion. The Loan Facility is supported by secured guarantees from the Company and each of its material subsidiaries.

The Loan Facility has been fully drawn down, with an amount outstanding of $375,000 as at March 31, 2016. The loan is carried at amortized cost on the Statement of Financial Position. The Company incurred $12,923 in finance charges relating to upfront costs and closure fees for the Loan Facility. These finance charges have been deferred, are presented net of the Loan Facility as it is drawn down, and are amortized over the term of the loan using the effective interest method. During the three months ended March 31, 2016, the amortization expense relating to the deferred financing charges totalled $591 using an effective interest rate ranging between 0.374% and 0.785%, resulting in unamortized deferred finance charges of $11,062 as at March 31, 2016, the unamortized deferred financing charges totalled $11,062 (December 31, 2015 - $11,652).

The deferred financing charges include a fee of $1,875 due on September 30, 2016 pursuant to the amended Credit Agreement. The fee is included in accounts payable and accrued liabilities in the Statement of Financial Position.

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

Equipment Loan

On December 23, 2015, the Company executed a $7,556 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 installments starting 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. The loan obligation has been recorded net of finance charges totaling $443 which are amortized under the effective interest method over the term of the Credit Agreement, using an effective interest rate of 2.875%. During the three months ended March 31, 2016, the amortization expense relating to the deferred financing charges totalled $52, resulting in unamortized deferred finance charges of $391 as at March 31, 2016.

Finance Lease Agreement

On December 31, 2015, the Company executed a finance lease agreement for up to $17,440 with Parilease SAS (the "Finance Lease Arrangement") to finance certain mining equipment. Advances under the Finance Lease Arrangement bear interest at a rate of LIBOR + 4.0%, and are repayable in quarterly installments commencing June 30, 2016.

As at March 31, 2016, the Company has utilized $6,199 and has incurred deferred financing charges of $390, of which $139 are presented net of the Finance Lease Agreement. Deferred financing fees will be amortized over the term of the loan using the effective interest method.

Note 8. Financing Income

The following table shows net financing (income) costs for the three months ended March 31, 2016 and 2015:

		For Three Months Ended March 31, 2016		For Three Months Ended March 31, 2015
Financing fees related to Loan Facility	**$**	**175**	$	—
Interest income		**(300)**		(789)
Accretion of decommissioning liabilities (note 10)		**80**		—
	$	**(45)**	$	(789)

Note 9. Derivative Contracts

Currency and Gold Commodity 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 hedges provide price protection for the Company's debt obligations and represents approximately 6% of the Company's expected total gold production for the ELG Mine.

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

The table below provides a summary of the gold contracts outstanding as at March 31, 2016:

Gold Contracts

Gold Ounces	Contract Price per Ounce	Notional Amount by Term to Maturity			Fair Value as at March 31, 2016
		Within 1 Year	Within 1 to 2 years	Total	
37,404	$ 1,245	$ 146,181	$ 85,821	$ 232,002	$ 501
112,214	$ 1,240				
37,404	$ 1,238				
187,022					

The Company has also executed, as required by the Loan Facility, foreign exchange currency 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. 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 during commercial production. The contracts are secured on an equal basis with the Loan Facility and documented in the form of ISDA Agreements.

The table below provides a summary of the currency contracts outstanding as at March 31, 2016:

Currency Contracts

Notional Amount (MNX)	Weighted Average Price (MXN)	Notional Amount by Term to Maturity (MXN)			Fair Value as at March 31, 2016
		Within 1 Year	Within 1 to 2 years	Total	
73,200	$13.72	122,000	—	122,000	$ (1,930)
24,400	$13.73				
24,400	$13.75				
122,000					

The following table shows the classification of the fair value of the gold and currency contracts in the Statements of Financial Position as at March 31, 2016 and as at December 31, 2015:

	Classification	Fair Value as at March 31, 2016	Fair Value as at December 31, 2015
Gold contracts	Current assets	**$ 514**	$ 17,384
Gold contracts	Long-term assets	**—**	17,023
Total derivative assets		**$ 514**	$ 34,407
Currency contracts	Current liabilities	**$ (1,930)**	$ (5,270)
Currency contracts	Long-term liabilities	**—**	(304)
Gold contracts	Long-term liabilities	**(13)**	—
Total derivative liabilities		**$ (1,943)**	$ (5,574)

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

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 and foreign exchange currency contracts are recognized in the Statement of Operations and Comprehensive Loss as gains or losses on derivative contracts.

The following table shows the (gains)/losses on derivative contracts for the three months ended March 31, 2016 and 2015:

	For three months ended March 31, 2016	For three months ended March 31, 2015
Unrealized loss on gold contracts	**$ 33,906**	$ 1,650
Unrealized loss (gain) on currency contracts	**(3,644)**	3,351
Realized gain on gold contracts	**(178)**	—
Realized loss on currency contracts	**4,238**	724
	$ 34,322	$ 5,725

Note 10. Decommissioning Liabilities

The Company has recognized a decommissioning liability relating to its ELG Mine, 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 March 31, 2016 using a pre-tax discount rate of 3.06% (December 31, 2015 - 3.31%) based on inflation-adjusted Mexican bond yields, with expenditures expected to be incurred between 2025 and 2031. The estimated total future undiscounted cash flows to settle the decommissioning liability at March 31, 2016 is $14,235 (December 31, 2015 - $14,235). The total decommissioning liability for the ELG Mine as at March 31, 2016 is $10,037 (December 31, 2015 - $9,441). As the liability is a monetary liability denominated in Mexican pesos, it is translated at the spot exchange rate at each reporting date. Foreign exchange differences arising from the revaluation of the decommissioning liability are capitalized as part of property, plant and equipment.

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

The following table shows the decommissioning liability as at March 31, 2016 and December 31, 2015:

	For three months ended March 31, 2016	For year ended December 31, 2015
Balance, beginning of period	**$ 9,441**	$ —
Initial recognition	**—**	8,348
Revisions to estimated cash flows	**622**	2,069
Accretion expense	**80**	271
Foreign exchange movement	**(106)**	(1,247)
Balance, end of period	**$ 10,037**	$ 9,441

Note 11. Share Capital

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

During the three months ended March 31, 2016, 1,514,200 (three months ended March 31, 2015 - 300,000) common shares were issued as a result of 10,528,300 stock option exercises, of which 10,508,300 were exercised under the Company's stock option plan's cashless exercise option.

No restricted share units were settled during the three months ended March 31, 2016 and 2015.

Note 12. Share-Based Payments

The following is a summary of the number of common share options and restricted share units outstanding as at March 31, 2016 and the amounts of share-based payments expensed for the three months ended March 31, 2016 and 2015:

	Number Outstanding	Three Months Ended	
	March 31, 2016	**March 31, 2016**	March 31, 2015
Common share options	**21,473,324**	**$ 356**	$ 309
Restricted share units	**2,302,941**	**208**	64
	23,776,265	**$ 564**	$ 373

Common share options

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 SOP Plan was also amended to limit the aggregate number of securities that may be granted to a non-executive director in any given year under all share-based compensation arrangements of the Company.

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

As at March 31, 2016, 23,010,654 common share options are available for issuance under the SOP Plan (December 31, 2015 – 21,794,366).

As at March 31, 2016, 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 (CDN)	Number of options	Weighted average remaining contractual life (years)		Weighted average exercise price (CDN)
$0.96-$1.20	9,328,896	3.44	$	1.15	5,145,824	3.26	$	1.15
$1.21-$1.40	866,876	4.53		1.35	246,628	4.31		1.36
$1.41-$1.60	4,689,718	0.75		1.54	4,623,053	0.71		1.54
$1.61-$1.80	896,834	0.51		1.63	876,834	0.45		1.62
$1.81-$2.17	5,691,000	1.48		2.12	5,691,000	1.48		2.12
	21,473,324	2.25	$	1.52	16,683,339	1.82	$	1.62

A summary of changes in the number of common share options issued by the Company for the three months ended March 31, 2016 and the year ended December 31, 2015 is presented below:

	Number of options		Weighted average exercise price (CDN)
Balance as at January 1, 2015	30,703,518	$	1.44
Granted	3,530,400		1.14
Exercised	(375,000)		1.20
Forfeited	(672,000)		1.50
Balance as at December 31, 2015	33,186,918	$	1.41
Granted	703,876		1.35
Exercised	(10,528,300)		1.18
Forfeited	(1,889,170)		1.22
Balance as at March 31, 2016	**21,473,324**	**$**	**1.52**

The fair value of the common shares options granted was calculated using a Black Scholes valuation model. The expected volatility is estimated taking into consideration the historical volatility of the Company's share price. The estimated fair value of common share options is amortized using graded vesting over the period in which the options vest. One-third of the common share options granted to officers and employees vest on grant and the remainder vest over two years. For those options which vest on a single date, either on issuance or on the achievement of certain milestones, the fair value of these options is amortized using graded vesting over the anticipated vesting period.

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

The fair value of common share options granted during the three months ended March 31, 2016 was CDN $393 (three months ended March 31, 2015 - nil). The following is a summary of the assumptions used in the Black Scholes valuation model for stock options granted in the three months ended March 31, 2016 and 2015:

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Risk-free interest rate	**0.63%**	—
Expected price volatility	**53%**	—
Expected option life	**4.0 years**	—
Annual dividends	**—**	—
Estimated forfeiture rate	**2.35%**	—

Restricted share units

The Company has a restricted share unit plan (the "RSU Plan"), which allows for restricted share units ("RSUs") to be granted to the participants in the RSU Plan. The RSU Plan, as amended in June 2015, limits the aggregate number of shares reserved for issuance of RSUs to 1.5% of the common shares outstanding from time to time. The RSU Plan also limits the aggregate number of securities that may be granted to a non-executive director in any given year under all share-based compensation arrangements of the Company.

As at March 31, 2016, 9,501,476 RSUs are available for issuance under the RSU Plan (December 31, 2015 – 9,960,244).

RSUs are valued based on the closing stock price at the date of grant and are recognized in the consolidated Statements of Operations and Comprehensive Loss over the vesting period. Upon settlement, 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.

A summary of changes in the number of RSUs issued by the Company for the three months ended March 31, 2016 and the year ended December 31, 2015 is presented below:

	Number of RSUs	Weighted average value (CDN)
Balance, January 1, 2015	1,821,460	$ 1.49
Granted	—	—
Settled	—	—
Balance, December 31, 2015	1,821,460	$ 1.49
Granted	481,481	1.35
Settled	—	—
Balance, March 31, 2016	**2,302,941**	**$ 1.46**

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

Note 13. Loss per Share

Loss per share has been calculated using the weighted average number of common shares outstanding for the three months ended March 31, 2016 and 2015 as follows:

		For the three months ended March 31, 2016		For the three months ended March 31, 2015
Net loss for the period	$	37,831	$	10,748
Basic and diluted weighted average shares outstanding		786,718,054		785,311,918
Basic and diluted loss per share	$	0.05	$	0.01

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

Note 14. Financial Instruments and Risks

The Company's financial instruments consist of cash, restricted cash, VAT receivable, accounts payable and accrued liabilities, derivative contracts and debt. Cash, restricted cash, VAT receivable, accounts payable, and debt are recorded at amortized cost on the Statement of Financial Position. Other than the debt, 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 March 31, 2016 and December 31, 2015 are as follows:

	As at March 31, 2016				As at December 31, 2015			
		Carrying Value		Fair Value		Carrying Value		Fair Value
Financial Assets								
Cash and cash equivalents	$	30,481	$	30,481	$	46,055	$	46,055
VAT receivable		49,236		49,236		51,333		51,333
Derivative contracts		514		514		34,407		34,407
Restricted cash		34,619		34,619		44,591		44,591
	$	114,850	$	114,850	$	176,386	$	176,386
Financial Liabilities								
Accounts payable and accrued liabilities	$	64,061	$	64,061	$	42,389	$	42,389
Derivative contracts		1,943		1,943		5,574		5,574
Debt		376,690		388,282		370,461		382,556
	$	442,694	$	454,286	$	418,424	$	430,519

The Company's financial 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 a counterparty's inability to fulfill its payment obligations. All of the Company's cash, cash equivalents, VAT Receivable, restricted cash, and derivative assets are held with reputable financial institutions, and as such, the Company does not consider its credit risk to be significant as at March 31, 2016.

(b) 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's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2016, the Company had cash balances of $30,481 (excluding restricted cash of $34,619) (December 31, 2015 – cash balance of $46,055, excluding restricted cash of $44,591). The Company maintains its cash in fully liquid business accounts.

During the three months ended March 31, 2016, the Company drew down a total of $6,199 from its Finance Lease Arrangement (note 7) to finance certain mining equipment. As at March 31, 2016, the amounts outstanding under the Loan Facility, Equipment Loan, and Finance Lease Arrangement totalled $375,000, $7,084 and $6,199, respectively.

Cash flows that are expected to fund the operation of 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 Company's monthly filings. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. As at March 31, 2016, the Company expects to recover $28,054 over the next twelve months and a further $21,182 thereafter. Significant delays in the collection of VAT receivables may affect the Company's ability to fund the operation of the ELG Mine and settlement of the Company's current liabilities. 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 timing of collection of the Company's VAT receivables, which may affect the Company's liquidity and ability to fund other priorities.

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

The following tables detail the Company's expected remaining contractual cash flow requirements for its financial liabilities on repayment or maturity periods. The amounts presented are based on the contractual undiscounted cash flows, and may not agree with the carrying amounts on the Statements of Financial Position.

				As at March 31, 2016
	Up to 1 year	1-5 years	over 5 years	Total
Accounts payable and accrued liabilities	$ 64,061	$ —	$ —	**$ 64,061**
Income tax payable	654	—	—	**654**
Derivative liabilities	1,930	13	—	**1,943**
Debt (note 7)	2,988	232,032	153,262	**388,282**
	$ 69,633	**$ 232,045**	**$ 153,262**	**$ 454,940**

				As at December 31, 2015
	Up to 1 year	1-5 years	over 5 years	Total
Accounts payable and accrued liabilities	$ 42,389	$ —	$ —	$ 42,389
Income tax payable	949	—	—	949
Derivative liabilities	5,270	304	—	5,574
Debt (note 7)	1,889	200,780	179,887	382,556
	$ 50,497	$ 201,084	$ 179,887	$ 431,468

(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:

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. Amounts outstanding under the PFF of the Loan Facility bear interest at a rate of LIBOR + 4.25% to 4.75% and advances under the COF bear interest at the same rate + 1% until project completion, while amounts outstanding under the Equipment Loan bear interest at a rate of LIBOR + 3.75%. The Company has not entered into any agreements to hedge against unfavourable changes in interest rates.

The Company deposits cash in fully liquid bank business accounts. As such, the Company does not consider its interest rate risk exposure to be significant at March 31, 2016 with respect to its cash and cash equivalent positions.

(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 exploration, project development, operating and decommissioning expenditures associated with the Morelos Gold Property to be paid in Mexican pesos and U.S. dollars.

At March 31, 2016, 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. In addition, a 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, will be required during production. As at March 31, 2016, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would result in a decrease or increase of $637 (using spot rate as at March 31, 2016 of 17.4015 Mexican pesos per U.S. dollar) in the Company's net loss for the period relating to the derivative currency contracts.

As at March 31, 2016, the Company had cash and cash equivalents, amounts receivable, VAT receivables, accounts payable and liabilities and income tax payable that are denominated in Mexican pesos and in Canadian dollars. A 10% appreciation or depreciation of the Mexican peso and Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $4,101 and $707 in the Company's net loss for the period, respectively.

(iii) 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 204,360 ounces of gold over an 18-month period commencing in January 2016 to the Lenders, at an average flat forward gold price of $1,241 per ounce. As at March 31, 2016, there remained 187,022 ounces to be delivered under these derivative contract. A 10% appreciation or depreciation of gold prices would result in an increase or decrease of $23,135 (using spot rate as at March 31, 2016 of $1,237 per ounce) in the Company's net loss for the year relating to the derivative gold contracts.

(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.

The following tables illustrate the classification of the Company's financial instruments measured at fair value within the fair value hierarchy. 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).

(Amounts in thousands of U.S. dollars, except share and per share amounts, unless otherwise noted)

	As at March 31, 2016		
	Level 1	**Level 2**	**Level 3**
Financial assets			
Derivative gold contracts	—	514	—
	$ —	**$ 514**	**$ —**
Financial liabilities			
Derivative gold contracts	—	13	—
Derivative currency contracts	—	1,930	—
	$ —	**$ 1,943**	**$ —**

	As at December 31, 2015		
	Level 1	Level 2	Level 3
Financial assets			
Derivative gold contracts	—	34,407	—
	$ —	$ 34,407	$ —
Financial liabilities			
Derivative currency contracts	—	5,574	—
	$ —	$ 5,574	$ —

Note 15. Capital Management

Capital is comprised of the Company's shareholders' equity and debt. As at March 31, 2016, the Company's shareholders' equity was $632,887 (December 31, 2015 – $670,136) and it had accounts payable and accrued liabilities of $64,061 (December 31, 2015 – $42,389) and debt, comprising of the Loan Facility, Equipment Loan, and Finance Lease Arrangement, net of deferred finance charges, of $376,690 (December 31, 2015 - $370,461). 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.

The capital required for the development of the ELG Mine was raised through the issuance of common shares, bought deal financings, and debt financing. The net proceeds raised were used to advance the development of the ELG Mine and provide sufficient working capital to meet the Company's ongoing obligations.

During the three months ended March 31, 2016, the Company drew down a total of $6,199 from its Finance Lease Arrangement to finance certain mining equipment. The amount remaining available under the Finance Lease Arrangement as at March 31, 2016 was $11,241.

On March 30, 2015, an amendment to the Loan Facility was completed. The amendment included 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 was delayed into the first quarter of 2016. Furthermore, as set out in the Credit Agreement, as amended on March 30, 2015, the Loan Facility is subject to an Interim and Final Completion Test ("ICT" and "FCT") requiring the Company to meet certain operational, financial and legal criteria. The deadline for completion of the ICT and FCT is September 30, 2016 and March 31, 2018, respectively.

Inability to achieve either the ICT or FCT constitutes an event of default under the Loan Facility, unless a waiver or amendment to the Facility is obtained. The Company is also restricted from repatriating funds from MML until the FCT has been achieved.

Note 16. Segmented Information

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

Note 17. Related Party Transactions

Related party transactions

Certain key management personnel of the Company purchased refined gold from the Company's first gold pour at the prevailing gold market prices. Total sales to key management personnel for the three months ended March 31, 2016 amounted to $51.

Note 18. Commitments and Contingencies

Purchase commitments

As at March 31, 2016, the total purchase commitments for the ELG Mine amounted to $32,664, of which $32,647 are expected to settle over the next twelve months, with the remaining $17 in 2017.

Service commitments

As at March 31, 2016, the total commitments for services for the ELG Mine amounted to $29,149, which are expected to settled over the next twelve months.

Operating leases

The Company has operating lease agreements involving office space and equipment. Future minimum lease payments required to meet obligations that have initial or remaining non-cancelable lease terms are $129 for 2016, $164 for 2017, $161 for 2018 and 2019, and $80 for 2020.

ELG royalties

Production revenue from the "Reducción Morelos Norte" concession is subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and payable on a quarterly basis.

In 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 royalties are payable on an annual basis in March of the following year.