

Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2016 and 2015
(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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

As at	Notes	March 31, 2016 $	December 31, 2015 $
ASSETS			
Cash		3,989,877	2,835,363
Receivable and refundable taxes	6, 7	7,269,572	6,778,050
Inventories	8	4,897,572	6,648,162
Investment in securities	9	6,850,045	2,557,210
Prepaid expenses, and other		112,248	248,964
		23,119,314	19,067,749
Mineral property, plant and equipment	11	39,621,106	37,464,369
Resource property costs	12	14,940,146	14,719,801
Other assets	6, 10, 12	961,354	662,046
		78,641,920	71,913,965
LIABILITIES			
Accounts payables and accrued liabilities	14(b)&(c)	11,881,205	7,133,357
Due to related parties	14(a)	98,098	83,098
		11,979,303	7,216,455
Deferred tax liability	21	2,079,000	2,079,000
Loans	18	51,217,479	45,068,751
Provision for reclamation and rehabilitation	17	4,828,969	4,745,001
		70,104,751	59,109,207
SHAREHOLDERS' EQUITY			
Share capital	13	104,477,779	104,462,869
Contributed surplus		11,162,377	11,003,696
Accumulated other comprehensive income		16,002,215	15,240,911
Deficit		(123,105,202)	(117,902,718)
		8,537,169	12,804,758
		78,641,920	71,913,965

Nature of operations and liquidity (Note 1)

Approved on behalf of the Board of Directors:

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

"John Pontius"
Director

For the three months ended March 31,	Notes	2016 $	2015 $
Revenue		3,720,399	7,603,644
Cost of Sales			
Production costs	20	3,607,442	5,779,757
Write down to NRV	8	3,256,071	3,327,946
Depreciation, depletion and amortization		889,363	908,572
		7,752,876	10,016,275
Gross profit / (loss)		(4,032,477)	(2,412,631)
Operating and Administrative Expenses			
Accounting and legal		69,550	19,560
Exploration expenses		84,895	79,944
General office and rent	14(a)	481,019	229,221
Management and consulting fees	14(a)	515,277	286,062
Salaries, benefits and bonuses	14(a)	47,507	23,452
Share-based payment	13(e) & 14(a)	205,931	-
Transfer agent fees and regulatory fees		1,329	18,052
Other expenses and (income)			
Accretion expense	17	9,658	10,674
Foreign exchange loss (gain)		(1,995,900)	1,264,998
Interest and other income		(6,496)	(8,019)
Interest expense	18	1,823,823	748,009
Change in fair value of Deferred Consideration Receivable	6	(22,497)	-
Gain in change in fair value of securities	9	(44,089)	-
Net loss for the period		5,202,484	5,084,584
Other comprehensive (income) loss for the period:			
Items subject to reclassification into statement of loss			
Net change in fair value of available-for-sale securities	9	(3,062,424)	1,572,867
Cumulative translation adjustment		2,301,120	(8,180,913)
Other comprehensive (income) loss for the period		(761,304)	(6,608,046)
Comprehensive loss (gain) for the period		4,441,180	(1,523,462)
Basic and diluted loss from continued operations per share		$ 0.05	$ 0.07
Weighted average number of shares outstanding		115,439,929	72,799,003

For the three months ended March 31,	Notes	2016	2015
		$	$
Cash provided by (used for):			
Operating Activities			
Net loss for the period		(5,202,484)	(5,084,584)
Non-cash items	19	3,323,110	1,896,668
		(1,879,374)	(3,187,916)
Changes in non-cash working capital			
Receivable and refundable taxes		(976,686)	(174,795)
Prepaid expenses, and other		85,368	(701,179)
Inventories		(2,003,477)	(442,238)
Accounts payable and accrued liabilities		2,847,051	4,361,316
Due to / from related parties		15,000	(26,927)
		(1,912,118)	(171,739)
Investing Activities			
Change in refundable taxes		-	(1,186,915)
Deferred expenses		-	(526,049)
Interest received		6,496	313
Purchase of investment securities		(813,002)	-
Expenditures on resource property costs		(452,505)	-
Expenditures on mineral property, plant and equipment		(2,524,148)	(2,146,359)
Other assets		(299,308)	-
		(4,082,467)	(3,859,010)
Financing Activities			
Common shares purchased and returned to treasury		(32,340)	-
Loans received		7,432,250	3,763,800
		7,399,910	3,763,800
Net increase (decrease) in cash		1,405,325	(266,949)
Cash - beginning of period		2,835,363	683,951
Exchange (gain) loss on cash		(250,811)	(1,580)
Cash - end of period		3,989,877	415,422

Supplemental disclosure with respect to cash flows (Note 19)

	Shareholders' Equity					
	Number of shares	Amount	Contributed surplus	Accumulated other comprehensive income / (loss)	Deficit	Total
		$	$	$	$	$
Balance, December 31, 2014	75,799,003	82,539,082	10,896,076	4,464,810	(56,955,213)	40,944,755
Other comprehensive income	-	-	-	6,608,046	-	6,608,046
Net loss	-	-	-	-	(5,084,584)	(5,084,584)
Balance, March 31, 2015	75,799,003	82,539,082	10,896,076	11,072,856	(62,039,797)	42,468,217
Equity financing	38,839,286	21,750,000	-	-	-	21,750,000
Shares issued for Sprott loan	100,000	62,000	-	-	-	62,000
RSUs issued and vested	650,000	182,000	107,620	-	-	289,620
Share issuance costs	-	(70,213)	-	-	-	(70,213)
Other comprehensive income	-	-	-	4,168,055	-	4,168,055
Net loss	-	-	-	-	(55,862,921)	(55,862,921)
Balance, December 31, 2015	115,388,289	104,462,869	11,003,696	15,240,911	(117,902,718)	12,804,758
RSUs issued and vested	168,750	47,250	158,681	-	-	205,931
Common shares returned to treasury	(43,500)	(32,340)	-	-	-	(32,340)
Other comprehensive income	-	-	-	761,304	-	761,304
Net loss	-	-	-	-	(5,202,484)	(5,202,484)
Balance, March 31, 2016	115,513,539	104,477,779	11,162,377	16,002,215	(123,105,202)	8,537,169

1. NATURE OF OPERATIONS AND LIQUIDITY

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 two reportable segment, exploration and development of mineral properties.

On October 30, 2015, the Company completed the sale of its subsidiary Oro Silver Resources Ltd., which owns the fully permitted El Compas Gold-Silver Mining Project in Mexico (refer to Note 6).

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 $5,202,484 for the three months ended March 31, 2016 (2015 - $5,084,584). As at March 31, 2016, the Company had an accumulated deficit of $123,105,202 and working capital of $11,140,011. While the Company has commenced commercial production it has not yet generated positive cash flows from operations. Subsequent to the period end, the Company completed a rights offering for $13,000,000 (refer to Note 24) 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 and fund its business development initiatives over the next twelve months, the Company is dependent on generating positive operating cash flow, collecting its value added taxes (IVA) receivable, receiving the remaining proceeds from an insurance claim (refer to Note 16(b)) or obtaining additional financing. The Company has a controlling shareholder which has provided approximately $105,346,000 of equity financings and loans to date. Management believes this will enable the Company to meet is commitments for the next 12 months.

These condensed interim consolidated financial statements were approved by the board of directors for issue on May 30, 2016.

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, 2015, 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	Referred to as	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Oro Silver Resources Ltd.	"Oro Silver"	Canada	100%	Parent of Minera Oro Silver Disposed on October 30, 2015
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 Disposed on October 30, 2015
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

3. RECENT ACCOUNTING PRONOUNCEMENTS

The IASB 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.

- 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, 2018.

- IFRS 16: Leases ("IFRS 16"): This standard replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

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.

Outlined below are some of the areas which require management to make significant estimates and assumptions in determining carrying values.

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

Estimated recoverable resources, ore in process and production costs

Recoverable ounces are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its recoverable ounces based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable ounces is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, metallurgical recoveries, and production costs along with geological assumptions and judgments made in estimating the size, and grade of the ore body. Changes in the recoverable ounces may impact the carrying value of inventories, operating costs of future periods, mining interests, mine restoration provisions, recognition of deferred tax assets, and depreciation and amortization charges. 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.

Deferred income taxes

The determination of income tax expense and deferred income tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretation of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred income taxes or the timing of tax payments.

Impairment of non-current assets

At each reporting date, the Company reviews its non-current assets to determine whether there are any indications of impairment. Calculating the estimated recoverable amount for the non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated recoverable resources, estimated future commodity prices, the expected future operating and capital costs and discount rates. Changes in any of the assumptions or estimates used in determining the recoverable amount could impact the impairment analysis.

Reclamation and remediation provisions

Reclamation and remediation provisions represent the present value of estimated future costs for the reclamation of the Company's mines and properties. These estimates include assumptions as to the cost of services, timing of the reclamation work to be performed, inflation rates, exchange rates and interest rates. The actual cost to reclaim a mine may vary from the estimated amounts because there are uncertainties in factors used to estimate the cost and potential changes in regulations or laws governing the reclamation of a mine. Management periodically reviews the reclamation requirements and adjusts the liability as new information becomes available and will assess the impact of new regulations and laws as they are enacted.

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

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 ("AFS") financial asset to net loss.

Critical judgement

Impairment of mineral property plant and equipment and resource property costs

Critical judgement was applied on the assessment of impairment indicators for the Company's mineral property plant and equipment and resource property costs. Management determined that there was no impairment indicator during the current period. The recoverable amount of the La Trinidad mine was determined as FVLCD using a discounted cash flow model. The recoverable amount of the El Compas resource property was determined based on management's best estimate of the fair value of the common shares to be received upon disposal. Management's impairment evaluation resulted in the identification of an impairment loss of $22,620,352 for the La Trinidad mine, $435,761 for El Rosario and $1,400,000 for El Compas for the year ended December 31, 2015. Refer to Notes 11 and 12.

Commercial production

Critical judgement was applied in 2014 in determining when the La Trinidad mining property is capable of operating at levels intended by management. Prior to a mine being capable of operating at levels intended by management, costs incurred are capitalized as part of the costs of the related mining properties and proceeds from mineral sales are offset against costs capitalized. Depletion of capitalized costs for mining properties begins when the mine is capable of operating at levels intended by management. The La Trinidad mine achieved commercial production effective November 1, 2014.

Investment in Golden Reign Resources Ltd. ("Golden Reign") and Canarc Resource Corp. ("Canarc")

Management has assessed the level of influence that the Company has on Golden Reign and Canarc and determined that it does not have significant influence despite having board representation. Consequently, the investments have been classified as AFS investments.

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

Stripping costs

Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Company considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

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 "Commonwealth 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 Commonwealth Arrangement, the Company agreed to advance funds to Commonwealth to pay a break away fee of $400,000 to a third party.

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:

	$
Working capital	64,565
Fixed assets	10,987
Resource properties	12,330,333
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 for the year ended December 31, 2015 and the remaining balance of $91,765 was included as part of the accrued liabilities acquired in the Commonwealth acquisition.

Following the Commonwealth Arrangement, the Company changed the name of Commonwealth to Marlin Gold Mining USA Ltd.

6. DISPOSAL OF SUBSIDIARIES

On October 30, 2015, the Company closed the transaction whereby Canarc Resource Corp. ("Canarc") acquired 100% of the shares in the Company's wholly owned subsidiary, Oro Silver (the "Canarc Transaction"), which owns El Compas Gold-Silver Mining Project ("El Compas") in Zacatecas, Mexico, held by Minero Oro Silver, together referred to as the "Oro Silver Group". (Refer to Note 12). Per the Canarc Transaction, Canarc issued the Company a total of 19,000,000 Canarc common shares in exchange for a 100% interest in Oro Silver. Additionally, on each of the first three anniversaries of the closing date, 55 troy ounces of gold (or the US dollar equivalent) will be paid by Canarc to the Company ("Deferred Consideration Receivable").

The Company will receive a 1.5% net smelter return ("NSR") on all Non-Altiplano claims that currently have no royalty associated with them.

The fair value of the 19,000,000 common shares received is $1,330,000 based on Canarc's share price on the date the Canarc Transaction was completed. The Deferred Consideration Receivable was fair valued at $244,851 using the gold spot selling price as at October 30, 2015.

	$
Consideration	
Common shares	1,330,000
Deferred Consideration Receivable	244,851
Transaction costs	(85,657)
Net consideration	1,489,194
Carrying value of Oro Silver Group	(3,318,849)
Reclassification of cumulative translation adjustment from AOCI upon disposal of subsidiaries	1,411,767
Loss on disposal of the Oro Silver Group	417,888

As at March 31, 2016, the fair value of the Deferred Consideration Receivable is $265,071 (December 31, 2015 - $242,574) and is disclosed in the consolidated statement of financial position as follows:

	March 31, 2016 **$**	**December 31, 2015** **$**
Current receivable, disclosed as Receivable	88,357	80,858
Non-current receivable, disclosed as Other assets	176,714	161,716
Total	265,071	242,574

Changes in the fair value of the Deferred Consideration Receivable are recognized in profit or loss. For the three months ended March 31, 2016, gain in the change in the fair value of the Deferred Consideration Receivable of $22,497 (2015 - $Nil) was recognized in profit and loss.

7. RECEIVABLE AND REFUNDABLE TAXES

	March 31, 2016	December 31, 2015
	$	$
Value added taxes (IVA)	7,161,005	6,667,113
Current portion of Deferred Consideration Receivable (Note 6)	88,357	80,858
Other	20,210	30,079
	7,269,572	6,778,050

IVA credit refundable is from the Government of Mexico and is currently calculated as 16% of expenditures in Mexico. Subsequent to March 31, 2016, the Company received IVA of approximately $1,071,000.

8. INVENTORIES

	March 31, 2016	December 31, 2015
	$	$
Ore in process	3,011,456	4,061,893
Finished metal inventory	387,860	810,957
Supplies and spare parts	1,761,097	1,495,523
Cumulative translation adjustment	(262,841)	279,789
	4,897,572	6,648,162

On March 31, 2016 and December 31, 2015, ore in process and finished metal inventory was recorded at NRV. For the three months ended March 31, 2016, the Company recorded write downs to NRV of $3,256,071 (2015 - $3,327,946).

9. INVESTMENT IN SECURITIES

	March 31, 2015		December 31, 2015	
	Cost $	Fair value $	Cost $	Fair value $
Golden Reign Resources Ltd.				
(30,933,333 (2015 – 21,333,333) common shares	4,047,534	4,330,667	3,279,534	1,493,333
Canarc Resources Corp.				
21,166,666 (2015 – 20,666,666) common shares	1,441,076	2,434,167	1,406,654	1,033,333
1,083,333 (2015 – 833,333) warrants	33,921	85,211	23,346	30,544
Total	5,522,531	6,850,045	4,709,534	2,557,210

(a) Golden Reign Resources Ltd.

On July 10, 2014, the Company acquired ownership of 21,333,333 common shares (the "Acquired Shares") of Golden Reign Resources Ltd. ("Golden Reign") representing 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 "GRR Purchase Price") Gold Streaming Arrangement (the "GRR Arrangement") for the construction and development of Golden Reign's San Albino gold deposit, located in Nueva Segovia, Nicaragua. The GRR 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.

Under the GRR 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 GRR Purchase Price and Golden Reign will be required to make minimum monthly payments of US$282,800 per month when commercial production commences.

9. INVESTMENT IN SECURITIES (cont'd)

(a) Golden Reign Resources Ltd. (cont'd)

The investment in Golden Reign is classified as AFS 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. The fair value remained below average cost as at December 31, 2015.

On March 23, 2016, the Company participated in Golden Reign's private placement acquiring 9,600,000 common shares for gross proceeds of $768,000. Following this participation, the Company's interest in Golden Reign increased to 19.90%.

For the three months ended March 31, 2016, the Company recorded a gain in the change in fair value in securities of $2,069,333 in other comprehensive income. For the three months ended March 31, 2015, the Company recorded a loss in the change in fair value in securities of $426,666 in other comprehensive loss.

(b) Canarc Resources Corp.

In October 2015, concurrently with the Canarc Transaction (refer to Note 6), the Company participated in a private placement of units of Canarc (the "Canarc Private Placement") with each unit consisting of one common share (the "Canarc Shares") and one-half of one warrant to acquire a common share of Canarc at a price of $0.08 per common share for a period of 36 months from the date of issuance (the "Canarc Warrants"). The Company acquired 1,666,666 units consisting of 1,666,666 Canarc Shares and 833,333 Canarc Warrants pursuant to the Canarc Private Placement at a price of $0.06 per unit for aggregate consideration of $100,000. The Canarc Shares were fair valued at the market price on the date they were issued and the fair value of the Canarc Warrants was calculated using a Black-Scholes option pricing model ("BS model"). The total consideration of $100,000 paid was allocated on a proportionate basis to the Canarc Shares ($76,654) and to the Canarc Warrants ($23,346).

On March 3, 2016, the Company participated in Canarc's private placement acquiring 500,000 units of Canarc for gross proceeds of $45,000. Each Canarc unit is comprised of one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase one additional share at $0.12 for a three year period. Following this participation, the Company's interest in Canarc decreased from 12% to 9.9%. Refer to Note 24(b).

9. INVESTMENT IN SECURITIES (cont'd)

(b) Canarc Resources Corp. (cont'd)

The investment in Canarc shares is classified as AFS and is measured at fair value with changes in fair value recognized in other comprehensive income. The investment in Canarc warrants is classified as a derivate and is measured at fair value using the BS model with changes in fair value recognized in net loss.

As at March 31, 2016, the Company owns a total of 21,166,666 (December 31, 2015 – 20,666,666) common shares and 1,083,333 (December 31, 2015 – 833,333) warrants of Canarc. For the three months ended March 31, 2016, the Company recorded a gain in the change in the fair value of the Canarc common shares of $1,366,411 (2015 - $nil) in other comprehensive loss and a gain in the change in the fair value of the Canarc warrants of $44,089 (2015 - $nil) in net loss.

The following assumptions and inputs were used to fair value the Canarc Warrants:

	At date of issue: March 2, 2016	At March 31, 2016	At date of issue: October 30, 2015	At December 31, 2015
Expected life	3 years	2.9 years	3 years	2.8 years
Weighted average expected volatility	106.7%	107.6%	103.6%	104.8%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Risk free interest rate	0.5%	0.5%	0.7%	0.4%
Share price	$0.10	$0.12	$0.07	$0.05

The expected volatility assumptions have been developed taking into consideration historical volatility of Canarc's share price.

10. ADVANCES

On October 7, 2015, the Company entered into an agreement with Golden Reign (Refer to note 9) whereby the Company will advance a minimum of US$516,600 to provide working capital to advance Golden Reign's San Albino gold deposit. All funds advanced under this agreement will be credited against the GRR Purchase Price pursuant to the GRR Arrangement and will earn interest at 8% per annum. During the three months ended March 31, 2016, the Company advanced $332,078 (US$241,969). During the year ended December 31, 2015, the Company advanced $410,663 (US$294,567). The advance is included in other assets.

11. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mine Property	Building	Equipment	Vehicles	Total
Cost:	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2014	40,834,554	9,339	1,728,584	561,975	43,134,452
Net Additions	12,145,309	12,456	442,499	-	12,600,264
Impairment	(22,620,352)	-	-	-	(22,620,352)
Disposal of assets	-	(9,339)	(161,470)	(12,620)	(183,429)
Balance, December 31, 2015	30,359,511	12,456	2,009,613	549,355	32,930,935
Net Additions	6,211,597	-	11,304	10,390	6,233,291
Balance, March 31, 2016	36,571,108	12,456	2,020,917	559,745	39,164,226
Accumulated depreciation:					
Balance, December 31, 2014	(927,346)	(2,832)	(968,890)	(231,271)	(2,130,339)
Depreciation for the year	(5,895,028)	(1,460)	(509,637)	(1,189)	(6,407,314)
Disposal of assets	-	3,606	152,801	10,312	166,719
Balance, December 31, 2015	(6,822,374)	(686)	(1,325,726)	(222,148)	(8,370,934)
Depreciation for the year	(347,269)	(275)	(322,910)	(130)	(670,584)
Balance, March 31, 2016	(7,169,643)	(961)	(1,648,636)	(222,278)	(9,041,518)
Cumulative translation adjustments:					
Balance, December 31, 2014	3,591,685	1,346	128,445	9,856	3,731,332
Balance, December 31, 2015	13,586,462	-	385,094	109,830	14,081,386
Balance, March 31, 2016	9,154,114	(770)	269,412	75,642	9,498,398
Net book value:					
Balance, December 31, 2014	43,498,893	7,853	888,139	340,560	44,735,445
Balance, December 31, 2015	37,123,599	11,770	1,068,981	437,037	38,641,387
Balance, March 31, 2016	38,555,579	10,725	641,693	413,109	39,621,106

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

(a) Mine Property

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 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, 2015 the Company made a US$ 113,000 payment bringing the total paid to US$543,000 pursuant to this agreement. The final instalment of US$57,000 in due in the second quarter of 2016 (paid in May 2016).

Following is a detailed breakdown of mine property.

	As at December 31, 2015 $	Additions $	As at March 31, 2016 $
Construction costs	20,069,152	356,255	20,425,407
Mine costs	7,649,125	-	7,649,125
Deferred stripping costs	16,283,949	5,488,582	21,772,531
Provision for reclamation and rehabilitation	3,750,785	366,759	4,117,544
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
	52,979,863	6,211,596	59,191,459
Depreciation	(6,822,374)	(347,269)	(7,169,643)
Impairment	(22,620,352)	-	(22,620,352)
	23,537,137	5,864,327	29,401,464
Cumulative translation adjustment	12,409,444	(3,255,329)	9,154,115
Total Mine Property	35,946,581	2,608,998	38,555,579

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

(b) Impairment

For the year ended December 31, 2015 the Company recorded an impairment write down of $22,620,352. Due to lower gold prices and to the acceleration of gaining access to the higher grade area of the resource at the La Trinidad mine, management has embarked on a mine plan that will remove an estimated 40,000 recoverable ounces in the south side of the pit until such time that the gold price allows for these ounces to be mined economically. The change in the mine plan and the associated reduction in recoverable ounces make up a significant portion of the impairment write down.

The Company conducted an impairment analysis whereby the carrying value of the La Trinidad mine was compared to the mine's recoverable amount which was determined to be its VIU as at December 31, 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 VIU 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 Company's analysis concluded that the carrying values of the La Trinidad Mine as at December 31, 2015 was impaired resulting in an impairment charge of $22,620,352 and deferred tax recovery of $1,385,294 in net loss for the year ended December 31, 2015.

For the three months ended March 31, 2016, management determined that there is no impairment.

The determination of VIU as at March 31, 2016, includes the following key applicable assumptions:

● Gold price per ounce: US$1,210; ● 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; and ● a pre-tax discount rate 15.44%

(b) Sensitivities

The recoverable amount is most sensitive to changes in gold prices. A decrease in gold prices could result in the Company making amendments to the mine plan that would partially offset the effect of lower prices through lower operating and capital costs. Ignoring the impact on our mine plan, in isolation, a US$50 decrease in gold price assumptions would result in additional reductions in the recoverable amount of approximately $3.6 million.

12. RESOURCE PROPERTY COSTS

	Commonwealth (a)	Other (b)	El Rosario (d)	El Compas (c)	Total
	$	$	$	$	$
Balance -December 31, 2015	13,643,453	1,076,348	-	-	14,719,801
Additions	452,505	-	-	-	452,505
Mineral property costs for the period	452,505	-	-	-	452,505
Cumulative translation adjustment	(165,822)	(66,338)	-	-	(232,160)
Balance - March 31, 2016	13,930,136	1,010,010	-	-	14,940,146

	Commonwealth (a)	Other (b)	El Rosario (d)	El Compas (c)	Total
	$	$	$	$	$
Balance -December 31, 2014	-	-	383,561	2,974,810	3,358,371
Acquisition	11,597,185	733,148	-	-	12,330,333
Additions	258,400	129,200	-	-	387,600
Write down of property acquisition costs	-	-	(383,561)	(1,400,000)	(1,783,561)
Mineral property costs for the period	11,855,585	862,348	(383,561)	(1,400,000)	10,934,372
Cumulative translation adjustment	1,787,868	214,000	-	(19,553)	1,982,315
Disposal	-	-	-	(1,555,257)	(1,555,257)
Balance - December 31, 2015	13,643,453	1,076,348	-	-	14,719,801

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$1,500,000 paid) over a five year period (see table below for the remaining payments outstanding). These mineral claims are subject to a 2% 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%.

12. RESOURCE PROPERTY COSTS (cont'd)

(a) Commonwealth Project (cont'd)

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. 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. During the three months ended March 31, 2016, the Company advanced 10% of the purchase price of US$750,000 to acquire land contiguous to the Commonwealth Project. Subsequent to March 31, 2016, the Company completed the purchase of the land.

(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$750,000 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.

12. RESOURCE PROPERTY COSTS (cont'd)

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

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.

Restricted cash

A reclamation bond of $11,688 (US$9,000) has been posted with Arizona's Bureau of Land Management, against any potential future land reclamation costs. The Company has also issued a letter of credit for US$46,600, which is secured with $60,000 cash. As at March 31, 2016, restricted cash of $71,688 (December 31, 2015 - $72,456) is included in other assets.

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

Payment due date	Commonwealth (a)	Other (b)	Total
July 25, 2016	$ 3,000,000	$ 1,250,000	$ 4,250,000

During the three months ended March 31, 2016, the Company paid US$250,000 of the US$4,500,000 due in January 2016 and has paid a further US$127,500 to extend the final balance due to July 25, 2016.

(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.

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 Canarc Transaction using a five-day volume weighted average price of $0.07 per common share as at June 30, 2015 which resulted in the Company recording a further impairment of $1,400,000. On October 30, 2015, the Company completed the sale of the El Compas assets (refer to Note 6).

12. RESOURCE PROPERTY COSTS (cont'd)

(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 December 31, 2015, the Company recorded an impairment of $435,761 on the El Rosario resource property based on recoverable amount indicated by an agreement to transfer the title of this property to Goldplay de Mexico SA de CV. The Company will retain a 1% NSR and the right to acquire an additional 0.75% NSR for US$600,000 from third party holders.

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS

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

(b) Issued share capital is as follows:

(i) During the three months ended March 31, 2016, the Company purchased 43,500 common shares of the Company under the normal course issuer bid ("NCIB") for $32,340. As at March 31, 2016, 43,500 common shares acquired by the Company under the NCIB were cancelled.

(ii) On January 1, 2016, 168,750 restricted share units ("RSU") vested with a fair value of $47,250. Refer to Note 13(d).

(iii) On October 30, 2015, 650,000 RSU's vested with a fair value of $182,000. Refer to Note 13(d).

(iv) 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.

(v) On May 27, 2015, the Company issued 100,000 common shares of the Company to Sprott (Refer to Note 18 (b)) in lieu of a waiver to the Sprott Loan (refer to Note 18(a)). The fair value of the common shares was $0.62, per common share, determined using the issue date closing price.

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

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

(vi) 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.

(vii) For the year ended December 31, 2015, share issue costs of $70,213 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-V. The options can be granted for a maximum term of 5 years with vesting provisions if determined by the Company.

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

	Number of Options	Weighted Average Exercise Price $
Outstanding December 31, 2014	507,625	2.18
Expired during year	(380,125)	2.47
Outstanding December 31, 2015	127,500	1.33
Granted during period	6,000,000	0.15
Outstanding March 31, 2016	6,127,500	0.17

On February 5, 2016, the Company granted stock options to a director and an officer of the Company entitling them to purchase 6,000,000 common shares at a price of $0.15 per common share for a period of five years, expiring on February 5, 2021, replacing the RSUs cancelled (Refer to Note 13(d)). On the grant date, 300,000 stock options vested immediately and 300,000 stock options will vest at each quarter commencing on March 31, 2016 with the last tranche vesting on September 30, 2020. The incremental fair value of these options was calculated at $624,173 using the BS model. As at March 31, 2016, 600,000 options vested and the Company recorded share-based payments of $205,932 for the three months ended March 31, 2016.

The following assumptions and inputs were used to fair value the options: expected life – 5 years; weighted average expected volatility - 142.6%; expected dividend yield – 0.0%; risk free interest rate – 0.5%; share price - $0.15.

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

(c) Stock options (cont'd)

The expected volatility assumptions have been developed taking into consideration historical volatility of the Company's share price.

No options were granted or vested during the year ended December 31, 2015.

As of March 31, 2016, the following options were outstanding and vested:

Exercise Prices $	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price $
0.15	6,000,000	600,000	4.85	0.15
1.10	30,000	30,000	1.22	1.10
1.40	97,500	97,500	0.70	1.40
	6,127,500	727,500	4.77	0.17

(d) Restricted Stock Units ("RSU")

On October 30, 2015, the Company granted 2,000,000 RSUs to senior management of the Company of which 650,000 vested immediately with the remainder vesting quarterly till October 1, 2017. Once vested, each RSU is exercisable into one common share entitling the holder to receive the common share for no additional consideration. The fair value was $0.28 per RSU with a total fair value of $560,000 based on the market value of the underlying shares at the date of issuance. The maximum number of common shares authorized for issue under the RSU plan is 3,500,000.

For the year ended December 31, 2015, total share-based compensation relating to RSUs was $289,620, of which all is included in the statements of loss.

At December 31, 2015, there were 1,350,000 RSUs outstanding. On January 1, 2016, a further 168,750 RSUs vested and on February 5, 2015 the Company cancelled the remaining 1,181,250 RSUs and issued stock options – see (c) above. As at March 31, 2016, there are no RSU's authorized for issue.

14. RELATED PARTIES

(a) Key management compensation

The following compensation was paid and accrued to key management. This compensation is included in exploration costs, administrative costs, management and consulting fees, general office and rent, salaries, benefits and bonuses and in mine construction and development costs, where applicable.

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

For the three months ended March 31,	2016 $	2015 $
Short-term employment benefits		
Director fees	15,000	13,887
Senior management	207,745	265,615
Share-based payment	205,932	-
Total	428,677	279,502

Amounts due to key management as at March 31, 2016 were $98,098 (December 31, 2015 - $83,098).

(b) Related party transactions

The Company entered into the following related party transactions:

(i) During the three months ended March 31, 2016, fees relating to management, geological, and mining consulting services of $Nil (2015 - $51,742 (US$40,795)) were charged by a private company controlled by one director of the Company via an intermediate corporation. Charges of $Nil (2015 - $7,697 (US$6,095)) are expensed as consulting fees and charges of $Nil (2015 - $44,045 (US$34,700)) are included in deferred expenses. During the three months ended March 31, 2016, $Nil (2015 - $51,742 (US$40,795)) was offset against the amounts due from Sonoran Resources LLC (“Sonoran”) a private company controlled by one director of the Company.

Amounts payable as at March 31, 2016 were $Nil (December 31, 2015 - $Nil).

(ii) During the three months ended March 31, 2016, fees relating to travel, investor relations and consulting services of $79,917 (US$58,423) (2015 - $12,353 (US$9,948)) were charged by Sonoran. During the three months ended March 31, 2016, $Nil (2015 - $12,353 (US$9,948)) was offset against the amounts due from Sonoran.

Amounts payable to Sonoran as at March 31, 2016 were $nil (December 31, 2015 -$Nil).

14. RELATED PARTIES (cont'd)

(c) Transactions with controlling shareholder

(i) As at March 31, 2016, the Wexford Funds held 92,802,968 common shares of the Company.

On a non-diluted basis and after giving effect to the above changes in equity, Wexford Funds' ownership percentage has decreased from 80.43 to 80.34%% of the Company's issued and outstanding common shares as at March 31, 2016.

(ii) During the three months ended March 31, 2016, the Wexford Funds loaned the Company an additional $7,432,250 (US$5,500,000) (2015 - $3,753,797 (US$3,000,000)) (Refer to Note 18(a)). As at March 31, 2016, US$35,500,000 (December 31, 2015 – US$30,000,000) is payable by the Company to the Wexford Funds.

As at March 31, 2015, interest of $4,090,887(US$3,149,986) (December 31, 2015 - $2,839,001 (US$2,051,301)) and withholding taxes of $1,022,722 (December 31, 2015 - $709,750) was accrued on the Wexford Loans.

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

(iv) Under a service agreement, effective January 1, 2015, between the Company and an affiliate of the Wexford Funds, the Company was charged $15,466 (US$11,269) for shared office space and administration services for the three months ended March 31, 2016.

As at March 31, 2016 $14,635 (US$11,269) (December 31, 2015 - $112,461 (US$81,258)) is included in accounts payable and accrued liabilities.

15. 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 March 31, 2016 the aggregate lease commitments to August 31, 2016 are $34,155.

16. CONTINGENCIES

(a) 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 related to the La Trinidad mine. The Company prepared and filed a response to the notice of claim and stands by the legitimacy of the agreement and will vigorously defend against this claim. As at March 31, 2016, the claimants have not addressed the Company's response nor management believe they will further respond and as such the Company determined a provision was not required for this matter, as it has assessed that an outflow of economic resources is not probable.

(b) On September 7, 2015, the Company's La Trinidad mine was affected by hurricane Linda, a category 2 hurricane that hit the area of the mine. As a result of heavy rains and flooding, the La Trinidad mine incurred damages to mine infrastructure and an interruption in its business. The Company is currently in the process of quantifying these damages and submitting an insurance claim to the Company's policy holders. There is no guarantee that the Company will realize any proceeds relating to this claim. During the three months ended March 31, 2016, the Company received $438,387 (US$333,526) in interim insurance proceeds.

17. RECLAMATION AND REHABILITATION OBLIGATIONS

The provision for environmental reclamation and rehabilitation as at March 31, 2016 is $4,828,969 (December 31, 2015 - $4,745,001). 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 0.80% (2015 – 1.31%) and estimated cash outflows commencing in 1.75 years (2015 - 2 years) for the La Trinidad property.

	$
Balance – December 31, 2014	3,396,312
New and changes in estimate to provisions for reclamation and rehabilitation	600,497
Accretion expense	59,689
Cumulative translation adjustment	688,503
Balance – December 31, 2015	4,745,001
New and changes in estimate to provisions for reclamation and rehabilitation	366,759
Accretion expense	9,658
Cumulative translation adjustment	(292,449)
Balance – March 31, 2016	4,828,969

18. LOANS

	March 31, 2016 $	December 31, 2015 $
Non-current liabilities		
Wexford Loan B	46,103,850	41,520,000
Accrued interest and related withholding taxes	5,113,629	3,548,751
Total loans	51,217,479	45,068,751

(a) 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. The Company was 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. (Refer to Note 18 (b)).

On September 10, 2014, $3,280,500 (US$3,000,000) was drawn down on the facility and interest payable by way of an original issue discount of $246,308 (US$225,000) was paid. The Company recorded the interest paid against the balance of the debt and amortized the interest using an effective interest rate of 17.34%.

On June 3, 2015, the Wexford Loan A was repaid in full with additional interest of $133,571 (US$107,260).

For the year ended December 31, 2015, the Company incurred interest expense of $224,339 relating to Wexford Loan A, all of which was expensed in the statement of loss.

(ii) Wexford Loan B

On November 13, 2014, an additional $3,412,800 (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. On August 21, 2015, the Wexford Funds extended the maturity date from November 13, 2015 to January 15, 2017. On March 23, 2016, the Wexford Funds decreased the annual interest rate on the Wexford Loans from 15% to 8% and extended the maturity by one year to January 15, 2018.

18. LOANS (cont'd)

(a) Wexford Loan (cont'd)

(ii) Wexford Loan B (cont'd)

During the year ended December 31, 2015, the Wexford Funds loaned an additional $35,163,700 (US$27,000,000) to the Company increasing the Wexford Loan B to US$30,000,000.

During the three months ended March31, 2016, the Wexford Funds loaned an additional $7,432,250 (US$5,500,000), increasing the Wexford Loan B to US$35,500,000.

For the three months ended March 31, 2016, the Company accrued interest of $1,510,851 on the Wexford Loan B, all of which was expensed in the statement of loss.

For the year ended December 31, 2015, the Company accrued interest of $2,603,727 on the Wexford Loan B, all of which was expensed in the statement of loss.

For the three months ended March 31, 2016, IVA refunds of approximately $876,000 (for the year ended December 31, 2015 - $5,221,000) were received, to which the Wexford Funds waived their right to receive payment.

(b) 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 bore interest at a rate of 10% per annum, payable monthly and was secured against all of the assets of the Company and the majority of the assets of its subsidiaries. The Sprott Loan matured on or before October 31, 2015.

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.

During the year ended December 31, 2015, the Company recorded interest expense of $1,347,567 relating to the Sprott Loan, which is comprised of $624,150 interest paid, a modification fee of $100,000 paid and amortized borrowing costs of $623,417.

On October 28, 2015, the Company repaid the Sprott Loan in full.

19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the three months ended March 31,	2016 $	2015 $
The significant non-cash investing transactions consisted of:		
Change in property, plant and equipment included in accounts payable and accrued liabilities	2,549,009	(16,375)
Accretion of borrowing costs included in interest expense	-	265,771
Total interest paid	-	246,575

For the three months ended March 31,	2016 $	2015 $
Non-cash items		
Accretion expense	9,658	10,674
Change in fair value of Deferred Consideration Receivable	22,497	-
Depreciation, depletion and amortization	889,382	981,539
Interest due from related party	-	(31,016)
Interest and other income	-	313
Interest expense	1,823,823	265,771
Impairment of mineral property	-	-
Share-based payment	205,931	-
Unrealized foreign exchange	(2,833,667)	670,013
Write down of inventory to NRV	3,256,071	-
Gain in change in fair value of receivables	(44,089)	-
	3,329,606	1,897,294

20. PRODUCTION COSTS

For the three months ended March 31,	2016 $	2015 $
Mining, crushing and conveying, and processing	2,365,819	4,286,928
Mine general and administrative	1,084,429	1,273,502
Laboratory	102,566	207,609
Refining	9,755	12,492
Selling expenses and silver credits	25,818	(774)
Mining tax	19,055	-
	3,607,442	5,779,757

21. MANAGEMENT OF FINANCIAL RISK

(a) Overview

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(b) Fair Value of Financial Instruments

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- 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.

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.

21. MANAGEMENT OF FINANCIAL RISK (cont'd)

(b) Fair Value of Financial Instruments (cont'd)

The Company does not have any financial instruments that are measured using level 2 or level 3 inputs.

During the three months ended March 31, 2016 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

(c) Credit Risk

Credit risk is the risk of potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash held by Canadian, American, Barbadian, and Mexican financial entities. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

The Company limits its exposure to credit risk on liquid financial assets through investing its cash and cash equivalents with high-credit quality financial institutions. The Company has limited its exposure to credit risk on the advances to a contractor and the amount due from a related party by dealing with reputable individuals.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. Accounts payable and accrued liabilities of $11,881,205 are due in the second quarter of fiscal 2016, and $46,103,850 (US$35, 500,000) loan payable plus accrued interest and withholding taxes of $5,113,629 is due on January 15, 2018.

(d) Market Risk

(i) Foreign Currency Risk

Foreign exchange risk is the risk arising from changes in foreign currency fluctuations. The Company operates in more than one country. As a result, a portion of the Company's expenditures, amounts receivable, accounts payable and accruals are denominated in U.S. Dollars and Mexican Pesos and are therefore subject to fluctuation in exchange rates. As at March 31, 2016 a 5% change in the exchange rate between the U.S. dollar and the Canadian Dollar would result in a net loss of approximately $271,000 and a 5% change in the exchange rate between the Mexican peso and the Canadian Dollar would result in a net loss of approximately $239,000. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency rates.

21. MANAGEMENT OF FINANCIAL RISK (cont'd)

(d) Market Risk (cont'd)

(ii) Interest Rate Risk

The interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Despite the fact that all short-term deposits are accruing interest at fixed rates, the risk that the Company will suffer a decline in the fair value of the short-term deposits as a result of increases in global interest rates is limited because these investments are realizable upon request. The Company's exposure to interest rate risk on the Loans is limited as the interest rates are fixed.

(iii) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from currency risk or interest rate risk. The Company's investment in securities is carried at market value and is therefore directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that a 10% change in market prices would have no material impact on the value of the Company's investment in securities.

22. SEGMENT INFORMATION

As at March 31, 2016, the Company has one 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	March 31, 2016		December 31, 2015	
	Mineral property, plant and equipment $	Resource property costs $	Mineral property, plant and equipment $	Resource property costs $
Mexico	39,586,418	-	37,439,457	-
USA	34,688	14,940,146	24,912	14,719,801
Total	39,621,106	14,940,146	37,464,369	14,719,801

23. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The Company considers its capital under management to consist of cash and cash equivalents, share capital, contributed surplus and debt. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

The Company's objectives of capital management are intended to ensure the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company may finance acquisition, development and exploration activity through cash flows from operations, joint ventures and by raising additional debt or share capital when market conditions are suitable.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2016. Also refer to Note 1.

24. 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 May 16, 2016, the Company completed a rights offering for $13,002,204 and issued 43,340,680 common shares at a price of $0.30 per share.

(b) The Company disposed 20,666,666 Canarc shares for gross proceeds of $1,451,891, reducing the Company's ownership to less than 1%.

(c) The Company purchased a further 281,500 common shares of the Company pursuant to the NCIB.