

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2015 and 2014

(Expressed in Canadian Dollars)
(Unaudited)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Institute of Chartered Professional Accountants for a review of financial statements by an entity's auditor.

As at	Notes	June 30, 2015 $	December 31, 2014 $
ASSETS			
Current			
Cash		1,596,695	683,951
Accounts receivable and refundable taxes	6	5,613,088	4,606,622
Due from related party	12(b)	-	63,889
Inventories	7	6,219,465	11,761,819
Investment in securities	10	1,920,000	2,133,333
Prepaid expenses, and other		371,478	325,289
		15,720,726	19,574,903
Mineral property, plant and equipment	8	50,344,613	44,735,445
Resource property costs	9	14,490,838	3,358,371
Long-term prepaid expenses, and other		15,483	4,176
		80,571,660	67,672,895
LIABILITIES			
Current			
Accounts payables and accrued liabilities	12(c)	7,790,683	3,923,528
Due to related parties	12(a) & (b)	50,598	167,801
Loans	16	18,474,617	16,240,936
		26,315,898	20,332,265
Deferred tax liability		2,840,938	2,999,563
Provision for reclamation and rehabilitation	15	3,870,833	3,396,312
		33,027,669	26,728,140
SHAREHOLDERS' EQUITY			
Share capital	11	104,280,869	82,539,082
Contributed surplus		10,896,076	10,896,076
Accumulated other comprehensive income		10,782,098	4,464,810
Deficit		(78,415,052)	(56,955,213)
		47,543,991	40,944,755
		80,571,660	67,672,895

Nature of operations and going concern (Note 1).

Approved on behalf of the Board of Directors:

"Akiba Leisman"
Director (Chair of the audit committee)

" John Pontius "
Director

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

	Note	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
		$	$	$	$
Revenue		8,478,903	-	16,082,547	-
Cost of Sales					
Production costs	18	7,247,447	-	13,027,204	-
Write-down to NRV	18	3,997,251	-	7,325,197	
Impairment write-down	18	6,007,494	-	6,007,494	
Depreciation, depletion and amortization		1,363,585	-	2,272,157	-
		18,615,777	**-**	**28,632,052**	**-**
Gross profit / (loss)		**(10,136,874)**	**-**	**(12,549,505)**	**-**
Operating and Administrative Expenses					
Accounting and legal		168,815	469,345	188,375	606,251
Communications and investor relations		14,040	34,478	53,172	88,440
Directors' fees	12(a)	13,750	13,750	27,637	28,289
Exploration expenses		18,343	-	98,287	44,564
General office and rent		263,334	113,299	418,211	171,130
Impairment of mineral property	8	1,700,000	-	1,700,000	-
Management and consulting fees	12(a)	1,100,941	83,065	1,387,003	184,515
Salaries, benefits and bonuses		87,082	218,536	110,534	289,645
Transfer agent fees and regulatory fees		14,752	29,504	32,804	49,686
Travel and promotion		37,753	47,497	59,078	70,622
Write-off of resource properties	9	1,400,000	-	1,400,000	-
Other expenses and (income)					
Foreign exchange loss (gain)		(871,470)	62,050	393,528	43,575
Write-down in securities	10	1,359,534	-	1,359,534	-
Accretion expense		10,984	-	21,658	-
Interest and other income		(37,259)	(22,112)	(45,278)	(50,166)
Interest expense	16	957,782	-	1,705,791	-
Loss for the period		16,375,255	1,049,412	21,459,839	1,526,551
Other comprehensive income (loss) for the period:					
Items subject to reclassification into statement of loss					
Change in fair value of available-for-sale securities		(1,572,867)	-	(1,146,201)	-
Cumulative translation adjustment		3,009,826	2,048,137	(5,171,087)	378,481
Other comprehensive income (loss) for the period		1,436,959	2,048,137	(6,317,288)	378,481
Comprehensive loss for the period		17,812,214	3,097,549	15,142,551	1,905,032
Basic and diluted loss per share		$ 0.18	$ 0.01	$ 0.26	$ 0.02
Weighted average number of shares outstanding		89,763,956	72,141,860	82,820,057	70,081,876

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

	Shareholders' Equity					
	Number of shares	Amount $	Contributed surplus $	Accumulated other comprehensive income / (loss) $	Deficit $	Total $
Balance, December 31, 2013	67,999,003	75,026,109	10,896,076	1,176,411	(44,336,486)	42,762,110
Equity financing	6,000,000	6,000,000	-	-	-	6,000,000
Share issuance costs	-	(32,753)	-	-	-	(32,753)
Other comprehensive income	-	-	-	(378,481)	-	(378,481)
Net loss	-	-	-	-	(1,526,551)	(1,526,551)
Balance, June 30, 2014	73,999,003	80,993,356	10,896,076	797,930	(45,863,037)	46,824,325
Shares issued for services	1,700,000	1,480,726	-	-	-	1,480,726
Shares issued for Sprott loan	100,000	65,000	-	-	-	65,000
Other comprehensive income	-	-	-	3,666,880	-	3,666,880
Net loss	-	-	-	-	(11,092,176)	(11,092,176)
Balance, December 31, 2014	75,799,003	82,539,082	10,896,076	4,464,810	(56,955,213)	40,944,755
Equity financing	38,839,286	21,750,000	-	-	-	21,750,000
Shares issued for Sprott loan	100,000	62,000	-	-	-	62,000
Share issuance costs	-	(70,213)	-	-	-	(70,213)
Other comprehensive income	-	-	-	6,317,288	-	6,317,288
Net loss	-	-	-	-	(21,459,839)	(21,459,839)
Balance, June 30, 2015	114,738,289	104,280,869	10,896,076	10,782,098	(78,415,052)	47,543,991

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

	Note	Six months ended June 30, 2015 $	2014 $
Cash provided by (used for):			
Operating Activities			
Net loss for the period		(21,459,839)	(1,526,551)
Non-cash items	17	8,348,850	(165,980)
		(13,110,989)	(1,692,531)
Changes in non-cash working capital			
Accounts receivable and refundable taxes		(559,455)	(145,179)
Prepaid expenses, and other		(31,786)	(1,071,368)
Inventories		5,828,715	(6,607,748)
Accounts payable and accrued liabilities		(49,233)	388,001
Due to related parties		(47,033)	(228,735)
		(7,969,781)	(9,357,560)
Investing Activities			
Change in refundable taxes		(506,729)	(1,835,776)
Acquisition of Commonwealth, net of cash acquired		(9,795,555)	-
Expenditures on resource property costs		(15,283)	-
Expenditures on mineral property, plant and equipment		(1,100,307)	(3,054,655)
Long-term prepaid expenses, and other		-	(3,841)
		(11,417,874)	(4,894,272)
Financing Activities			
Common shares issued, net of share issuance costs		21,679,787	5,967,572
Interest received		11,031	-
Loans received		9,879,800	8,984,724
Loans repaid		(8,735,900)	-
Commonwealth Bridge Loan repaid		(2,550,000)	-
		20,284,718	14,952,296
Net increase in cash		897,063	700,464
Cash - beginning of period		683,951	8,268,765
Exchange loss on cash		15,681	15,989
Cash - end of period		1,596,695	8,985,218

Supplemental disclosure with respect to cash flows (Note 17)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Marlin Gold Mining Ltd. ("Marlin Gold" or the "Company") is a public company listed on the TSX Venture Exchange ("TSX-V") under the symbol "MLN". The Company is incorporated and domiciled in British Columbia, Canada. The address of its registered and head office is 250 - 1199 West Hastings Street, Vancouver, B.C. V6E 3T5. The Company is primarily engaged in the exploration for, development of and production of gold in Mexico, silver in Arizona and acquiring royalty streaming agreements. The Company's operations comprise one reportable segment, exploration and development of mineral properties. On November 1, 2014, the La Trinidad mine in Mexico commenced commercial production.

On May 21, 2015, the Company completed the acquisition of Commonwealth Silver and Gold Mining Inc. ("Commonwealth") (refer to Note 5).

These condensed interim consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of $16,375,255 (2014 - $1,049,412) and $21,459,839 (2014 - $1,526,551) for the three and six months ended June 30, 2015, respectively. As at June 30, 2015, the Company had an accumulated deficit of $78,415,052 and a working capital deficit of $10,595,172. While the Company has commenced commercial production it has not yet generated positive cash flows from operations. Subsequent to the period end, Wexford Loan B increased by an additional $11,166,850 (US$8,500,000) (refer to Notes 21 (c) and (d)) and the maturity date was extended from November 13, 2015 to January 15, 2017. These additional funds will be used to fund continued mining activities at the La Trinidad mine and exploration activities at the Commonwealth project.

In order for the Company to meet current cash commitments over the next twelve months, the Company is dependent on generating positive operating cash flow, renegotiating the repayment dates of its loans payable, collecting its value added taxes (IVA) receivable or obtaining additional financing. The Company has a controlling shareholder which has provided and backstopped $63,900,000 of equity financings and loans to date. However, there are no assurances that these initiatives will be successful and while management is confident that financing will be available from the Company's controlling shareholder, when and if needed, no assurances have been given to that effect.

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

These condensed interim consolidated financial statements were approved by the board of directors for issue on August 26, 2015.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports including International Accounting Standard 34 - *Interim Financial Reporting*. Therefore, these condensed interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are the same as those applied in the most recent annual consolidated financial statements and were consistently applied to all the periods presented unless otherwise noted.

These condensed interim consolidated financial statements are expressed in Canadian dollars and include the accounts of Marlin Gold Mining Ltd. and its subsidiaries. Subsidiaries are entities over which the Company has control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over its subsidiary. The Company's subsidiaries are:

Name of subsidiary	Refered to as	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Oro Silver Resources Ltd.	"Oro Silver"	Canada	100%	Parent of Minera Oro Silver
Marlin Gold Mining USA Ltd.	"Marlin Mining"	Canada	100%	Parent of Commonwealth (US)
Oro Gold de Mexico, S.A. de C.V.	"Oro Gold de Mexico"	Mexico	100%	Holds mineral interests in Mexico
Minera Oro Silver de Mexico, S.A. de C.V.	"Minera Oro Silver"	Mexico	100%	Holds mineral interests in Mexico
Prestadora de Servicos Zacatecas, S.A. de C.V.	"Prestadora"	Mexico	100%	Performs payroll functions in Mexico
Exploracion y Desarrollo Minero Oro, S.A. de C.V.	"EDM"	Mexico	100%	Inactive company in Mexico
Marlin Gold Trading Inc.	"Marlin Gold Trading"	Barbados	100%	Commodity streaming company
Marlin Gold US Corporation	"Marlin US"	USA	100%	Management services company
Commonwealth Silver and Gold Mining Corp.	"Commonwealth (US)"	USA	100%	Holds mineral interest in USA
Sailfish Royalty Corp.	"Sailfish"	British Virgin Islands	100%	Royalty / streaming company

All inter-company transactions, balances, revenue and expenses are eliminated in full on consolidation.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board issued the following new or revised pronouncements that may affect the Company's future financial statements. The Company is currently evaluating the impact on the financial statements.

IFRS 9: *Financial Instruments* ("IFRS 9"): This standard replaces the current IAS 39: *Financial Instruments Recognition and Measurement*. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The effective implementation date of IFRS 9 is January 1, 2018.

3. RECENT ACCOUNTING PRONOUNCEMENTS (cont'd)

IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15"): This standard replaces IAS 11: *Construction Contracts*, IAS 18: *Revenue* and IFRIC 13: *Customer Loyalty Programmes*. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. The latest date of mandatory implementation of IFRS 15 is January 1, 2017.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT

The preparation of these condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed at each period end. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty and associated assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the annual consolidated financial statements for the year ended December 31, 2014 and the following critical judgement and estimation uncertainty:

- Estimation of fair value of assets and liabilities acquired through an acquisition
- Judgement in determining whether an asset or disposal group is available for immediate sale
- Judgement in acquisition accounting
- Estimation of ore in process and production costs
- Estimation of recoverable ounces

Impairment indicators

Critical judgement was applied on the assessment of impairment indicators for the Company's property plant and equipment, investment in securities and resource property costs. Management determined that there was an impairment indicator at the year end and at June 30, 2015 and therefore completed an impairment assessment for the La Trinidad cash generating unit ("CGU"). The recoverable amount was determined as the fair value less direct costs of disposal ("FVLCD") using a discounted cash flow model. Management's impairment evaluation did result in the identification of an impairment loss as at June 30, 2015. Refer to note 8.

Fair value of assets and liabilities acquired through an acquisition

Judgment and estimates are used to determine the fair value of the assets and liabilities acquired resulting from an acquisition. In the determination of the fair value of the assets and liabilities, management makes certain judgments and estimates regarding mineral resources, exploration potential, economic lives, and reclamation costs, among others.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT (cont'd)

Asset held for sale

The Company applies judgment to determine whether an asset or disposal group is available for immediate sale in its present condition and that its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. Conditions that support a highly probable sale include the following: an appropriate level of management is committed to a plan to sell the asset or disposal group, an active program to locate a buyer and complete the plan has been initiated, the asset or disposal group has been actively marketed for sale at a price that is reasonable in relation to its current fair value, and the sale of the asset or disposal group is expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale. At June 30, 2015, the Company concluded that there were no assets or disposal groups that met these criteria as certain conditions must be present before the sale completes.

Acquisition accounting

The acquisition of a company may result in the reporting of the acquisition as a business combination or an asset acquisition as defined within IFRS. Judgment is required to determine the basis of accounting for the acquisition.

Ore in process / Production costs

The Company's management makes estimates of the amount of recoverable ounces in ore-in-process inventory which is used in the determination of the cost of goods sold during the period and ending inventory. Changes in these estimates can result in a change in carrying amount of inventories and mine operating costs of future periods. The Company monitors the recovery of gold ounces from the leach pad and may refine its estimate based on these results. Assumptions used in inventory valuation include tonnes mined, grams of gold per tonne, recovery rate based on the type of ore placed on the leach pad, assays of ore tonnes, solutions and gold on carbon, among others.

Estimated recoverable ounces

The carrying amount of the Company's mineral property is depleted based on estimated recoverable ounces. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Company's mine plans and changes in metal price forecasts can result in a change to future depletion rates.

Impairment of securities

At each reporting date, management conducts a review of the investment in securities to determine whether there are any indications of impairment. This determination requires significant judgment. In making this judgment, management evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying value; and the financial health of and business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

If the declines in fair value below carrying value are considered significant or prolonged, the Company will recognize a loss, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired available-for-sale financial asset to the consolidated statements of loss.

5. ACQUISTION OF COMMONWEALTH SILVER AND GOLD MINING INC. ("COMMONWEALTH")

On May 21, 2015, the Company completed the acquisition of all the issued and outstanding common shares of Commonwealth, a privately held entity, by way of a statutory plan of arrangement under the Canada Business Corporations Act (the "Arrangement"). The total cash consideration paid to the Commonwealth shareholders was $7,396,292. As part of the consideration, the Company also advanced $1,516,000 to settle liabilities. As part of the transaction, the Company assumed the $2,550,000 bridge loan that was provided to Commonwealth by the Wexford Funds ("the Commonwealth Bridge Loan").

As part of the Arrangement, the Company agreed to advance Commonwealth a break away fee of $400,000.

This transaction has been accounted for as an acquisition of assets and liabilities as Commonwealth did not constitute a business, as defined in IFRS 3. Other than a small working capital amount and the loan assumed the remainder of the value for this transaction was assigned to resource properties.

The purchase consideration was as follows:

Cash consideration	$	7,396,292
Loan advanced		1,516,000
Break away fee		400,000
Transaction costs		543,593
Total consideration	$	9,855,885

The allocation of the purchase price to the assets acquired and liabilities assumed is based upon estimated fair values at the date of acquisition as set out below:

Cash	$	60,330
Receivables		73,395
Prepaid expenses and other		23,217
Fixed assets		10,987
Resource properties		12,330,333
Accounts payable and accrued liabilities		(92,377)
Commonwealth Bridge Loan		(2,550,000)
Net assets acquired	$	9,855,885

The Commonwealth Bridge Loan had an interest rate of 15% until March 15, 2015 and thereafter 18%, compounded daily, until repaid. The Commonwealth Bridge Loan was repayable on or before August 11, 2015.

On June 8, 2015, the Company repaid the Commonwealth Bridge Loan and interest of $116,628. Interest of $24,863 was recorded in net loss and the remaining balance of $91,765 was included as part of the accrued liabilities acquired in the Commonwealth acquisition.

6. ACCOUNTS RECEIVABLE AND REFUNDABLE TAXES

	June 30, 2015	December 31, 2014
	$	$
Value added taxes (IVA)	5,474,845	4,558,695
Other	138,243	47,927
	5,613,088	4,606,622

IVA credit refundable is from the Government of Mexico and is currently calculated as 16% of expenditures in Mexico.

7. INVENTORIES

	June 30, 2015	December 31, 2014
	$	$
Ore in process	2,956,976	8,544,650
Finished metal inventory	911,223	1,885,013
Supplies and spare parts	1,318,240	1,129,260
Cumulative translation adjustment	1,033,026	202,896
	6,219,465	11,761,819

On June 30, 2015 and December 31, 2014, ore in process and finished metal inventory was recorded at net realizable value ("NRV").

For the three and six months ended June 30, 2015, the Company recorded a write down to NRV of $3,997,251 and $7,325,197, respectively, and an impairment write down of $6,007,494 and $6,007,494, respectively, related to changes in the expected recovery of gold ounces from mineralized material in the ore-in-process inventory. These write downs are included in production costs, refer to note 18.

8. MINERAL PROPERTY, PLANT AND EQUIPMENT

Cost:	Mine Property $	Mine construction and development costs $	Building $	Equipment $	Vehicles $	Total $
Balance, December 31, 2013	-	24,162,273	9,339	1,331,318	458,605	25,961,535
Net Additions	-	16,672,281	-	397,266	103,370	17,172,917
Reclassification (1)	40,834,554	(40,834,554)				-
Balance, December 31, 2014	40,834,554	-	9,339	1,728,584	561,975	43,134,452
Net Additions	5,304,705	-	-	245,311	-	5,550,016
Impairment	(1,700,000)	-	-	-	-	(1,700,000)
Balance, June 30, 2015	44,439,259	-	9,339	1,973,895	561,975	46,984,468
Accumulated depreciation:						
Balance, December 31, 2013	-	-	(1,959)	(515,481)	(97,458)	(614,898)
Depreciation for the year	(927,346)	-	(873)	(453,409)	(133,813)	(1,515,441)
Balance, December 31, 2014	(927,346)	-	(2,832)	(968,890)	(231,271)	(2,130,339)
Depreciation for the period	(2,096,648)	-	(434)	(226,526)	(60,426)	(2,384,034)
Balance, June 30, 2015	(3,023,994)	-	(3,266)	(1,195,416)	(291,697)	(4,514,373)
Cumulative translation adjustments:						
Balance, December 31, 2013	-	1,035,111	392	19,985	6,863	1,062,351
Balance, December 31, 2014	3,591,685	-	1,346	128,445	9,856	3,731,332
Balance, June 30, 2015	7,574,469	-	2,165	216,307	81,577	7,874,518
Net book value:						
Balance, December 31, 2013	-	25,197,384	7,772	835,822	368,010	26,408,988
Balance, December 31, 2014	43,498,893	-	7,853	888,139	340,560	44,735,445
Balance, June 30, 2015	48,989,734	-	8,238	994,786	351,855	50,344,613

(1) The La Trinidad mine commenced production on November 1, 2014, all mine construction and development costs have been reclassified to mine property.

Trinidad Area

The Trinidad area is located in Sinaloa, Mexico and is comprised of 9 concessions of which 6 are owned and 3 are optioned to the Company as follow:

Don Paulino Agreement

Certain concessions, including the Trinidad area concessions, Nancy, Santa Cesilia and La Poderosa, are subject to an option to purchase agreement originally dated February 9, 2006, (as amended) (the "Don Paulino Agreement"). Pursuant to the Don Paulino Agreement, the Company has the option to purchase all the concessions within nine years in consideration of an aggregate payment of US$600,000 and the grant of a 0.5% to 1.5% net smelter royalty ("NSR") payable upon exercise of the option and once the Company

8. MINERAL PROPERTY, PLANT AND EQUIPMENT (cont'd)

Trinidad Area *(cont'd)*

has recovered its initial investment or the mine has been in production for 2 years. The NSR consideration will be 0.5% if the price per ounce of gold is less than US$400; 1% if the price is greater than US$400 but less than US$499.99; and price per ounce of gold is less than US$400; 1% if the price is greater than US$400 but less than US$499.99; and 1.5% if the price is equal or greater than US$500. The NSR can be purchased by the Company for US$1,000,000.

During the year ended December 31, 2014 the Company made a US$150,000 payment bringing the total paid to US$430,000 pursuant to this agreement.

The next and final payment in the amount of US$170,000 was due March 22, 2015. At the request of the option holder, management has amended the payment terms whereby the Company will pay US$113,000 in May 2015 (paid) and US$57,000 in 2016.

On November 1, 2014, the Company determined that the La Trinidad mine had achieved commercial production.

Following is a detailed breakdown of mine construction and development costs.

	As at December 31, 2014	Additions	As at June 30, 2015
	$	$	$
Construction costs	19,875,938	-	19,875,938
Mine costs	7,649,125	633	7,649,758
Deferred stripping costs	4,932,351	5,110,494	10,042,845
Provision for reclamation and rehabilitation	3,150,288	193,578	3,343,866
Capitalized borrowing costs	784,792	-	784,792
Pre-commercial production loss	3,262,474	-	3,262,474
Reclassification from resource property costs	742,717	-	742,717
Property acquisition costs	436,869	-	436,869
	40,834,554	5,304,705	46,139,259
Cumulative translation adjustment	3,591,685	3,982,784	7,574,469
	44,426,239	9,287,489	53,713,728
Depreciation	(927,346)	(2,096,648)	(3,023,994)
	43,498,893	7,190,841	50,689,734
Impairment	-	(1,700,000)	(1,700,000)
Total Mine Property	43,498,893	5,490,841	48,989,734

8. MINERAL PROPERTY, PLANT AND EQUIPMENT (cont'd)

Impairment

During the three months ended June 30, 2015, the Company updated the La Trinidad life-of-mine plan based on 2014 year-end resource estimates. The finalized metallurgical report, updated resource estimates and change in assumption regarding La Trinidad resulted in a decline in the life-of-mine recovery rate and production ounces for the La Trinidad Mine. This was considered an impairment indicator at June 30, 2015.

The Company has performed an impairment test on the La Trinidad CGU. As a result of this assessment, the Company determined that an impairment charge is required for the La Trinidad Mine

The Company conducted an impairment analysis whereby the carrying values of the La Trinidad Mine were compared to the mine's recoverable amount which was determined to be its fair value using the FVLCD at June 30, 2015. In carrying out the review of the La Trinidad Mine for impairment, the Company utilized discounted cash flow models incorporating estimates and assumptions that included such factors as future production levels, metallurgical recovery estimates, operating and capital costs in its life-of-mine plan, future metal prices, foreign exchange rates and discount rates.

Management's estimate of the FVLCD of its CGUs is classified as level 3 in the fair value hierarchy. The Company's estimate of future cash flows is subject to risks and uncertainties and therefore could change in the future if the underlying assumptions change.

The determination of FVLCD as at June 30, 2015, includes the following key applicable assumptions:
- Gold price per ounce: US$1,230
- Operating and capital costs based on the resource report and estimated forecasts
- Production volume and recoveries as indicated in the life-of-mine plan
- Mine life 2017
- Discount rate 10%

The Company's analysis concluded that the carrying values of the La Trinidad Mine at June 30, 2015 was impaired resulting in an impairment charge of $1,700,000 in net loss.

9. RESOURCE PROPERTY COSTS

	Commonwealth	Other	El Rosario	El Compas	Total
	$	$	$	$	$
Balance -December 31, 2014	-	-	383,561	2,974,810	3,358,371
Acquisition	11,597,185	733,148	-	-	12,330,333
Additions	15,283	-	-	-	15,283
Write down of acquisition costs	-	-	-	(1,400,000)	(1,400,000)
Resource property costs for the period	11,612,468	733,148	383,561	1,574,810	14,303,987
Cumulative translation adjustment			39,161	147,690	186,851
Balance - June 30, 2015	11,612,468	733,148	422,722	1,722,500	14,490,838

	El Rosario	El Compas	Total
	$	$	$
Balance -December 31, 2013	340,950	9,855,491	10,196,441
Acquisition	-	-	-
Write down of acquisition costs	-	(7,768,280)	(7,768,280)
Resource property costs for the year	-	(7,768,280)	(7,768,280)
Cumulative translation adjustment	42,611	887,599	930,210
Balance - December 31, 2014	383,561	2,974,810	3,358,371

On May 21, 2015, the Company acquired the interest in the Commonwealth Project and the Blue Jeep, San Ignacio and Six Mile Hill properties (collectively, "Other") in Arizona, United States.

(a) Commonwealth Project

On February 11, 2011, Commonwealth (US), signed a definitive lease with option to purchase agreement (the "Commonwealth Agreement"), with the underlying property owners to acquire an 88% interest in eight patented mining claims hosting the historic Commonwealth Mine and 100% of the mineral rights on ten adjoining unpatented mining claims in Cochise County, Arizona. To maintain the Commonwealth Agreement, the Company is required to make option payments totaling US$4,500,000 (US$1,050,000 paid) over a five year period (see table below for the remaining payments outstanding). These mineral claims are subject to a 2% net smelter return ("NSR") royalty on all mineral production from the unpatented mining claims and on 88% of mineral production from the patented mining claims, up to 1% of which can be bought back at any time at the Company's discretion for US$2,000,000 in two separate payments of US$1,000,000, each for 0.5%.

There is no minimum annual work commitment in addition to the property option payments. The payments can be accelerated at any time at the Company's discretion. Upon completion of the property option payments, title in the mining claims will be transferred to the Company. The US$4,500,000 in property option payments represents an advance against the future NSR. Accordingly, in the event that the property goes into production, the entire amount of the purchase price of the property will be recovered through a credit for pre-payment of the first US$4,500,000 of the NSR. The Company shall have the right to transfer its interest in the property at all times and the property can be abandoned by the Company at any time with no further amounts owing.

9. RESOURCE PROPERTY COSTS (cont'd)

(a) Commonwealth Project (cont'd)

During 2011, Commonwealth (US) completed the outright purchase of an additional 10% interest in the eight patented mining claims, covered by the Commonwealth Agreement, from a separate group of property owners, bringing the Company's interest in the Commonwealth Project to 98%. There is no royalty on this 10% interest. In addition, Commonwealth (US) also acquired a 100% ownership interest in the mineral rights on twelve unpatented mining claims and mineral and surface rights on a private parcel of land, all adjoining the mining claims covered by the Commonwealth Agreement.

In July 2014, Commonwealth (US) purchased two residential properties in the town of Pearce, Cochise County, Arizona.

(b) Other (Blue Jeep, San Ignacio, Six Mile Hill Projects)

On January 25, 2011, Commonwealth (US) signed a definitive lease with option to purchase agreement (the "Cartmell Agreement"), with the underlying property owners to acquire a 100% interest in the mineral rights on thirty-four unpatented mining claims in Cochise County, Arizona. These mining claims surround the historic Commonwealth Mine in Pearce, Arizona and include the Blue Jeep, San Ignacio and Six Mile Hill properties. The Blue Jeep property consists of ten contiguous mining claims known as Blue Jeep 1 through 9 and the Brindle Steer. The San Ignacio property consists of eighteen mining claims known as San Ignacio 1 through 18. The Six Mile Hill property consists of six mining claims known as San Ramon 1 through 6.

To maintain the Cartmell Agreement, the Company is required to make option payments totaling US$2,000,000 (US$650,000 paid) (see table below for remaining payment details). These mineral claims are subject to a 2% NSR royalty on all mineral production, 1% of which can be bought back at any time at the Company's option for US$1,000,000. There is no minimum annual work commitment and the payments can be accelerated at any time at the Company's discretion. Upon completion of the property option payments, title in the mining claims will be transferred to the Company. The US$2,000,000 in property option payments represents an advance against the future NSR.

Accordingly, in the event that the property goes into production, the entire amount of the purchase price of the property will be recovered through a credit for pre-payment of the first US$2,000,000 of the NSR. The Company shall have the right to transfer its interest in the property at all times and the property can be abandoned by the Company at any time with no further amounts owing.

Schedule of the remaining property option payments
(amounts in US dollars)

Payment due date	Commonwealth	Other	Total
July 25, 2015 *(i)*	$ 200,000	$ 100,000	$ 300,000
January 25, 2016	3,250,000	1,250,000	4,500,000
Total	**$ 3,450,000**	**$ 1,350,000**	**$ 4,800,000**

(i) Paid subsequent to June 30, 2015.

9. RESOURCE PROPERTY COSTS (cont'd)

(c) El Compas Area

The El Compas area, subdivided in 2 properties, is located in the state of Zacatecas, Mexico and consists of 24 owned concessions and 1 concession application. Six concessions within the El Compas Area (the "Altiplano property") are subject to a 3% NSR royalty payable on production, half of which can be purchased by the Company for US$1,500,000.

On December 31, 2014, management concluded no further exploration or evaluation was planned for this property and an impairment provision of $$7,768,280 was recorded against the carrying amount of El Compas. As at June 30, 2015, the Company revised the estimated recoverable amount of El Compas based on management's best estimate of the fair value of the common shares to be received based on the letter of intent ("LOI") (refer to Note 21) using a five-day volume weighted average price of $0.07 per common share on the day the LOI was signed. This resulted in further impairment of $1,400,000 in the period ended June 30, 2015. Actual fair value of the common shares receivable upon closing may significantly change. This represents a level 2 fair value measurement.

(d) El Rosario Area

The El Rosario area includes the Cimarron and San Isidro properties.

Cimarron

On November 30, 2011, the Company and DFX Exploration Ltd. ("DFX"), entered into a joint venture agreement for the Company's 100% owned Cimarron property which was subsequently transferred to Goldplay de Mexico SA de CV. ("Goldplay").

On April 30, 2014, the joint venture agreement was amended to extend the acquisition timeframe of the initial 80% interest by incurring $3,000,000 in exploration expenditures from November 30, 2014 to June 30, 2016 with an automatic extension to November 30, 2016, only if Goldplay incurs certain additional expenditures, as defined, on the Cimarron property between April 30, 2014 and June 30, 2016. In addition, Goldplay may acquire the remaining 20% interest in the Cimarron property by paying Marlin Gold $5 million in cash or, at the election of Goldplay, in shares providing they are listed on the TSX Venture Exchange or Toronto Stock Exchange within six months of the initial exercise of the 80% interest. The Company will retain a 1% NSR or the right to acquire certain underlying third party NSRs from any future production from the optioned property.

10. INVESTMENT IN SECURITIES

On July 10, 2014, the Company acquired ownership of 21,333,333 common shares (the "Acquired Shares") of Golden Reign representing approximately 18.51% of the issued and outstanding common shares of Golden Reign at the acquisition date. The Acquired Shares were purchased at a price of $0.15 per Acquired Share, for aggregate gross proceeds of $3,200,000.

Concurrent with the purchase of the Acquired Shares, the Company and Golden Reign entered into a US$15,000,000 (the "Purchase Price") Gold Streaming Arrangement (the "Arrangement") for the construction and development of Golden Reign's San Albino gold deposit, located in Nueva Segovia, Nicaragua. The Purchase Price is only due once a preliminary cost assessment report has been provided for the development of the Golden Reign's San Albino gold deposit and has been approved by Sailfish. Upon execution of the Agreement, Sailfish earned a facilitation fee of $266,439 (US$250,000) which is included in interest and other income in the statement of net loss.

Under the Arrangement, the Company's wholly-owned subsidiary, Sailfish, will be entitled to purchase 40% of gold production from the San Albino gold deposit, at US$700 per troy ounce, subject to a 1% per year cost escalation beginning three years from commercial production, until Sailfish recovers US$19.6 million. Thereafter, Sailfish will be entitled to purchase 20% of gold production at US$700 per troy ounce and is subject to a 1% per year cost escalation beginning three years from commercial production, plus 50% of the price differential above US$1,200 per troy ounce subject to certain adjustments.

Prior to commercial production Sailfish will be entitled to receive an 8% semi-annual coupon payment on the Purchase Price and Golden Reign will be required to make minimum monthly payments of US$282,800 per month when commercial production commences.

The investment in Golden Reign is classified as available-for-sale and is measured at fair value with changes in fair value recognized in other comprehensive income. During the three months ended June 30, 2015, management made the assessment that the investment in Golden Reign had experienced a prolonged decline in fair value. Accordingly, an impairment of $1,359,534 was transferred from accumulated other comprehensive loss and recognized in net loss.

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized - Unlimited number of common shares with no par value.

(b) Issued share capital is as follows:

(i) On June 3, 2015, the Company completed a non-brokered private placement equity financing with Wexford Spectrum Trading Limited ("WST") and Wexford Catalyst Trading Limited ("WCT") (together the "Wexford Funds"), existing shareholders of the Company, issuing 18,571,429 common shares to WST, and 4,642,857 common shares to WCT, for gross proceeds to the Company of $13,000,000. The Company did not pay any broker or finder's fees.

(ii) On May 27, 2015, the Company issued 100,000 common shares of the Company to Sprott in lieu of a waiver to the Sprott Loan (refer to Note 16(a)). The fair value of the common shares was $0.62, per common share, determined using the issue date closing price

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd)

(b) Issued share capital is as follows (cont'd):

(iii) On May 20, 2015, the Company completed a non-brokered private placement equity financing with the Wexford Funds, issuing 13,281,250 common shares to WST, and 2,343,750 common shares to WCT, for gross proceeds to the Company of $8,750,000. The Company did not pay any broker or finder's fees.

(iv) For the six months ended June 30, 2015, share issue costs of $70,213 were incurred.

(v) On December 15, 2014, the Company issued 1,700,000 common shares of the Company to a mining contractor in lieu of $1,480,726 (US$1,270,355) services provided.

(vi) On November 14, 2014, the Company issued 100,000 common shares of the Company to Sprott in lieu of a waiver to the Sprott Loan (refer to Note 15(a)). The fair value of the common shares was $0.65, per common share, determined using the issue date closing price

(vii) On July 14, 2014, the Company effected the consolidation of all of its issued and outstanding common shares on the basis of one new common share for ten previously issued and outstanding common shares.

(viii) On May 30, 2014, the Company completed a non-brokered private placement equity financing comprised of 1,000,000 common shares (10,000,000 pre-Share Consolidation) for gross proceeds of $1,000,000. The Company did not pay any broker or finder's fees. Share issue costs of $6,678 were incurred.

(ix) On April 22, 2014, the Company completed a non-brokered private placement equity financing with Wexford Spectrum Trading Limited ("WST") and Wexford Catalyst Trading Limited ("WCT") (together the "Wexford Funds"), existing shareholders of the Company, issuing 4,000,000 common shares (40,000,000 pre-Share Consolidation) to WST, and 1,000,000 common shares (10,000,000 pre-Share Consolidation) to WCT, for gross proceeds to the Company of $5,000,000.

On a non-diluted basis and after giving effect to the above offering, Wexford Funds' ownership percentage has increased from 79.42% to approximately 79.74% of the Company's issued and outstanding common shares. The Company did not pay any broker or finder's fees. Share issue costs of $25,750 were incurred.

(c) Stock options

The Company has a share option plan for its employees, directors, officers and consultants. The plan provides for the issuance of incentive options to acquire up to a total of 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the minimum prescribed amount allowed under the TSX Venture. The options can be granted for a maximum term of 5 years with vesting provisions if determined by the Company.

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd)

(c) Stock options (cont'd)

The continuity of incentive stock options issued and outstanding is as follows:

	Number of Options	Weighted Average Exercise Price $
Outstanding, December 31, 2013	697,125	2.30
Expired during year	(189,500)	2.68
Outstanding, December 31, 2014	507,625	2.18
Expired during period	(280,625)	2.61
Outstanding, June 30, 2015	152,000	1.37

No options were granted or vested during the six months ended June 30, 2015.

As of June 30, 2015, the following options were outstanding and vested:

Range of Exercise Prices Low – High $	Number of Options Outstanding and Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price $
1.10 – 1.40	130,000	1.55	1.33
3.80	12,000	0.29	3.80
5.10	10,000	0.35	5.10
	152,000	1.37	1.77

(d) Share Purchase Warrants

The continuity of share purchase warrants granted and outstanding is as follows:

	Number of Warrants	Weighted Average Exercise Price $
Outstanding, December 31, 2013	3,951,035	2.00
Expired during 2014	(3,951,035)	2.00
Outstanding, December 31, 2014 and June 30, 2015	-	-

12. RELATED PARTIES

(a) Key management compensation

During the three and six months ended June 30, 2015, the following compensation was paid and accrued to key management. This compensation is included in exploration costs, administrative costs and in mine construction and development costs.

Key management comprises directors and executive officers. The compensation to key management was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Short-term employment benefits				
Directors	$ 13,750	$ 13,750	$ 27,637	$ 28,289
Senior management	462,943	209,680	728,558	868,464
Total	$ 476,693	$ 223,430	$ 756,195	$ 896,753

Amounts due to key management as at June 30, 2015 were $50,598, and as at December 31, 2014 were $167,801.

(b) Related party transactions

The Company entered into the following related party transactions:

(i) During the six months ended June 30, 2015, fees relating to management, geological, and mining consulting services of $29,325 (US$23,108) (2014 - $ Nil) were charged by a private company controlled by two directors of the Company via an intermediate corporation. Charges of $5,516 (US$4,350) are included in consulting fees and charges of $23,809 (US$18,758) are included in the transaction costs for the acquisition of Commonwealth. During the six months ended June 30, 2015, $29,325 (US$23,108) was offset against the amounts due from Sonoran Resources LLC ("Sonoran") (see below).

There were no transactions during the three months ended June 30, 2015 and 2014.

During the year ended December 31, 2014, $270,811 (US$238,479) was offset against the amounts due from Sonoran. Amounts payable as at June 30, 2015 were $Nil (December 31, 2014 - $Nil).

12. RELATED PARTIES (cont'd)

(b) Related party transactions (cont'd)

(ii) During the three months ended June 30, 2015, fees relating to management, geological, and mining consulting services of $698,142 (US$571,306) (2014 - US$ Nil) were charged by Sonoran. Charges of $680,163 (US$556,717) are included in consulting fees and charges of $17,982 (US$14,589) are included in travel expenses.

During the six months ended June 30, 2015, fees relating to investor relations, management, geological and mining consulting services of $732,737 (US$598,941) (2014 - US$ Nil) were charged by Sonoran. Charges of $692,657 (US$566,781) are included in consulting fees, charges of $22,098 (US$17,572) are included in investor relations expenses and charges of $17,982 (US$14,589) are included in travel expenses. During the six months ended June 30, 2015, $34,595 (US$27,635) was offset against the amounts due from Sonoran (see below).

During the year ended December 31, 2014 - $13,393 (US$11,997) was offset against the amounts due from Sonoran. Amounts payable to Sonoran as at June 30, 2015 were $Nil (December 31, 2014 - $Nil).

During the quarter ended March 31, 2014 Sonoran became a related party as two of its principals become directors of the Company, and as a consequence the Company re-classified the amounts due from Sonoran from accounts receivable and refundable taxes to due from related parties. As at June 30, 2015, one of Sonoran's principals continues to be a director of the Company.

On December 15, 2014, the Company revised the repayment terms and now the Sonoran Loan is payable on demand. As at June 30, 2015, the balance receivable from the Sonoran Loan was $Nil. The following transactions took place with regards to the balance receivable from the Sonoran Loan:

	Six months ended June 30, 2015	Year ended December 31, 2014
Balance outstanding, beginning of period	$ 63,889	$ 327,903
Foreign exchange	5,531	12,969
Cash received	-	(5,474)
Related parties invoices, offset	(63,920)	(284,204)
Director fees, offset	(6,250)	(21,057)
Interest receivable	750	33,752
Balance outstanding, end of period	$ -	$ 63,889

(c) Transactions with controlling shareholder

(i) During the six months ended June 30, 2015, the Company closed two non-brokered private placement ("Private Placement") equity financings with the Wexford Funds, existing shareholders of the Company. The Company issued 38,839,286 common shares for gross proceeds of $21,750,000. As at June 30, 2015, the Wexford Funds held 92,802,968 common

12. RELATED PARTIES (cont'd)

(c) Transactions with controlling shareholder (cont'd)

shares of the Company after the disposal of 5,040,000 common shares.

On a non-diluted basis and after giving effect to the above offering and subsequent disposal, Wexford Funds' ownership percentage has increased from 77.84% to 80.88% of the Company's issued and outstanding common shares.

On April 22, 2014, the Company closed a Private Placement equity financing with the Wexford Funds. The Company issued 5,000,000 common shares at a purchase price per common share of $1.00 for gross proceeds of $5,000,000.

(ii) During the six months ended June 30, 2015, the Wexford Funds loaned the Company an additional US$8,000,000. During the year ended December 31, 2014, the Wexford Funds loaned the Company US$6,000,000 (Refer to Notes 16(b)). As at June 30, 2015, US$11,000,000 (December 31, 2014 – US$6,000,000) is payable by the Company to the Wexford Funds.

For the three months ended June 30, 2015, interest of $132,936 (2014 - $Nil) was paid and interest of $382,448 (2014 - $Nil) was accrued on the Wexford Loans and is disclosed as accounts payable and accrued liabilities.

For the six months ended June 30, 2015, interest of $132,936 (2014 - $Nil) was paid and interest of $580,710 (2014 - $Nil) was accrued on the Wexford Loans and is disclosed as accounts payable and accrued liabilities.

(iii) As part of the Commonwealth acquisition (refer to Note 5), the Company assumed the Wexford Fund bridge loan of $2,550,000 to Commonwealth. The loan and interest of $116,628 was repaid to the Wexford Funds on June 8, 2015.

13. COMMITMENTS

The Company has entered into an operating lease in Canada and in the United States expiring June 30, 2016 and August 31, 2016, respectively. The monthly lease payments include rent, operating costs and property taxes. As of June 30, 2015 the aggregate lease commitments to August 31, 2016 are $116,679.

14. CONTINGENCY

On August 13, 2014 the Company received notice that recently appointed committee members of the community of Maloya, Mexico, are challenging the legitimacy of the Company's surface rights and occupation agreement. The Company prepared a response to the notice of claim and stands by the legitimacy of the agreement and will vigorously defend against this claim. As at June 30, 2015, the Company determined a provision was not required for this matter, as it has assessed that an outflow of economic resources is not probable.

15. RECLAMATION AND REHABILITATION OBLIGATIONS

The provision for environmental reclamation and rehabilitation as at June 30, 2015 is $3,870,833 (December 31, 2014 - $3,396,312). The expected timing of cash flows in respect of the provision is based on the estimated life of the mining operation. The provision was determined using a discount rate of 1.14% (2014 – 1.38%) and an estimated cash outflows commencing in 3.50 years (2014 - 4 years) for the La Trinidad property.

Balance - December 31, 2013	$	971,380
New and changes in estimate to provisions for reclamation and rehabilitation		2,183,451
Accretion expense		44,691
Cumulative translation adjustment		196,790
Balance - December 31, 2014	$	3,396,312
New and changes in estimate to provisions for reclamation and rehabilitation		193,578
Accretion expense		21,658
Cumulative translation adjustment		259,285
Balance - June 30, 2015	$	3,870,833

16. LOANS

	June 30, 2015	December 31, 2014
Sprott Loan	$ 4,735,617	$ 9,376,578
Wexford Loan A	-	3,384,058
Wexford Loan B	13,739,000	3,480,300
	$ 18,474,617	$ 16,240,936

(a) Sprott Loan

On May 14, 2014, the Company entered into a credit facility with Sprott Resource Lending Partnership ("Sprott") for $10,000,000 (the "Sprott Loan"). The Sprott Loan bears interest at a rate of 10% per annum, payable monthly and is secured against all of the assets of the Company and the majority of the assets of its subsidiaries. However, the conditions of the Sprott Loan allow for the shares of Sailfish to be distributed by Marlin Gold to its shareholders on a pro-rata basis. The Sprott Loan will be payable in full on or before October 31, 2015, subject to certain prepayment conditions.

In the event the Company repays the balance outstanding before October 31, 2015, the Company is required to pay the equivalent of not less than six months of interest on the amount so prepaid, including payments of interest made prior to the prepayment of the Sprott Loan. Also, in the event the Company sells an asset for cash in excess of $1,000,000 or completes an equity financing for gross proceeds of more than $1,000,000 such proceeds, less allowable deductions, are to be used to reduce the balance owing to Sprott to the extent the asset sale or equity financing causes the Company's cash balance to exceed $1,000,000 ("Mandatory Prepayment Covenant").

16. LOANS (cont'd)

(a) Sprott Loan (cont'd)

Sprott was paid a bonus in the amount of $500,000 and Medalist Capital Ltd. was paid a finder's fee in the amount of $200,000 in connection with the Sprott Loan. The Company also paid Sprott a structuring fee of $200,000. The Company has recorded borrowing costs of $1,015,276 that are directly attributable to securing the Sprott Loan, against the balance of the debt and will amortize these fees and calculated interest using an effective interest rate of 19.19%.

The Company recorded an interest expense of $392,300 (2014 - $128,392) during the three months ended June 30, 2015, and an interest expense of $813,829 (2014 - $128,392) during the six months ended June 30, 2015, relating to the Sprott Loan.

During the year ended December 31, 2014, the Company recorded interest expense of $994,598 relating to the Loan, of which $713,243 was capitalized to mine construction and development costs as part of qualifying mining properties and the remaining balance of $281,355 was expensed in the statement of loss.

On November 14, 2014, the Company issued 100,000 common shares of the Company to Sprott in lieu of receiving a waiver from Sprott Loan on receiving the Wexford Loan B funds (see (b) below).

The Sprott Loan contains certain financial covenants, including a requirement to maintain at all times a minimum working capital of $2,000,000 ("Working Capital Covenant") and an unrestricted cash and cash equivalent balance of $1,000,000, with gold bullion on hand included in the definition of cash and cash equivalents ("Cash and Cash Equivalent Covenant").

The terms of the Sprott Loan also requires the Company to seek written consent prior to undertaking certain activities, including but not limited to payment of dividends, obtaining additional or repayment of indebtedness, disposal of material assets and purchase of securities.

On May 14, 2015, Sprott and the Company entered into a modification agreement whereby the Company agreed to make a prepayment on the Sprott Loan of $5,000,000 on or before June 1, 2015 (paid).

On May 27, 2015, the Company issued 100,000 common shares of the Company to Sprott in consideration for the waiver of the Cash and Cash Equivalent Covenant and the Mandatory Prepayment Covenant.

(b) Wexford Loan

(i) Wexford Loan A

On September 9, 2014, the Company entered into a term facility with the Wexford Funds for US$3,000,000 (the "Wexford Loan A"). Wexford Loan A bears interest at a rate of 15% per annum, payable on the date of the first drawdown and is not secured. Wexford Loan A was

16. LOANS (cont'd)

(b) Wexford Loan (cont'd)

(ii) Wexford Loan A (cont'd)

originally payable in full on or before March 7, 2015. The Company is required to make payments on Wexford Loan A from any funds received from: (i) the IVA refund; and (ii) proceeds of any equity financing, subject, in the case of any equity financing that separately or together with any other equity financings exceed C$1,000,000, to receipt of waiver from Sprott under the Sprott Loan.

On September 10, 2014, US$3,000,000 was drawn down on the facility and interest payable by way of an original issue discount of $246,301 (US$225,000) was paid. The Company has recorded the interest paid against the balance of the debt and will amortize the interest using an effective interest rate of 17.34%.

For the year ended December 31, 2014, the Company incurred interest expense of $155,490 relating to Wexford Loan A, of which $71,553 has been capitalized to mine construction and development costs as part of qualifying mining properties and the remaining balance of $83,937 was expensed in the statement of loss.

On March 7, 2015, the Company and the Wexford Funds agreed to revise the repayment terms of the Wexford Loan A and now the balance is payable on demand.

On June 3, 2015, the Wexford Loan A was repaid and interest of $132,936 (US$107,260.27) was paid.

For the six months ended June 30, 2015, the Company incurred interest expense of $223,754 relating to Wexford Loan A, all of which was expensed in the statement of loss.

(iii) Wexford Loan B

On November 13, 2014, an additional US$3,000,000 was borrowed by the Company (the "Wexford Loan B"). The Wexford Loan B bears interest at a rate of 15% per annum, payable in full on or before November 13, 2015 (refer to note 21 (d)).

On February 20, 2015, Wexford Funds loaned an additional US$3,000,000 to the Company, increasing the Wexford Loan B from US$3,000,000 to US$6,000,000. On May 19, 2015, the Wexford Funds loaned a further US$5,000,000 to the Company, increasing the Wexford Loan B from US$6,000,000 to US$11,000,000 (refer to note 21 (c) and (d)). .

For the three and six months ended June 30, 2015, the Company accrued interest of $382,448 (2014 - $Nil) and $580,710 (2014 - $Nil), respectively on the Wexford Loans, all of which was expensed in the statement of loss.

For the six months ended June 30, 2015, IVA refunds of approximately $3,060,000 (December 31, 2014 - $1,800,000) were received, to which the Wexford Funds waived their right to receive payment.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Six months ended June 30,	
	2015	**2014**
The significant non-cash investing transactions consisted of:		
Change in property, plant and equipment included in accounts payable and accrued liabilities	$ 3,788,726	$ -
Accretion of borrowing costs included in interest expense	449,852	-
Total interest paid	413,699	-

	Six months ended June 30,	
	2015	**2014**
Non-cash items:		
Accretion expense	$ 21,658	$ -
Interest expense	511,852	-
Depreciation, depletion and amortization	2,927,458	9,168
Interest due from related party	(11,781)	-
Impairment of mineral properties	1,700,000	-
Write-down in securities	1,359,534	-
Write-off of resource properties	1,400,000	-
Unrealized foreign exchange	440,129	129,685

18. PRODUCTION COSTS

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Mining, crushing and conveying, and processing	$ 5,592,713	$ -	$ 9,938,224	$ -
Mine general and administrative	1,415,237	-	2,706,116	-
Laboratory	134,648	-	266,297	-
Refining	20,298	-	32,790	-
Selling expenses and silver credits	9,562	-	8,788	-
Mining tax	74,989	-	74,989	-
	$ 7,247,447	$ -	$ 13,027,204	$ -

For the three and six months ended June 30, 2015, the Company recorded a write down to NRV of $3,997,251 and $7,325,197, respectively, and an impairment write down of $6,007,494 and $6,007,494, respectively, related to changes in the expected recovery of gold ounces from mineralized material in the ore-in-process inventory.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from relevant markets.

The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

As at June 30, 2015 and December 31, 2014, the carrying values, fair market values, and fair value hierarchical classification of the Company's financial instruments are as follows:

Investment in securities is measured using level 1. The Loans are classified as other financial liabilities and are carried at amortized cost. The fair value of all other financial instruments, other than marketable securities which are carried at fair value, approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. However, due to going concern risk the fair value of accounts payable and accrued liabilities is less than carrying value.

20. SEGMENT INFORMATION

As at June 30, 2015, the Company has two business segment, the production of gold and exploration of resources. The Company's principal product is gold doré with the refined gold bullion sold in the London spot market by the subsidiary in Barbados. The gold doré is produced at the La Trinidad mine in Mexico. All of the Company's significant non-current assets are distributed by geographic locations as follows:

As at	June 30, 2015		December 31, 2014	
	Mineral property, plant and equipment	Resource property costs	Mineral property, plant and equipment	Resource property costs
Mexico	$ 50,299,904	$ 2,145,222	$ 44,708,705	$ 3,358,371
Canada	20,611	-	24,616	-
USA	24,098	12,345,616	2,124	-
Total	$ 50,344,613	$ 14,490,838	$ 44,735,445	$ 3,358,371

21. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in these condensed interim consolidated financial statements the following events occurred after the reporting period:

(a) On July 3, 2015, the Company signed a letter of intent ("LOI") with Canarc Resource Corp. ("Canarc") whereby Canarc may acquire 100% of the shares in the Company's wholly owned subsidiary company, Oro Silver (the "Transaction"), which owns the fully permitted El Compas Gold-Silver Mining Project (El Compas) in Zacatecas, Mexico. Based on a definitive agreement, Canarc will issue the Company a total of 19 million Canarc common shares in exchange for a 100% interest in Oro Silver. Additionally, on each of the first three anniversaries of the definitive agreement, 55 troy ounces of gold (or the US dollar equivalent) will be paid by Canarc to the Company.

The Company will retain the Altiplano royalty buy back option where it can repurchase a 1.5% NSR on certain mining claims for US$1.5 million, and it will receive a 1.5% NSR on all Non-Altiplano claims that currently have no royalty associated with them.

Closing of the definitive agreement will be contingent on Canarc raising equity financing of approximately $750,000 by way of private placement. The Company will place a lead order of $100,000 for this financing.

(b) On July 30, 2015, the Company's shareholders approved a Restricted Stock Unit (''RSU'') plan whereby restricted share units may be granted to senior management of the Company. Once vested, an RSU is exercisable into one common share entitling the holder to receive the common share for no additional consideration. The current maximum number of common shares authorized for issue under the RSU plan is 3,500,000. The Company issued 2,000,000 RSUs of which 500,001 vested immediately with the remainder vesting quarterly till October 1, 2017.

(c) On July 24, 2015, the Wexford Funds loaned $2,607,000 (US$2,000,000) increasing the Wexford Loan B to US$13,000,000.

(d) On August 21, 2015, the Wexford Funds loaned an additional $8,559,850 (US$6,500,000) increasing the Wexford Loan B to US$19,500,000 and extended the maturity date from November 13, 2015 to January 15, 2017. The Company is in the process of finalizing the necessary waivers.