TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2017

(Expressed in millions of U.S. dollars)

Condensed Consolidated Interim Statements of Financial Position

Millions of U.S. dollars		March 31, 2017		December 31, 2016
		(Unaudited)		
Assets				
Current Assets:				
Cash and cash equivalents	**$**	**93.9**	$	104.0
Derivative contracts (Note 11)		**-**		8.6
Value added tax receivable (Note 8)		**38.0**		21.9
Inventory (Note 5)		**47.6**		53.4
Prepaid expenses and other current assets		**9.7**		9.0
		189.2		196.9
Restricted cash (Note 6)		**14.6**		23.4
Value added tax receivable (Note 8)		**38.1**		39.9
Other non-current assets		**5.0**		5.2
Property, plant and equipment (Note 7)		**951.1**		940.9
Total Assets	**$**	**1,198.0**	$	1,206.3
Liabilities and Shareholders' Equity				
Current Liabilities:				
Accounts payable and accrued liabilities	**$**	**47.3**	$	50.4
Income tax payable		**5.6**		10.7
Debt (Note 9)		**13.3**		5.5
Derivative contracts (Note 11)		**2.0**		5.7
		68.2		72.3
Derivative contracts (Note 11)		**1.4**		4.5
Debt (Note 9)		**393.8**		401.2
Decommissioning liabilities (Note 12)		**11.3**		10.2
Deferred income tax liabilities		**26.8**		34.2
		501.5		522.4
Shareholders' Equity:				
Share capital (Note 13)		**965.0**		962.9
Contributed surplus		**27.0**		25.4
Other reserves		**(62.5)**		(62.5)
Deficit		**(233.0)**		(241.9)
		696.5		683.9
Total Liabilities and Shareholders' Equity	**$**	**1,198.0**	$	1,206.3

Commitments (Note 19)
Subsequent event (Note 8)

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

(unaudited)

		Three months ended		
Millions of U.S. dollars, except per share amounts		**March 31, 2017**		March 31, 2016
Revenue				
Metal sales	**$**	**87.0**	$	-
Cost of sales				
Production costs		**45.5**		-
Royalties		**2.7**		-
Depreciation and amortization		**22.8**		-
Earnings from mine operations	**$**	**16.0**	$	-
General and administrative		**5.5**		2.9
Exploration and evaluation		**0.5**		0.9
	$	**6.0**	$	3.8
Other expenses (income):				
Derivative costs, net (Note 11)		**1.7**		34.3
Finance costs, net (Note 10)		**7.2**		-
Foreign exchange loss (gain)		**(3.2)**		1.5
	$	**5.7**	$	35.8
Income (loss) before income tax expense		**4.3**		(39.6)
Current income tax expense		**2.8**		0.1
Deferred income tax recovery		**(7.4)**		(1.9)
Net income (loss)	**$**	**8.9**	$	(37.8)
Comprehensive income (loss)	**$**	**8.9**	$	(37.8)
Earnings (loss) per share (Note 15)				
Basic	**$**	**0.11**	$	(0.48)
Diluted	**$**	**0.11**	$	(0.48)

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(unaudited)

Millions of U.S. dollars, except number of common shares	**Number of Common Shares** (Note 13)	**Common Shares**	**Contributed Surplus**	**Other Reserves**	**Deficit**	**Total Shareholders' Equity**
Balance, January 1, 2016	78,544,682	$ 942.1	$ 35.5	$ (62.5)	$ (245.1)	$ 670.0
Exercise of stock options	151,420	5.6	(5.6)	-	-	-
Amortization of stock options	-	-	0.4	-	-	0.4
Amortization of restricted share units	-	-	0.2	-	-	0.2
Net loss	-	-	-	-	(37.8)	(37.8)
Balance, March 31, 2016	**78,696,102**	**$ 947.7**	**$ 30.5**	**$ (62.5)**	**$ (282.9)**	**$ 632.8**

Millions of U.S. dollars, except number of common shares	**Number of Common Shares** (Note 13)	**Common Shares**	**Contributed Surplus**	**Other Reserves**	**Deficit**	**Total Shareholders' Equity**
Balance, January 1, 2017	**79,655,566**	**$ 962.9**	**$ 25.4**	**$ (62.5)**	**$ (241.9)**	**$ 683.9**
Exercise of stock options	91,529	2.0	(1.1)	-	-	**0.9**
Settlement of restricted share units	7,184	0.1	(0.1)	-	-	**-**
Amortization of stock options	-	-	0.5	-	-	**0.5**
Amortization of restricted share units	-	-	1.2	-	-	**1.2**
Amortization of performance share units	-	-	1.1	-	-	**1.1**
Net income	-	-	-	-	8.9	**8.9**
Balance, March 31, 2017	**79,754,279**	**$ 965.0**	**$ 27.0**	**$ (62.5)**	**$ (233.0)**	**$ 696.5**

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

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

		Three months ended		
Millions of U.S. dollars		**March 31, 2017**		March 31, 2016
Operating activities:				
Net Income (loss) for the period	**$**	**8.9**	$	(37.8)
Adjustments for:				
Share-based compensation		**2.8**		0.6
Depreciation and amortization		**23.8**		0.2
Unrealized loss on derivative contracts		**1.8**		30.3
Unrealized foreign exchange (gain) loss		**(5.0)**		0.1
Financing costs		**6.5**		0.2
Deferred income taxes		**(7.3)**		(1.9)
Income taxes paid		**(7.7)**		(0.4)
Cash generated from (used in) operating activities before changes in non-cash working capital balances	**$**	**23.8**	$	(8.7)
Changes in non-cash working capital balances:				
Value added tax receivable		**(8.6)**		-
Inventory		**1.9**		(1.6)
Prepaid expenses and other current assets		**0.1**		1.1
Accounts payable and accrued liabilities		**-**		0.4
Income taxes payable		**2.6**		-
Net cash generated from (used in) operating activities	**$**	**19.8**	$	(8.8)
Investing activities:				
Additions to property, plant and equipment		**(25.6)**		(72.4)
Proceeds from pre-production sales		**-**		38.7
Borrowing costs capitalized to property, plant and equipment		**-**		(5.6)
Working capital for property, plant and equipment		**(3.3)**		21.3
Value added tax receivable		**(2.7)**		(8.3)
Value added tax refunds received		**3.3**		9.9
Restricted cash		**8.8**		10.0
Net cash used in investing activities	**$**	**(19.5)**	$	(6.4)
Financing activities:				
Repayment of debt		**(5.4)**		(0.5)
Deferred finance charges		**(0.4)**		(0.4)
Financing costs relating to loan facility		**-**		(0.2)
Interest paid		**(6.5)**		-
Exercise of stock options		**0.8**		-
Net cash used in financing activities	**$**	**(11.5)**	$	(1.1)
Effect of foreign exchange rate changes on cash and cash equivalents		**1.1**		0.7
Net decrease in cash and cash equivalents during the period	**$**	**(10.1)**	$	(15.6)
Cash and cash equivalents, beginning of the period	**$**	**104.0**	$	46.1
Cash and cash equivalents, end of the period	**$**	**93.9**	$	30.5

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

Note 1. Corporation Information

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

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

These unaudited condensed consolidated interim financial statements (herein referred to as "consolidated financial statements") of the Company as at and for the three months ended March 31, 2017 include the accounts of the Company and its subsidiaries.

Note 2. Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") under the historical cost convention, as modified by revaluation of derivative contracts and certain financial instruments. These consolidated financial statements do not include all of the information required for full financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 2, 2017.

(b) Basis of Consolidation

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

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

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

Note 3. Significant Accounting Policies

The accounting policies followed in these unaudited consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2016.

Note 4. Significant Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates. The significant judgments, estimates and assumptions made by management in applying the Company's accounting policies were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2016.

Note 5. Inventory

		March 31, 2017		December 31, 2016
Ore stockpiled	**$**	**13.8**	$	18.9
In-circuit		**7.4**		12.4
Finished goods		**4.4**		4.1
Materials and supplies		**22.0**		18.0
	$	**47.6**	$	53.4

The amount of depreciation included in inventory as at March 31, 2017 is $11.2 (December 31, 2016 - $15.1).

Note 6. Restricted Cash

Pursuant to the Loan Facility (note 9), the Company maintains restricted cash of $14.6 (December 31, 2016 - $23.4) consisting of committed funds of $13.7 (December 31, 2016 - $13.7) on deposit held for potential reclamation obligations in the event of an unplanned temporary closure of the ELG Mine, and restricted cash of $0.9 for accrued tax and royalty liabilities (December 31, 2016 - $9.7).

Under the Loan Facility agreement, the Company had been required to place $30.9 into reserve funds for potential overruns (the "Sponsor Reserve Account"). In the first quarter of 2016, the Company released $10.0 and the remaining $20.9 was released from these funds over 2016.

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

Note 7. Property, Plant and Equipment

	Mexico			Canada	Total
	Mineral Property	Property & Equipment	Construction in Progress	Equipment	
Cost					
As at January 1, 2016	**$ 198.6**	**$ 5.6**	**$ 728.7**	**$ 1.4**	**$ 934.3**
Additions	24.2	65.0	46.2	-	135.4
Transfer on commercial production	1.8	728.6	(774.9)	-	(44.5)
As at December 31, 2016	**224.6**	**799.2**	**-**	**1.4**	**1,025.2**
Additions	**12.9**	**21.7**	**-**	**-**	**34.6**
Disposals	**-**	**(1.3)**	**-**	**-**	**(1.3)**
As at March 31, 2017	**$ 237.5**	**$ 819.6**	**$ -**	**$ 1.4**	**$ 1,058.5**
Accumulated depreciation					
As at January 1, 2016	**$ -**	**$ 2.5**	**$ -**	**$ 1.0**	**$ 3.5**
Depreciation	15.5	65.1	-	0.2	80.8
As at December 31, 2016	**$ 15.5**	**$ 67.6**	**$ -**	**$ 1.2**	**$ 84.3**
Depreciation	**5.3**	**18.1**	**-**	**0.1**	**23.5**
Disposals	**-**	**(0.4)**	**-**	**-**	**(0.4)**
As at March 31, 2017	**$ 20.8**	**$ 85.3**	**$ -**	**$ 1.3**	**$ 107.4**
Net book value					
As at December 31, 2016	$ 209.1	$ 731.6	$ -	$ 0.2	$ 940.9
As at March 31, 2017	**$ 216.7**	**$ 734.3**	**$ -**	**$ 0.1**	**$ 951.1**

Effective April 1, 2016, the Company entered the production stage at the ELG Mine. The Company transferred the following amounts from construction in progress: $36.9 to inventory, $7.6 to prepaid expenses, $1.8 to mineral property and $728.6 to property and equipment.

As at March 31, 2017, property and equipment includes, net of depreciation, $21.0 in capitalized borrowing costs and $10.0 (December 31, 2016 - $9.0) related to the decommissioning liability for the ELG Mine (note 12). These property and equipment amounts were previously included in construction in progress. Mineral property includes $38.9 of capitalized deferred stripping costs, which includes $14.3 of depreciation of property and equipment.

Note 8. Value Added Tax Receivable

Value Added Tax ("VAT") or "Impuesto al Valor Agregado" ("IVA") receivables are generated on the purchase of supplies and services and are refundable from the Mexican government. As at March 31, 2017, the amount of VAT due from the Mexican tax authorities is $76.1 (or 1,431.4 million Mexican pesos) (December 31, 2016 - $61.8 or 1,279.0 million Mexican pesos), of which $38.0 is expected to be collected within the next year and is presented as a current asset, with the remaining $38.1 presented as a non-current asset. In the quarter ended March 31, 2017, the Company received $3.3 (or 65.8 million Mexican pesos) for VAT claims for 2015 and 2016. Each reporting period, VAT receivables are reviewed for collectability. Any allowance is based on the determination that the Mexican government may not allow the complete refund of these taxes. A full recovery is expected by the Company.

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

On April 5, 2017, the Company collected $12.7 in VAT (excluding interest of $0.6) (or 237.8 Mexican pesos, excluding interest of $11.0 Mexican pesos).

Note 9. Debt

		March 31, 2017		December 31, 2016
Debt:				
Loan Facility	**$**	**366.3**	$	365.7
Equipment Loan		**4.2**		5.4
VAT Loan		**16.0**		17.5
Finance Lease		**20.6**		18.1
Total debt, net of deferred finance charges	**$**	**407.1**	$	406.7
Less: current portion, net of deferred finance charges		**13.3**		5.5
Long-term portion, net of deferred finance charges	**$**	**393.8**	$	401.2

Contractual undiscounted debt repayments

		March 31, 2017
2017	$	4.6
2018		68.9
2019		60.1
2020		100.2
2021		116.6
2022		66.4
Total debt	**$**	**416.8**
Less: unamortized deferred finance charges		9.7
Total debt, net of deferred finance charges	**$**	**407.1**
Less: current portion, net of deferred finance charges		13.3
Long-term debt, net of deferred finance charges	**$**	**393.8**

Loan Facility

On August 11, 2014, the Company, through its subsidiary MML, signed a credit agreement with BMO Harris Bank N.A., BNP Paribas, Commonwealth Bank of Australia, ING Bank N.V., Société Générale, (collectively referred to as “Mandated Lead Arrangers”) and The Bank of Nova Scotia and other definitive documentation with respect to its previously announced syndicated senior secured $375.0 project finance facility (the “Loan Facility”) that has a maturity date of June 30, 2022. The Credit Agreement was subsequently amended on March 30, 2015. Included in the amendment was the deferral of the starting date for the Loan Facility’s scheduled repayments, as well as amendments to the amounts of scheduled repayments. The Loan Facility is comprised of two separate facilities, a project finance facility of

$300.0 (the "PFF") and a cost overrun facility of $75.0 (the "COF"). Advances under the PFF bear interest at a rate of LIBOR + 4.25% to 4.75% and advances under the COF bear interest at the same rate plus 1% until project completion. The Loan Facility is supported by secured guarantees from the Company and each of its material subsidiaries.

The Loan Facility has been fully drawn with an amount outstanding of $375.0 as at March 31, 2017. The loan is carried at amortized cost on the Condensed Consolidated Interim Statements of Financial Position. The Company incurred $12.9 in finance charges relating to upfront costs and closure fees for the Loan Facility. These finance charges have been deferred, are presented net of the Loan Facility, and are amortized over the term of the loan using the effective interest rate method. During the quarter ended March 31, 2017, the amortization expense relating to the deferred finance charges totaled $0.6, using an effective interest rate ranging between 0.374% and 0.785%, resulting in unamortized deferred finance charges of $8.7 as at March 31, 2017 (December 31, 2016 - $9.3).

The Loan Facility was subject to an Interim Completion Test ("ICT"). The deadline for completion of the ICT was September 30, 2016. The Company successfully completed, and the Lenders accepted, the ICT in September 2016 (refer to Note 17). In addition, the Loan Facility is subject to a Final Completion Test ("FCT"). The deadline for completion of the FCT is March 31, 2018. Successful completion of the FCT requires the Company to meet certain operational and legal criteria, as well as financial covenants related to the Company's ability to service its debt obligations, expected to be applicable as at March 31, 2018 and measured on a quarterly basis thereafter.

Equipment Loan

On December 23, 2015, the Company through its subsidiary MML executed a $7.6 four-year loan agreement with BNP Paribas (the "Equipment Loan"). The Equipment Loan, secured by certain mining vehicles that are owned by the Company, is due to mature on December 31, 2019, is repayable in quarterly instalments starting March 31, 2016, and bears interest at a rate of LIBOR + 3.75%. The loan is carried at amortized cost on the Condensed Consolidated Interim Statements of Financial Position. The loan obligation was recorded net of finance charges, which are being amortized over the term of the loan agreement, using an effective interest rate of 3.118%. During the quarter ended March 31, 2017, the Company repaid $1.3.

Finance Lease

On December 31, 2015, the Company through its subsidiary MML executed a finance lease agreement for up to $17.4 with Parilease SAS (the "Finance Lease Arrangement") to finance certain mining equipment. Advances under the Finance Lease Arrangement bear interest at a rate of LIBOR + 4.0%, and are repayable in quarterly instalments over five years. On December 26, 2016, the Company signed an amendment to the finance lease agreement that included an increase of $6.3 in available funds bringing the total funds available to $23.7.

As at March 31, 2017, the Company has utilized $22.7 of the amount available, and has made principal repayments of $1.4 to date, of which $0.8 were paid in the quarter ended March 31, 2017.

VAT Loan

On June 3, 2016, the Company through its subsidiary MML executed a line of credit agreement with Banco Nacional de Comercio Exterior for an amount equivalent to 84.2% of 95% of the Company's outstanding VAT filings, up to 800 million Mexican pesos (approximately $42.5 as at March 31, 2017) (the "VAT Loan"). The VAT Loan is secured by the Company's VAT receivable amounts, and advances under the facility bear interest equal to the 91-day Interbank Equilibrium

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

Interest (TIIE) Rate as published by the Bank of Mexico + 2.99%. Interest payments are due quarterly and a final payment of all principal and any accrued interest is due 24 months following the date of the first advance. Upon signing the agreement, the Company paid 0.5% of the total amount committed and will pay 0.5% of each advance.

The Company drew down its first advance on June 24, 2016, in the amount of 450.5 million Mexican pesos (approximately $24.3 at the time of the advance) and has made principal repayments of $7.7 as at March 31, 2017. The loan is carried at amortized cost, net of deferred finance charges, and totaled $16.0 as at March 31, 2017.

In late November 2016 an amendment was made extending the availability period of the remaining funds. No further advances were taken and the availability period expired on March 31, 2017 with approximately 349.5 million Mexican pesos undrawn.

Note 10. Finance Costs (Income)

The following table shows net finance costs (income) for the three months ended March 31, 2017 and March 2016:

	Three months ended	
	March 31, 2017	March 31, 2016
Interest and financing fees	**$ 7.3**	$ 0.2
Interest income	**(0.2)**	(0.3)
Accretion of decommissioning liabilities	**0.1**	0.1
	$ 7.2	$ -

Note 11. Derivative Contracts

Currency and gold commodity contracts

In connection with the Loan Facility, the Company entered into commitments to deliver 204,361 ounces of gold over an 18-month period commencing in January 2016 to the Mandated Lead Arrangers, at an average flat forward gold price of $1,241 per ounce. The gold hedges provide gold price protection for the Company's debt obligations.

The table below provides a summary of the gold contracts outstanding as at March 31, 2017:

Gold Contracts					
Gold Ounces	Contract Price per Ounce	Notional Amount by Term to Maturity			
		Within 1 Year	Within 1 to 2 years	Total	Fair Value as at March 31, 2017
12,285	$ 1,245	$ 82.6	$ -	$ 82.6	$ (0.7)
39,443	$ 1,240				
14,874	$ 1,238				
66,602					

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

The Company has also executed, as required by the Loan Facility, foreign exchange currency contracts, which cover 75% of the Company's non-U.S. dollar denominated capital expenditures for the ELG Mine from November 2014 to the second quarter of 2017, as well as for 75%, 50% and 25% annually of the Company's estimated non-U.S. dollar denominated operating expenditures for the ELG Mine from May 2016 to December 2018. The contracts are secured on an equal basis with the Loan Facility and documented in the form of International Swaps and Derivatives Association ("ISDA") Agreements.

The table below provides a summary of the currency contracts outstanding as at March 31, 2017:

Currency Contracts

Notional Amount (MXN millions)	**Contract Price (MXN)**	**Notional Amount by Term to Maturity (MXN millions)**			
		Within 1 Year	**Within 2 to 3 years**	**Total**	**Fair Value as at March 31, 2017**
511.2	18.55	684.0	336.0	1,020.0	$ (2.7)
170.4	18.69				
170.4	18.54				
168.0	19.18				
1,020.0					

The following table shows the classification of the fair value of the gold and currency contracts in the Condensed Consolidated Interim Statements of Financial Position as at March 31, 2017 and December 31, 2016:

	Classification	**Fair Value as at March 31, 2017**	Fair Value as at December 31, 2016
Gold contracts	Current assets	**$ -**	$ 8.6
Total derivative assets		**$ -**	$ 8.6
Gold contracts	Current Liabilities	**$ (0.7)**	$ -
Currency contracts	Current liabilities	**$ (1.3)**	$ (5.7)
Currency contracts	Long-term liabilities	**$ (1.4)**	$ (4.5)
Total derivative liabilities		**$ (3.4)**	$ (10.2)

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

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

The following table shows the (gains) losses on derivative contracts for the quarter ended March 31, 2017 and 2016:

	Three months ended	
	March 31, 2017	March 31, 2016
Unrealized loss on gold contracts	**$ 9.3**	$ 33.9
Unrealized gain on currency contracts	**(7.5)**	(3.6)
Realized gain on gold contracts	**(0.5)**	(0.2)
Realized loss on currency contracts	**0.4**	4.2
	$ 1.7	$ 34.3

Note 12. Decommissioning Liabilities

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

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

The Company has calculated the estimated fair value of the decommissioning liability as at March 31, 2017 using a pre-tax discount rate of 3.20% (December 31, 2016 - 4.33%) based on inflation-adjusted Mexican bond yields, with expenditures expected to be incurred between 2017 and 2030. The estimated total future undiscounted cash flows to settle the decommissioning liability as at March 31, 2017 is $15.5 (December 31, 2016 - $15.5). The total decommissioning liability for the ELG Mine as at March 31, 2017 is $11.6 (December 31, 2016 - $10.5).

As the liability is a monetary liability denominated in Mexican pesos, it is translated at the spot exchange rate at each reporting date. Foreign exchange differences arising from the revaluation of the decommissioning liability are capitalized as part of property, plant and equipment (note 7).

The following table shows the decommissioning liability as at March 31, 2017 and December 31, 2016:

	March 31, 2017	December 31, 2016
Balance, beginning of the period	**$ 10.5**	$ 9.4
Revisions to expected discounted cash flows	**0.4**	2.5
Accretion expense	**0.1**	0.3
Foreign exchange movement	**0.6**	(1.7)
Balance, end of the period	**$ 11.6**	$ 10.5
Less: current portion	**0.3**	0.3
Long-term portion	**$ 11.3**	$ 10.2

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

Note 13. Share Capital

Authorized

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

Issued

During the three months ended March 31, 2017, 91,529 common shares were issued (three months ended March 31, 2016 - 1,514,200) as a result of 154,446 stock options exercised, of which 87,074 were exercised under the Company's stock option plan's cashless exercise option.

During the three months ended March 31, 2017, 7,184 common shares were issued to settle vested restricted share units (three months ended March 31, 2016 - Nil).

Share consolidation

At the meeting of shareholders of the Company on June 9, 2016, the shareholders approved a special resolution for the Company to consolidate its issued and outstanding common shares on a ten-to-one basis. All references in these consolidated financial statements to earnings (loss) per share, weighted average number of common shares outstanding, common shares issued and outstanding, common share options, and restricted share units have been retrospectively restated to reflect the share consolidation.

Note 14. Share-based Payments

The Company has three share-based compensation plans: the Stock Option plan (the "SOP Plan"), the Restricted Share Unit Plan (the "RSU Plan"), and the Employee Share Unit plan (the "ESU Plan"). Under the terms of each plan, the aggregate number of securities that may be issued or outstanding under all share-based compensation arrangements of the Company is limited.

The ESU Plan allows for the issuance of restricted share units ("ERSUs") and performance share units ("EPSUs") to employees of the Company.

The following is a summary of the number of common share options ("Options") issued under the SOP Plan, restricted share units ("RSUs") issued under the RSU Plan, and ERSUs and EPSUs outstanding as at March 31, 2017 and the amounts of share-based compensation expense recognized for the three months ended March 31, 2017 and 2016.

	Number Outstanding	**Three months ended**	
	March 31, 2017	**March 31, 2017**	March 31, 2016
Common share options	**1,088,333**	**$ 0.5**	$ 0.4
RSUs	**139,304**	**0.7**	0.2
ERSUs	**179,201**	**0.5**	-
EPSUs	**268,804**	**1.1**	-
	1,675,642	**$ 2.8**	$ 0.6

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

Common share options

The SOP Plan authorizes the Board of Directors to grant Options to directors, officers, consultants or employees. The term of any Option grant may not exceed five years.

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

As at March 31, 2017, options held by directors, officers, employees and consultants are as follows:

	Outstanding			Exercisable		
Range (CDN)	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (CDN)	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (CDN)
\$11.40-\$11.45	206,047	3.35	\$ 11.40	113,992	3.35	\$ 11.40
\$11.46-\$11.65	349,431	2.06	11.50	349,431	2.06	11.50
\$11.66-\$21.05	148,899	2.97	15.48	138,320	2.97	15.48
\$21.06-\$24.46	330,000	0.47	21.70	330,000	0.47	21.70
\$24.47-\$29.62	43,952	4.78	27.22	43,952	4.78	27.22
\$29.63-\$32.02	10,004	4.38	32.02	10,004	4.38	32.02
	1,088,333	**2.08**	**\$ 15.94**	**985,699**	**1.95**	**\$ 16.37**

A summary of changes in the number of Options issued by the Company for the three months ended March 31, 2017 and for the year ended December 31, 2016 is presented as follows:

	Number of options (Note 13)	Weighted average exercise price (CDN) (Note 13)
Balance, January 1, 2016	**3,318,679**	**\$ 14.10**
Granted	112,837	17.13
Exercised	(2,001,315)	13.26
Forfeited	(41,329)	12.28
Expired	(189,049)	14.59
Balance, December 31, 2016	**1,199,823**	**\$ 15.77**
Granted	43,952	27.22
Exercised	(154,446)	18.04
Forfeited	(996)	11.40
Balance, March 31, 2017	**1,088,333**	**\$ 15.94**

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

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

The fair value of Options granted during the three months ended March 31, 2017 was CDN$9.67 (year ended December 31, 2016 - CDN$6.53). The following is a summary of the assumptions used in the Black-Scholes valuation model for Options granted during the three months ended March 31, 2017 and 2016:

	Three months ended	
	March 31, 2017	March 31, 2016
Risk-free interest rate	**0.84%**	0.63%
Expected price volatility	**57.1%**	53.3%
Expected option life (in years)	**2.50**	4.00
Annual dividend rate	**0%**	0%
Estimated forfeiture rate	**2.55%**	2.35%

The weighted average share price at the date of exercise of options exercised during three months ended March 31, 2017 was CDN$28.63.

Restricted share units

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

RSUs and ERSUs are valued based on the market price of the common shares of the Company at the date of grant and are recognized in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) over the vesting period.

Under this method, a portion of the fair value of the ERSUs is recognized in each reporting period based on the pro-rated number of days the eligible employees are employed by the Company compared to the vesting period of each grant. Upon settlement, each RSU and ERSU convert into one common share of the Company. ERSUs may be settled by cash payment at the election of the participant and subject to the consent of the Company.

Eligible participants under the RSU Plan include directors, officers, contractors and employees. Under the RSU Plan, qualified participants may elect to defer the receipt of all or any part of their entitlement to the RSUs.

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

A summary of changes in the number of RSUs and ERSUs issued by the Company for the three months ended March 31, 2017 and the year ended December 31, 2016 is presented below:

	Number of RSUs and ERSUs (Note 13)		Weighted average value (CDN) (Note 13)
Balance, January 1, 2016	**182,146**	**$**	**14.90**
Granted	329,749		21.75
Settled	(278,999)		16.59
Forfeited	(1,457)		21.45
Balance, December 31, 2016	**231,439**	**$**	**22.59**
Granted	96,031		27.74
Settled	(7,184)		18.21
Forfeited	(1,781)		27.58
Balance, March 31, 2017	**318,505**	**$**	**24.21**

Performance share units

Under the ESU Plan, EPSUs may be granted to employees of the Company. An EPSU represents the right to receive a common share of the Company at vesting, or at the election of the participant, and subject to the consent of the Company, the cash equivalent of a common share.

The number of EPSUs that will ultimately vest is determined by multiplying the number of EPSUs granted to the participant by an adjustment factor, which ranges from 0 to 2.0. Therefore, the number of EPSUs that will vest and be issued may be higher or lower than the number of EPSUs originally granted to a participant. The adjustment factor is based on the Company's total shareholder return relative to a group of comparable companies over the term of the applicable EPSU performance period. Under the terms of the ESU Plan, the Board of Directors is authorized to determine the adjustment factor.

A summary of changes in the number of EPSUs issued by the Company for the three months ended March 31, 2017 and the year ended December 31, 2016 is presented below:

	Number of PSUs		Weighted average value (CDN)
Balance, January 1, 2016	**-**	**$**	**-**
Granted	170,473		45.62
Forfeited	(337)		45.62
Balance, December 31, 2016	**170,136**	**$**	**45.62**
Granted	101,340		41.68
Forfeited	(2,672)		43.75
Balance, March 31, 2017	**268,804**	**$**	**44.15**

The fair value of the EPSUs granted was calculated using a Monte Carlo simulated option pricing model. The Monte

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

Carlo simulated option pricing model requires the use of subjective assumptions including expected share price volatility, risk-free interest rate, and estimated forfeiture rate. Historical data is considered in setting the assumptions. The estimated fair value of EPSUs is amortized on a straight-line basis over the related performance period. Under this method, a portion of the fair value of the EPSUs is recognized at each reporting period based on the pro-rated number of months the eligible employees are employed by the Company compared to the vesting period of each grant.

The EPSUs granted during the three months ended March 31, 2017 vest on December 31, 2019 and 2018, and had an estimated weighted average unit fair value at the grant date of CDN $41.68 (US$31.44 at the date of grant).

The following is a summary of the assumptions used in the Monte Carlo simulated option pricing model for EPSUs granted during the three months ended March 31, 2017:

	Three Months Ended March 31, 2017
Risk-free interest rate	**0.83%**
Expected price volatility	**57%**
Expected life of units	**3.0**
Annual dividends	**0%**
Estimated forfeiture rate	**0%**

Note 15. Earnings (Loss) per Share

Earnings (loss) per share has been calculated using the weighted average number of common shares outstanding for the three months ended March 31, 2017 and 2016 as follows:

	Three months ended			
		March 31, 2017		March 31, 2016
Net income (loss) for the year	**$**	**8.9**	$	(37.8)
Basic weighted average shares outstanding (Note 13)		**79,729,618**		78,671,805
Weighted average shares dilution adjustments:				
Share options		**460,254**		-
Restricted share units		**129,501**		-
Performance share units		**109,872**		-
Diluted weighted average shares outstanding		**80,429,245**		78,671,805
Earnings (loss) per share (Note 13)				
Basic	**$**	**0.11**	$	(0.48)
Diluted	**$**	**0.11**	$	(0.48)

For the three months ended March 31, 2017, the diluted weighted average number of common shares outstanding used in the calculation of diluted earnings per share excludes 53,956 share options as their exercise or settlement would be anti-dilutive in the earnings per share calculation.

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

For the three months ended March 31, 2016, the diluted weighted average common shares outstanding used in the calculation of diluted net loss per share excludes outstanding share options and restricted share units as their exercise would be anti-dilutive in the net loss per share calculation.

Note 16. Financial Instruments and Risk Management

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, derivative contracts and debt. Cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, and debt are recorded at amortized cost on the Condensed Consolidated Interim Statements of Financial Position. Other than the debt, the fair values of these financial instruments approximate their carrying values due to their short-term maturity. The derivative contracts are recorded at fair value and revalued through income at the end of each reporting period.

The carrying values and fair values of the Company's financial instruments as at March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	**$ 93.9**	**$ 93.9**	$ 104.0	$ 104.0
Derivative contracts	**-**	**-**	8.6	8.6
Restricted cash	**14.6**	**14.6**	23.4	23.4
	$ 108.5	**$ 108.5**	$ 136.0	$ 136.0
Financial liabilities				
Accounts payable and accrued liabilities	**$ 47.3**	**$ 47.3**	$ 50.4	$ 50.4
Derivative contracts	**3.4**	**3.4**	10.2	10.2
Debt	**407.1**	**416.8**	406.7	416.9
	$ 457.8	**$ 467.5**	$ 467.3	$ 477.5

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

(a) Credit risk:

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. All of the Company's cash and cash equivalents, VAT receivable, restricted cash, and derivative assets are held with reputable financial institutions or government agencies and, as such, the Company does not consider its credit risk to be significant as at March 31, 2017.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2017, the Company had cash balances of $93.9 (excluding restricted cash of $14.6) (December 31, 2016 - cash balance of $104.0, excluding restricted cash of $23.4). The Company maintains its cash in fully liquid business accounts.

During the three months ended March 31, 2017, the Company drew down a total of $3.7 from its Finance Lease Arrangement (note 9) to finance certain mining equipment. As at March 31, 2017, the amounts outstanding under the Loan Facility, Equipment Loan, Finance Lease Arrangement, and VAT Loan totalled $375.0, $4.4, $21.2 and $16.2, respectively.

Cash flows that are expected to fund the operation of the ELG Mine and settle current liabilities are dependent on, among other things, proceeds from gold sales. The Company is exposed to liquidity risk and credit risk with respect to its VAT receivables if the Mexican tax authorities are unable or unwilling to make payments in a timely manner in accordance with the Company's monthly filings. In order to mitigate this risk, during the second quarter of 2016, the Company entered into the VAT Loan. Timing of collection on VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. As at March 31, 2017, the Company expects to recover $38.0 over the next 12 months and a further $38.1 thereafter. Significant delays in the collection of VAT receivables may affect the Company's ability to repay the VAT Loan when it becomes due in June 2018. The Company's approach to managing liquidity risk with respect to its VAT receivables is to file its refund requests on a timely basis, monitor actual and projected collections of its VAT receivables, and cooperate with the Mexican tax authorities in providing information as required. Although the Company expects a full recovery, there remains a risk on the timing of collection of the Company's VAT receivables, which may affect the Company's liquidity and ability to repay the VAT Loan. On April 5, 2017, the Company collected a further $12.7 in VAT, excluding interest of $0.6.

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

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

				March 31, 2017
	Up to 1 year	1-5 years	Over 5 years	**Total**
Accounts payable and accrued liabilities	$ 47.3	$ -	$ -	**$ 47.3**
Derivative contracts (Note 11)	2.0	1.4	-	**3.4**
Debt (Note 9)	13.3	369.0	34.5	**416.8**
	$ 62.6	**$ 370.4**	**$ 34.5**	**$ 467.5**

				December 31, 2016
	Up to 1 year	1-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 50.4	$ -	$ -	$ 50.4
Derivative contracts (Note 11)	5.7	4.5	-	10.2
Debt (Note 9)	5.5	411.4	-	416.9
	$ 61.6	**$ 415.9**	**$ -**	**$ 477.5**

(c) Market risk:

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

(i) Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument or its fair value will fluctuate because of changes in market interest rates. Amounts outstanding under the PFF bear interest at a rate of LIBOR + 4.25% to 4.75% and advances under the COF bear interest at the same rate + 1% until project completion, while amounts outstanding under the Equipment Loan bear interest at a rate of LIBOR + 3.75%. The Company has not entered into any agreements to hedge against unfavourable changes in interest rates.

The Company deposits cash in fully liquid bank business accounts. As such, the Company does not consider its interest rate risk exposure to be significant as at March 31, 2017 with respect to its cash and cash equivalent positions.

(ii) Foreign currency risk:

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

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

As at March 31, 2017, the Company has hedged its exposure to foreign currency exchange fluctuations through the execution of foreign exchange currency hedges which cover 75% of the Company's non-U.S. dollar denominated capital expenditures from November 2014 to the second quarter of 2017, as well as 75%, 50% and 25% annually of the Company's estimated non-U.S. dollar denominated operating expenditures for the ELG Mine. As at March 31, 2017, a 10% appreciation or depreciation of the Mexican peso relative to the U.S. dollar would result in a decrease of $3.7 or increase of $3.5 (using the spot rate as at March 31, 2017 of 18.8 Mexican pesos per U.S. dollar) in the Company's net income (loss) for the three months relating to the derivative currency contracts.

As at March 31, 2017, the Company had cash and cash equivalents, accounts receivable, VAT receivables, accounts payable and accrued liabilities and income taxes payable that are denominated in Mexican pesos and in Canadian dollars. A 10% appreciation or depreciation of the Mexican peso and Canadian dollar relative to the U.S. dollar would have resulted in a decrease or increase of $2.9 and $0.3 in the Company's net income (loss) for the three months, respectively.

(iii) Commodity price risk:

Gold prices have fluctuated widely in recent years and the market price of gold has increased by 9% during the quarter ended March 31, 2017. There is no assurance that a profitable market will exist for gold produced by the Company. Under requirements from the Loan Facility, the Company entered into commitments to deliver 204,361 ounces of gold over an 18-month period commencing in January 2016 to the Lenders, at an average flat forward gold price of $1,241 per ounce. As at March 31, 2017, 66,602 ounces remained to be delivered under these derivative contracts. A 10% appreciation or depreciation of gold prices would result in an increase or decrease of $5.2 and $5.6 (using the spot rate as at March 31, 2017 of $1,249 per ounce) in the Company's net income (loss) for the three months relating to the derivative gold contracts.

(d) Fair value:

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

The following tables illustrate the classification of the Company's financial instruments measured at fair value within the fair value hierarchy. The levels in the hierarchy are as follows:

		March 31, 2017	
	Level 1	**Level 2**	**Level 3**
Financial liabilities			
Derivative gold contracts	$ -	$ 0.7	$ -
Derivative currency contracts	-	2.7	-
	$ -	**$ 3.4**	**$ -**

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

	December 31, 2016		
	Level 1	**Level 2**	**Level 3**
Financial assets			
Derivative gold contracts	$ -	$ 8.6	$ -
	$ -	**$ 8.6**	**$ -**
Financial liabilities			
Derivative currency contracts	$ -	$ 10.2	$ -
	$ -	**$ 10.2**	**$ -**

Note 17. Capital Management

Capital is comprised of the Company's shareholders' equity and debt. As at March 31, 2017, the Company's shareholders' equity was $696.5 (December 31, 2016 - $683.9), and debt, comprising of the Loan Facility, Equipment Loan, Finance Lease Arrangement and VAT Loan, net of deferred finance charges was $407.1 (December 31, 2016 - $406.7). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term.

The capital required for the development of the ELG Mine was raised through the issuance of common shares, bought deal financings, and debt financing. The net proceeds raised were used to advance the development of the ELG Mine and provide sufficient working capital to meet the Company's ongoing obligations. The ELG Mine reached commercial production effective April 1, 2016.

As set out in the Credit Agreement, the Loan Facility was subject to an Interim Completion Test ("ICT"). The deadline for completion of the ICT was September 30, 2016. The Company successfully completed, and the Lenders accepted, the ICT in September 2016. The Company was required to complete certain additional work with respect to the Tailings Dry Stack with a deadline of February 28, 2017. The Company successfully completed, and the Lenders accepted, the additional work with respect to the Tailings Dry Stack in February 2017. In addition, the Loan Facility is subject to a Final Completion Test ("FCT"). The deadline for completion of the FCT is March 31, 2018. Successful completion of the FCT requires the Company to meet certain operational and legal criteria, as well as financial covenants related to the Company's ability to service its debt obligations, expected to be applicable as at March 31, 2018 and measured on a quarterly basis thereafter. Inability to achieve the FCT would constitute an event of default under the Loan Facility, unless a waiver or amendment to the Loan Facility is obtained. The Company is also restricted from repatriating funds from MML until the FCT has been achieved.

In addition, the Company is also restricted from repatriating funds until the VAT Loan has been paid in full.

As at March 31, 2017, cash balances held by MML totalled $63.9 (December 31, 2016 - $70.1).

Note 18. Segmented Information

The Company's mineral property and equipment is located substantially in Mexico. The Company operates one reportable operating segment, being mineral exploration and mine development and operation in Mexico. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

Note 19. Commitments

Purchase commitments

As at March 31, 2017, the total purchase commitments for the ELG Mine amounted to $59.0, which are expected to settle over the next 12 months.

Operating leases

The Company has operating lease agreements involving office space, equipment and vehicles.

ELG royalties

Production revenue from the "Reducción Morelos Norte" concession is subject to a 2.5% royalty payable to the Mexican Geological Survey agency. The royalty is accrued based on revenue and is payable on a quarterly basis. In January 2017, the Company paid $2.4 relating to the fourth quarter of 2016 for 2.5% royalty.

In 2014, the Mexican government enacted a tax reform introducing a mining tax of 7.5% on earnings before the deduction of taxes, interest, depreciation and amortization, and a royalty of 0.5% on sales of gold, silver and platinum. Both the mining tax and royalty are payable on an annual basis in March of the following year. In March 2017, the Company paid $9.0 relating to 2016 7.5% and 0.5% royalties due.