Consolidated Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

Orla Mining Ltd.

We have audited the accompanying consolidated financial statements of Orla Mining Ltd., which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Orla Mining Ltd. as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements of Orla Mining Ltd. for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on April 22, 2016.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 19, 2017

ORLA MINING LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at		December 31, 2016		December 31, 2015
ASSETS				
Current assets				
Cash	**$**	**25,935,149**	$	418,703
Sales taxes recoverable		**408,695**		5,181
Deposits		**275,771**		-
Prepaid expenses		**83,819**		7,284
		26,703,434		431,168
Non-current assets				
Reclamation deposits (note 5)		**201,405**		-
Equipment (note 6)		**418,115**		-
Exploration and evaluation assets (note 7)		**111,725,507**		593,045
		112,345,027		593,045
TOTAL ASSETS	**$**	**139,048,461**	$	1,024,213
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 8)	**$**	**2,696,677**	$	180,638
TOTAL LIABILITIES		**2,696,677**		180,638
EQUITY				
Share capital (note 9)	**$**	**128,139,781**	$	2,229,514
Reserves (note 9)		**11,985,482**		782,956
Accumulated deficit		**(5,059,078)**		(2,168,895)
Accumulated other comprehensive income		**1,285,599**		-
TOTAL EQUITY		**136,351,784**		843,575
TOTAL EQUITY AND LIABILITIES	**$**	**139,048,461**	$	1,024,213

Corporate informaton and continuance of operations (note 1)
Commitments and contingencies (note 11)
Segmented information (note 13)
Subsequent event (notes 4 and 17)

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

These consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Marc Prefontaine Director *Director /s/ Troy Fierro Director*

ORLA MINING LTD.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	For the years ended December 31, 2016	December 31, 2015
EXPENSES		
Depreciation (note 6)	**$ 1,249**	$ -
Management fees (note 10)	**358,721**	42,848
Office and administration	**172,397**	5,137
Professional fees	**183,458**	31,149
Property investigation costs	**145,357**	125
Public relations	**55,257**	4,025
Regulatory and transfer agent fees	**48,146**	35,804
Rent	**18,028**	5,175
Salaries and benefits	**62,334**	-
Share-based payments (note 9(d))	**706,745**	108,198
Travel	**121,354**	18,219
	1,873,046	250,680
OTHER EXPENSES (INCOME)		
Interest income	**(66,535)**	(530)
Fair value loss on available-for-sale investments	**-**	14,000
Finance costs	**859**	-
Foreign exchange loss	**113,844**	105
Gain on settlement of debt	**-**	(18,221)
Penalties and interest (recovery) on flow-through shares	**(728)**	37,462
Loss on Pershimco shares (note 4)	**969,697**	-
LOSS FOR THE YEAR	**$ 2,890,183**	$ 283,496
OTHER COMPREHENSIVE EXPENSES (INCOME)		
Foreign currency translation differences for foreign operations	**$ (1,285,599)**	$ -
Unrealised loss on available-for-sale investments	**-**	1,000
Reclassification adjustment for impairment loss on available-for-sale investments	**-**	(14,000)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**$ 1,604,584**	$ 270,496
Basic and diluted loss per share for the period attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)	**$ 0.09**	$ 0.02
Weighted average number of common shares outstanding	**30,899,596**	15,146,417

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

ORLA MINING LTD.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

		Share capital		Reserves					
	Note(s)	Number of shares	Amount	Options	Warrants	Total	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2014		**5,137,924**	**$ 1,956,728**	**$ 332,544**	**$ -**	**$ 332,544**	**$ (1,885,399)**	**$ (13,000)**	**$ 390,873**
Shares issued for cash - private placement	9	12,300,000	318,273	-	296,727	296,727			**615,000**
Share issue costs	9	-	(45,487)	-	45,487	45,487			**-**
Share-based payments		-	-	108,198	-	108,198	-	-	**108,198**
Net loss for the year		-	-	-	-	-	(283,496)	-	**(283,496)**
Other comprehensive loss for the year		-	-	-	-	-	-	13,000	**13,000**
Balance at December 31, 2015		**17,437,924**	**$ 2,229,514**	**$ 440,742**	**$ 342,214**	**$ 782,956**	**$ (2,168,895)**	**$ -**	**$ 843,575**
Shares issued for acquisition	4 and 9(b)	54,070,908	72,995,726	-	-	-	-	-	**72,995,726**
Shares issued for liabilities of restricted shares units	4 and 9(b)	483,312	652,471	-	-	-	-	-	**652,471**
Shares issued for cash - private placement	9(b)	42,946,428	54,698,270	-	2,331,729	2,331,729	-	-	**57,029,999**
Share issue costs	9(b)	-	(2,570,102)	-	740,954	740,954	-	-	**(1,829,148)**
Shares issued for cash - warrant exercise	9(b)	1,550,000	93,000	-	-	-	-	-	**93,000**
Shares issued for cash - stock option exercise	9(b)	10,000	1,500	-	-	-	-	-	**1,500**
Warrants issued for acquisition	4 and 9(c)	-	-	-	6,952,828	6,952,828	-	-	**6,952,828**
Options issued for acquisition	4 and 9(c)	-	-	509,672	-	509,672	-	-	**509,672**
Reclassification of grant-date fair value on exercise of warrants		-	37,393	-	(37,393)	(37,393)	-	-	**-**
Reclassification of grant-date fair value on exercise of stock options		-	2,009	(2,009)	-	(2,009)	-	-	**-**
Share-based payments		-	-	706,745	-	706,745	-	-	**706,745**
Net loss for the year		-	-	-	-	-	(2,890,183)	-	**(2,890,183)**
Other comprehensive loss for the year		-	-	-	-	-	-	1,285,599	**1,285,599**
Balance at December 31, 2016		**116,498,572**	**$ 128,139,781**	**$ 1,655,150**	**$ 10,330,332**	**$ 11,985,482**	**$ (5,059,078)**	**$ 1,285,599**	**$ 136,351,784**

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

ORLA MINING LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the years ended December 31, 2016	For the years ended December 31, 2015
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the year	**$ (2,890,183)**	$ (283,496)
Adjustments for items not affecting cash:		
Depreciation	**18,136**	-
Gain on settlement of debt	**-**	(18,221)
Share-based compensation	**706,745**	108,198
Impairment loss on available-for-sale investments	**-**	14,000
Net changes in non-cash working capital items:		
Sales taxes recoverable	**6,621**	(4,904)
Prepaid expenses	**(26,910)**	(7,284)
Deposits	**11,568**	-
Accounts payable and accrued liabilities	**(285,465)**	(4,736)
Net cash flows used in operating activities	**(2,459,488)**	(196,443)
FINANCING ACTIVITIES		
Proceeds on issuance of shares, net of cash share issue costs (note 9(b))	**55,295,351**	615,000
Cash payment for liabilities of restricted shares units (note 4)	**(536,821)**	-
Repayment of long-term debt (note 4)	**(23,210,912)**	-
Net cash flows from financing activities	**31,547,618**	615,000
INVESTING ACTIVITIES		
Exploration and evaluation assets (note 7)	**(378,240)**	(2,281)
Acquisition costs less cash assumed on acquisition (note 4)	**(3,196,751)**	-
Net cash flows used in investing activities	**(3,574,991)**	(2,281)
Effects of exchange rate changes on cash	**3,307**	-
Net increase in cash	**25,516,446**	416,276
Cash, beginning of year	**418,703**	2,427
Cash, end of year	**$ 25,935,149**	$ 418,703
Cash paid during the year for interest	**$ -**	$ -
Cash paid during the year for income taxes	**$ -**	$ -

Supplemental cash flow information (note 12)

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Orla Mining Ltd. (formerly Red Mile Minerals Corp.) (the "Company" or "Orla") was incorporated under the Business Corporations Act of Alberta on May 31, 2007 as a Capital Pool Company as defined by Policy 2.4 of the TSX Venture Exchange. The Company was continued into British Columbia under the Business Corporations Act in 2010 and subsequently into Ontario under the Business Corporations Act (Ontario) in 2014.

Effective June 12, 2015, the Company changed its name from Red Mile Minerals Corp. to Orla Mining Ltd.

The head office, principal address and records office of the Company are located at Suite 1240, 1140 West Pender Street, Vancouver, British Colombia. The Company's registered office is located at 885 W. Georgia Street, 2200 HSBC Building, Vancouver, British Colombia.

On December 6, 2016, the Company and Pershimco Resources Inc. ("Pershimco") completed a plan of arrangement (the "Plan of Arrangement") under the Canada Business Corporations Act ("CBCA"), pursuant to which Orla and Pershimco have combined to create a new gold company in the Americas (Note 4). Orla will focus on continued exploration and development of the Cerro Quema project located in Panama, and intends to seek further growth opportunities in the Americas.

These audited consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2016, the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to fund operating costs over the next twelve months with cash and further equity financings.

The audited consolidated financial statements of the Company for the year ended December 31, 2016 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on April 19, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance to International Financial Reporting Standards

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Basis of presentation

These financial statements of the Company have been prepared on the historical cost basis except for certain non-current assets which are measured at fair value. In addition, these financial statements are presented in Canadian dollars which is also the Company's functional currency.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following wholly-owned subsidiaries of the Company:

		Percentage owned*	
	Country of incorporation	December 31, 2016	December 31, 2015
Pershimco Resources Inc.	Canada	100%	Nil
Minerometalurgica San Miguel, S. de R.L. de C.V.	Mexico	100%	Nil
Minera Cerro Quema, S.A.	Panama	100%	Nil
Aurum Exploration Inc.	Panama	100%	Nil

All subsidiaries have a reporting date of December 31.

i) Subsidiaries

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

ii) ii. Acquisitions and disposals

The results of entities acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of entities sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. *Exploration and Evaluation Expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

ii. *Site Closure and Reclamation Provisions*

The Company assesses its reclamation provision at each reporting date or when new material information becomes available. Exploration, development and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated. The Company's exploration work to date has resulted in no significant site disturbance and therefore the Company has not recognized any reclamation provision in its statements of financial position.

iii. *Title to Mineral Properties*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iv. *Share Capital*

Proceeds from the exercise of stock options and warrants, in addition to estimated fair value attributable to these equity instruments, are recorded as share capital when exercised. In a unit offering, the Company prorates the proceeds between common shares and warrants using the relative fair value method. Share issuance costs are recorded as a reduction of share capital.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Significant accounting judgments, estimates and assumptions (continued)

v. *Share-Based Payments and finders' warrants*

Management uses valuation techniques in measuring the fair value of share options and finders' warrants granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions for any share options granted could have a material impact on the Company's financial statements.

vi. *Deferred Income Taxes*

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the statement of financial position. Deferred tax assets, including those potentially arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognize deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

vii. *The assessment of the Plan of Arrangement as an asset acquisition*

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset requires the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. If an acquired set of assets and liabilities includes goodwill, the set is presumed to be a business. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition disclosed in Note 4 was acquisition of assets. The values assigned to common shares, stock options and warrants issued and the allocation of the purchase price to the net assets in the acquisition are based on numerous estimates and judgements including discount rates, volatility, expected option/warrant lives and the relative fair values of net assets.

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss "FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company has classified its sales taxes recoverable as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company does not have any assets classified as available for sale.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial assets (continued)

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2016, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable and accrued liabilities is classified as other financial liabilities.

Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits and assistance received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Industry specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure or further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit of production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. The Company has no material restoration, rehabilitation and environmental obligations as at December 31, 2016.

Share based payments

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share based payments reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. For those options that expire after vesting, the recorded value is transferred to the deficit.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle, a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income of loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow through shares

Any premium received by the Company on the issuance of flow through shares is initially recorded as a liability (“unrenounced flow through share premium”) and included in liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Equipment

Equipment is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight-line basis over the estimated useful lives of the equipment at the following annual rates:

- Office equipment 5 years
- Vehicles 4 years
- Equipment 5 years
- Computer equipment 3 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to the consolidated statements of loss during the financial year in which they are incurred.

Currency translation

Functional currency

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined the functional currency of the Company and its subsidiaries based on the currency of the primary economic environment in which the Company operates. Following is the summary of the functional currency of the Company and its subsidiaries:

	Functional currency
Orla Mining Ltd.	Canadian dollars
Pershimco Resources Inc.	Canadian dollars
Minerometalurgica San Miguel, S. de R.L. de C.V.	Mexican Peso
Minera Cerro Quema, S.A.	US dollars
Aurum Exploration Inc.	US dollars

The consolidated financial statements are presented in Canadian dollars, which is the presentation currency of the Company.

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Currency translation (continued)

Translation of the functional currency into the presentation currency

The results of foreign operations which have a different functional currency of the Company are translated to Canadian dollars at appropriate average rates of exchange during the year and are included in other comprehensive income (loss). The assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of foreign operation's assets and liabilities to Canadian dollars at period end are recognized in accumulated other comprehensive income (loss) as a foreign currency translation adjustment. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2017.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

4. ACQUISITION OF PERSHIMCO RESOURCES INC.

On September 14, 2016, Orla and Pershimco entered into a definitive arrangement agreement (the "Arrangement Agreement"). Under the terms of the Arrangement Agreement and the accompanying Plan of Arrangement, among other things, Orla and Pershimco will amalgamate (the "Merger") and continue as an amalgamated corporation to be named Orla Mining Ltd. ("Amalco"). On December 6, 2016 the Company and Pershimco completed the Plan of Arrangement under the Canada Business Corporations Act ("CBCA").

Pursuant to the Merger, each Orla shareholder received one common share of Amalco (an "Amalco Share") for each Orla common share (an "Orla Share") held. Each Pershimco shareholder received 0.19 of an Amalco Share for each Pershimco common share (a "Pershimco Share") held. All the options and warrants outstanding of Orla and Pershimco at the close of the Merger were exchanged using the same conversion ratio as outlined above. Under the Plan of Arrangement, all outstanding restricted share units of Pershimco will be paid out, at the election of the RSU holder, in either cash or Amalco Shares.

In addition, each Pershimco shareholder was entitled to receive 0.04 of a Class A Share of Amalco (a "Class A Share") for each Pershimco Share held. Each whole Class A share of Amalco entitled its holder to receive, without payment of additional consideration, one Amalco Share conditional upon the issuance of a ministerial resolution by the Ministry of Environment of Panama, accepting the Environmental and Social Impact Study on the Cerro Quema project (the "Conversion Event") on or prior to January 31, 2017 (the "Conversion Deadline). If the Conversion Event did not occur prior to the Conversion Deadline, the right to receive Amalco Shares would terminate. As of January 31, 2017, the Conversion Event was not satisfied. Accordingly, each Class A Share has been automatically cancelled and the right to receive common shares of Orla has terminated. Orla's work towards obtaining the ministerial resolution continues to progress.

Concurrent with entering into, but not contingent on, the Arrangement Agreement, Orla subscribed for 12,121,212 Pershimco Shares (the "Pershimco Shares") at a price of $0.33 per Pershimco Share in a private placement for total gross proceeds to Pershimco of $4 million. The Pershimco Shares were accounted for as available for sale financial assets. On the close of the Merger, the Pershimco shares were cancelled and accordingly, the fair value of the Pershimco Shares, based the closing market price on the close of the Merger, has been included in the purchase consideration. The decrease in the value of the Pershimco Shares from the date acquired to the close of the Merger has been included in the consolidated statement of loss and comprehensive loss.

In connection with the Merger, Orla completed a Private Placement pursuant to which Orla issued 28,571,428 Subscription Receipts at a price of $1.75 (note 9(b)) with each Subscription Receipt entitling the holder thereof to receive one common share of Amalco. Following the completion of the Merger, the Subscription Receipts were released from escrow and the underlying common shares of Orla were issued.

The transaction has been accounted for as acquisition of assets and assumed liabilities. The consideration of $76,227,130 paid by Orla and the transaction costs of $8,403,344 has been allocated to the assets and liabilities acquired based on their relative fair value on the date of the Merger.

(Expressed in Canadian Dollars)

4. ACQUISITION OF PERSHIMCO RESOURCES INC. (continued)

The following table summarizes the allocation of the purchase price and related acquisition costs to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Consideration comprised of:		
Fair value of Pershimco Shares	$	3,030,303
Common shares issued for acquisition (note 9(b))		72,687,155
Replacement options issued for Pershimco's option holders (note 9(d))		509,672
Cash paid for transaction costs		1,141,945
Common shares issued for transaction costs (note 9(b))		308,571
Warrants issued for transaction costs (note 9(c))		6,952,828
	$	**84,630,474**
Net identifiable assets acquired:		
Cash	$	975,497
Sales taxes recoverable		410,083
Prepaid expenses		49,160
Deposits		284,081
Reclamation deposits		199,080
Equipment		431,308
Exploration and evaluation assets		109,474,213
Accounts payable and accrued liabilities		(2,792,744)
Liabilities of restricted shares units		(1,189,292)
Long-term debt		(23,210,912)
	$	**84,630,474**

Subsequent to the Merger, the Company issued 483,312 common shares with a fair value of $652,471 (note 9(b)) and made a cash payment of $536,821 in settlement of the liability of restricted share units of Pershimco.

Subsequent to the Merger, the Company made a cash payment of $23,210,912 to settle the long-term debt of Pershimco.

5. RECLAMATION DEPOSITS

The Company has reclamation deposits of $201,405 (US$150,000). These bonds were put as collateral for the 3 mining concessions at Cerro Quema (Panama) in the event of future operations.

(Expressed in Canadian Dollars)

6. EQUIPMENT

	Equipment	Vehicles	Computer equipment	Office equipment	Total
Cost					
As at December 31, 2015	$ -	$ -	$ -	$ -	**$ -**
Additions	$ 255,594	$ 80,578	$ 84,818	$ 10,318	**$ 431,308**
Effect of movements in exchange rates	$ 2,986	$ 941	$ 988	$ 116	**$ 5,031**
Balance as at December 31, 2016	**$ 258,580**	**$ 81,519**	**$ 85,806**	**$ 10,434**	**$ 436,339**
Depreciation					
As at December 31, 2015	$ -	$ -	$ -	$ -	**$ -**
Charged for the year	$ (10,510)	$ (2,606)	$ (3,871)	$ (1,149)	**$ (18,136)**
Effect of movements in exchange rates	$ (53)	$ (14)	$ (19)	$ (2)	**$ (88)**
Balance as at December 31, 2016	**$ (10,563)**	**$ (2,620)**	**$ (3,890)**	**$ (1,151)**	**$ (18,224)**
Net book value					
As at December 31, 2015	$ -	$ -	$ -	$ -	$ -
As at December 31, 2016	**$ 248,017**	**$ 78,899**	**$ 81,916**	**$ 9,283**	**$ 418,115**

During the year ended December 31, 2016, the Company charged $18,136 (December 31, 2015 – $nil) in depreciation expense of which $1,249 (December 31, 2015 – $nil) was recognized as expenses and $16,887 was capitalized to exploration and evaluation assets (December 31, 2015 – $nil).

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

The Company's evaluation and exploration assets are broken down as follows:

	Panama		Canada	
	Cerro Quema	Aurum	Blue Quartz	Total
ACQUISITION COSTS				
Balance as at December 31, 2014 and 2015	**$ -**	**$ -**	**$ 273,121**	**$ 273,121**
During the year:				
Addition (Note 4)	109,474,212	1	-	**109,474,213**
Balance as at December 31, 2016	**$ 109,474,212**	**$ 1**	**$ 273,121**	**$ 109,747,334**
DEFERRED EXPLORATION COSTS				
Balance as at December 31, 2014	**$ -**	**$ -**	**$ 317,643**	**$ 317,643**
During the year:				
Rentals, supplies and other	-	-	2,281	**2,281**
Balance as at December 31, 2015	**-**	**-**	**319,924**	**319,924**
During the year:				
Assays and sample analysis	13,698	-	-	**13,698**
Depreciation	16,887	-	-	**16,887**
Geological consulting	81,378	-	631	**82,009**
Rentals, supplies and other	22,342	-	-	**22,342**
Repairs and maintenance	17,742	-	-	**17,742**
Salaries and benefits	169,492	-	-	**169,492**
Travel, food and accommodations	56,071	-	-	**56,071**
Balance as at December 31, 2016	**$ 377,610**	**$ -**	**$ 320,555**	**$ 698,165**
Effect of movements in exchange rates				
For the year ended December 31, 2015	$ -	$ -	$ -	**$ -**
For the year ended December 31, 2016	$ 1,280,009	$ -	$ -	**$ 1,280,009**
TOTAL				
Balance December 31, 2015	**$ -**	**$ -**	**$ 593,045**	**$ 593,045**
Balance December 31, 2016	**$ 111,131,831**	**$ 1**	**$ 593,676**	**$ 111,725,508**

7. EXPLORATION AND EVALUATION ASSETS (continued)

Cerro Quema, Panama

The Company's 100% owned Cerro Quema project is located on the Azuero Peninsula in the Los Santos Province of Southwestern Panama, about 45 kilometres southwest of the city of Chitre and about 190 kilometres southwest of Panama City. Rights to gold and silver at Cerro Quema are held through 3 concessions that encompass 14,833 hectares. As well as mineral rights, the Company owns the surface rights over the areas of the current resources.

Concession to the property comprises of three contracts between the Republic of Panama and Minera Cerro Quema S.A., a wholly owned subsidiary of the Company. The original 20-year term for these concessions expired on February 26, 2017 (Contracts 19 and 20) and March 3, 2017 (Contract 21). The Company has applied for the prescribed 10-year extension to these contracts as it is entitled to under Panamanian mineral law. The Company believes it has complied with all legal requirements in relation to the concessions. On March 6, 2017, the Ministry of Commerce and Industry provided written confirmation to the Company that the extension applications were received and that exploration work could continue while the Company waits for the renewal of the concessions. Furthermore, the Panamanian Ministry of Commerce and Industry approved the most recent annual report for the concessions which includes a work plan for 2017.

Aurum, Panama

The Company holds, through its wholly-owned Panama subsidiary, Aurum Exploration Inc., a 100% interest in a group of six mineral concessions (under application) covering approximately 55,000 hectares located in the Herrera and Los Santos Provinces on the Azuero Peninsula in the Republic of Panama. The applications are west of the Cerro Quema property.

The Company does not consider this property as core to its operations and is reviewing its options relating to this concession.

Blue Quartz Property, Ontario

The Company holds a 50% interest in the Blue Quartz Property in northern Ontario. The property is subject to net smelter returns royalties totaling 2.5%, up to an aggregate 0.5% of which can be bought back for $500,000.

The Company does not consider this property as core to its operations and is reviewing its options relating to this concession.

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are broken down as follows:

	Note		December 31, 2016		December 31, 2015
Trade payables		**$**	**1,774,074**	$	11,820
Accrued liabilities			**728,277**		8,000
Due to related party	**10**		**85,023**		37,190
Indemnification liability	**11**		**109,303**		123,628
		$	**2,696,677**	$	180,638

During the year ended December 31, 2015, the Company entered into several debt settlement agreements with various vendors to settle the outstanding payables; as a result, the Company recorded a gain on settlement of debt of $18,221.

9. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

b) Issued share capital

At December 31, 2016, the Company had 116,498,572 common shares issued and outstanding (December 31, 2015 – 17,437,924) with a value of $128,139,781 (December 31, 2015 – $2,229,514).

<u>During the year ended December 31, 2016:</u>

- On February 15, 2016, the Company closed a non-brokered private placement of 375,000 units at a price of $0.08 for gross proceeds of $30,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common Share at an exercise price of $0.10 for a period of 24 months.

  The Company estimated the grant date fair value of warrants issued with the private placement, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.44%, an expected life of 2 years, an expected volatility of 244% and an expected dividend yield of 0%, which totaled $14,347, and recorded this value in warrant reserve. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of $15,653 was recorded as common shares.

  In connection with this placement, the Company incurred share issue costs of $900.

9. SHARE CAPITAL (continued)

b) Issued share capital (continued)

- On July 8, 2016, the Company closed a non-brokered private placement of 14,000,000 units at a price of $0.50 for gross proceeds of $7,000,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common Share at an exercise price of $0.62 for a period of 60 months.

  The Company estimated the grant date fair value of warrants issued with the private placement, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.50%, an expected life of 5 years, an expected volatility of 232% and an expected dividend yield of 0%, which totaled $2,317,382, and recorded this value in warrant reserve. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of $4,682,618 was recorded as common shares.

  In connection with this placement, the Company incurred share issue costs of $49,497.

- On October 13, 2016, the Company closed a non-brokered private placement of 28,571,428 shares at a price of $1.75 for gross proceeds of $49,999,999. In connection with the private placement, the Company paid a cash commission of $1,778,751 and issued 865,668 broker warrants ("Broker Warrants") to the agents. Each Broker Warrant will entitle the holder thereof to subscribe for one common share of Orla at an exercise price of $1.75 per common share of Orla until October 13, 2018.

  The Company estimated the grant date fair value of Broker Warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.73%, an expected life of 2 years, an expected volatility of 141% and an expected dividend yield of 0%, which totaled $740,954, and recorded this value in warrant reserve.

- On December 6, 2016, the Company issued 53,842,337 common shares with a fair value of $72,687,155 to acquire all of the outstanding shares of Pershimco. In addition, the Company issued 228,571 common shares with a fair value of $308,571 as advisory fees.

- On December 6, 2016, the Company issued 483,312 common shares with a fair value of $652,471 in settlement of the liability of restricted share units of Pershimco.

- 1,550,000 warrants were exercised for proceeds of $93,000. In addition, the Company reclassified the grant date fair value of the exercised warrants of $37,393 from reserve to share capital.

- 10,000 options were exercised for proceeds of $1,500. In addition, the Company reclassified the grant date fair value of the exercised warrants of $2,009 from reserve to share capital.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

b) Issued share capital (continued)

During the year ended December 31, 2015:

- The Company closed a non-brokered private placement of 12,300,000 units at a price of $0.05 for gross proceeds of $615,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common Share at an exercise price of $0.06 for a period of 24 months.

  The Company estimated the grant date fair value of warrants issued with the private placement, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.60%, an expected life of 2 years, an expected volatility of 258% and an expected dividend yield of 0%, which totaled $296,727, and recorded this value in warrant reserve. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of $318,273 was recorded as common shares.

  In connection with the placement, the Company paid finders' fees of 808,000, non-transferable warrants (the "Finders' Warrants") to certain arm's length finders in connection with the private placement. Each Finders' Warrants will entitle the finder to purchase one Common Share at an exercise price of $0.05 for a period of 24 months (note 9(c)).

  The Company estimated the grant date fair value of finders' warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.60%, an expected life of 2 years, an expected volatility of 258% and an expected dividend yield of 0%, which totaled $45,487, and recorded this value as share issue cost.

c) Warrants

The changes in warrants during the years ended December 31, 2016 and 2015 as follows:

	December 31, 2016		December 31, 2015	
	Number outstanding	**Weighted average exercise price**	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	**13,265,200**	**$ 0.07**	207,200	$ 0.68
Issued	**14,065,828**	**1.25**	13,108,000	0.06
Exercised	**(1,550,000)**	**0.06**	-	-
Expired	**(107,200)**	**0.62**	(50,000)	1.00
Outstanding and exercisable, end of year	**25,673,828**	**$ 0.71**	13,265,200	$ 0.07

During the year ended December 31, 2016:

- In connection with the Merger, the Company issued 3,000,000 finders' warrants at an exercise price of $2.00 per common share of Orla for a period of 2 years

  The Company estimated the grant date fair value of finders' warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.73%, an expected life of 2 years, an expected volatility of 227% and an expected dividend yield of 0%, which totaled $3,580,757, and recorded this value in warrant reserve.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

c) Warrants (continued)

- In connection with the Merger, the Company issued 2,825,160 advisory warrants at an exercise price of $2.00 per common share of Orla for a period of 2 years

  The Company estimated the grant date fair value of advisory warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.73%, an expected life of 2 years, an expected volatility of 227% and an expected dividend yield of 0%, which totaled $3,372,071, and recorded this value in warrant reserve.

- 57,200 and 50,000 warrants with an exercise price of $0.50 and $0.75, respectively, expired, unexercised.

During the year ended December 31, 2015:

- On March 9, 2015, the Company recognized $296,727 to reserves for the issuance of 12,300,000 warrants as part of a private placement (Note 9 (b)). Each common share purchase warrant has an exercise price of $0.06 and expires March 9, 2017. The proceeds from the private placement were allocated between warrants and common shares based on their relative fair values.

- On March 9, 2015, the Company issued 808,000 finders warrants with a fair value of $45,487 (Note 9(b)).

- 50,000 warrants with an exercise price of $1.00 expired unexercised.

The following summarizes information about warrants outstanding at December 31, 2016:

Expiry date	Warrants outstanding		Exercise price	Weighted average remaining contractual life (in years)		Estimated grant date fair value
March 9, 2017	10,750,000	$	0.06	0.19	$	259,335
March 9, 2017	808,000	$	0.05	0.19		45,487
June 30, 2017	50,000	$	0.50	0.50		100,150
February 15, 2018	375,000	$	0.10	1.13		14,347
October 13, 2018	865,668	$	1.75	1.78		740,954
December 6, 2018	5,825,160	$	2.00	1.93		6,952,829
July 8, 2021	7,000,000	$	0.62	4.52		2,317,381
	25,673,828			**1.83**	**$**	**10,430,483**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

d) Stock options

The Company has a stock option plan applicable to directors, officers and consultants, under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, an option's maximum term is five years from the grant date. Options under this plan vest upon issuance.

The changes in stock options during the years ended December 31, 2016 and 2015 as follows:

	December 31, 2016			December 31, 2015		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding, beginning of year	**1,600,000**	**$**	**0.16**	120,000	$	0.50
Granted	**1,068,744**		**2.00**	1,535,000		0.15
Exercised	**(10,000)**		**0.15**	-		-
Expired / Cancelled	**(40,000)**		**0.50**	(55,000)		0.50
Outstanding, end of year	**2,618,744**	**$**	**0.91**	1,600,000	$	0.16
Outstanding, and exercisable end of year	**2,618,744**	**$**	**0.91**	408,750	$	0.17

During the year ended December 31, 2016

- In connection with the Merger, the Company issued 1,068,744 options to replace the outstanding options of Pershimco (5,625,000 options) at a conversion rate of 0.19.

- 40,000 options with an exercise price of $0.50 expired unexercised.

During the year ended December 31, 2015

- On November 27, 2015, the Company granted 1,535,000 options with an exercise price of $0.15 to certain officers, directors and consultants. The options are exercisable for a five-year period from the date of grant and will vest as follows: 25% on date of grant, 25% on the 6-month anniversary from the date of the grant, 25% on the 9-month anniversary from the date of the grant and the final 25% on 12-month anniversary from the date of the grant.

- 55,000 options with an exercise price of $0.50 expired unexercised.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

d) Stock options (continued)

The estimated grant date fair value of the options granted during the years ended December 31, 2016 and 2015 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the years ended December 31, 2016	For the years ended December 31, 2015
Risk-free interest rate	0.80%	0.79%
Expected annual volatility	180%	173%
Expected life (in years)	2.41	5.00
Expected dividend yield	0.00%	0.00%
Share price	$ 1.37	$ 0.21
Exercise price	$ 2.00	$ 0.15

The following summarizes information about stock options outstanding and exercisable at December 31, 2016:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
March 26, 2017	19,000	19,000	$ 7.48	$ 3	0.23
April 18, 2017	38,000	38,000	$ 6.85	104	0.30
September 20, 2017	180,496	180,496	$ 3.53	55,733	0.72
January 14, 2018	25,000	25,000	$ 0.50	3,087	1.04
May 22, 2018	38,000	38,000	$ 1.85	25,232	1.39
July 30, 2018	38,000	38,000	$ 1.90	30,132	1.58
September 19, 2018	177,648	177,648	$ 1.69	148,233	1.72
March 10, 2019	38,000	38,000	$ 1.69	46,688	2.19
October 1, 2019	222,300	222,300	$ 1.48	284,475	2.75
November 27, 2020	1,525,000	1,525,000	$ 0.15	308,304	3.91
December 3, 2020	317,300	317,300	$ 0.81	425,725	3.93
	2,618,744	**2,618,744**		**$ 1,327,716**	**3.24**

During the years ended December 31, 2016 and 2015, the Company recognized share-based payments expense of $706,745 and $108,198, respectively.

e) Earnings (loss) per share

The Company calculated the basic earnings (loss) per share by using the weighted-average number of shares outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period. In determining the weighted average number of common shares outstanding during the period for the diluted loss per share, warrants and options are not included as the impact would be anti-dilutive.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related Party Transactions

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole.

The Company entered into the following transactions with a related party during the year ended December 31, 2016:

- The Company paid $123,333 (December 31, 2015 – $nil) for management services to the Company's Chief Executive Officer or to Pref-Ex Geological Inc., which is a corporation controlled by the Company's Chief Executive Officer

- The Company paid $123,333(December 31, 2015 – $nil) for management services to the Company's Chief Operating Officer or to Hans Smit, P.Geo. Inc., which is a corporation controlled by the Company's Chief Operating Officer.

- The Company paid $149,648 (December 31, 2015 – $22,848), of which $75,414 was classified as acquisition costs related to the Merger, $6,230 was classified as share issuance costs, and $68,004 for management fees, to Quantum Advisory Partners LLP whose incorporated partner is the Company's Chief Financial Officer.

- The Company paid $25,000 (December 31, 2015 – $nil), included in management fees, for consulting fees to Alain Bureau Project Management Inc., which is a corporation controlled by the Company's Director.

Total compensation of key company personnel for the years ended December 31, 2016 and 2015 is as follows:

	For the years ended	
	December 31, 2016	**December 31, 2015**
Management fees	**$ 358,721**	$ 42,848
Share-based payments	**304,967**	96,920
	$ 663,688	$ 139,768

b) Related party balances

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were $110,654, as at December 31, 2016 (December 31, 2015 – $37,190), which were paid subsequent to December 31, 2016. These amounts are unsecured, non-interest bearing and payable on demand.

(Expressed in Canadian Dollars)

11. COMMITMENTS AND CONTINGENCIES

Flow-through shares

The Company committed to incur $165,000 of qualifying resource expenditures pursuant to a flow-through private placement completed in 2012. Renunciation forms relating to this financing were filed in February of 2013. As the Company did not fulfil its obligation to incur the required qualifying expenditures within the specified time frame, the Company has recognized $ 128,926 related to penalties, interest and indemnification liabilities to date in these financial statements (December 31, 2015 – $123,628) of which $19,623 was paid during the year ended December 31, 2016.

During the year ended December 31, 2016, the Company has recognized $5,298 in interest and penalties relating to these obligations (December 31, 2015 – $37,462).

The balances due to the indemnification liability included in accounts payables and accrued liabilities were $109,303, as at December 31, 2016 (December 31, 2015 – $123,628).

Minera Cerro Quema project (Panama)

In the event that commercial production begins, as per article 211 of the mining resources code, the properties are subject to a 4% royalty against production payable to the government.

Commitments

The Company is a party to certain management contracts. These contracts contain clauses requiring that $1,000,000 be paid to certain management personnel upon a change of control of the Company. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

12. SUPPLEMENT CASH FLOWS

	For the years ended	
	December 31, 2016	December 31, 2015
Shares issued for acquisition	**$ 72,687,155**	$ -
Shares issued for transaction costs	**308,571**	-
Shares issued for liabilities of restricted shares units	**652,471**	-
Warrants issued for acquisition	**6,952,828**	-
Options issued for acquisition	**509,672**	-
Reclassification of grant-date fair value on exercise of stock options from reserves to share capital	**2,009**	-
Reclassification of grant-date fair value on exercise of stock warrants from reserves to share capital	**37,393**	-
Payment of finder's fees through issue of finder's units	**-**	45,857
Payment of finder's fees through issue of finder's warrants		

(Expressed in Canadian Dollars)

13. SEGMENTED INFORMATION

The Company has one reportable segment, being the evaluation and exploration of mineral exploration properties in two geographic regions: Canada and Panama. The Company's long-lived assets and liabilities are as follows:

	Canada	Panama	Mexico	Total
As at December 31, 2016				
Reclamation deposits	$ -	$ 201,405	$ -	**$ 201,405**
Equipment	-	417,927	188	**418,115**
Exploration and evaluation assets	593,677	111,131,830	-	**111,725,507**
Accounts payable and accrued liabilities	(1,952,323)	(588,679)	(155,675)	**(2,696,677)**
	$ (1,358,646)	**$ 111,162,483**	**$ (155,487)**	**$ 109,648,350**
As at December 31, 2015				
Reclamation deposits	$ -	$ -	$ -	**$ -**
Equipment	-	-	-	**-**
Exploration and evaluation assets	593,045	-	-	**593,045**
Accounts payable and accrued liabilities	(180,638)	-	-	**(180,638)**
	$ 412,407	**$ -**	**$ -**	**$ 412,407**

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the evaluation and exploration of its mineral exploration properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of share capital.

There were no changes to the Company policy for capital management during the year ended December 31, 2015.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company and its subsidiaries are not subject to any externally imposed capital requirements.

The Company's investment policy is to invest its excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. By using this strategy, the Company preserves its cash resources and is able to marginally increase these resources through the yields on these investments. The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

The Company expects that its current capital resources will be sufficient to fund its present operational commitments and working capital needs for the coming twelve months.

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS

a) Fair value

The carrying values of sales taxes recoverable and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments.

		December 31, 2016		December 31, 2015
Financial assets:				
Fair value through profit and loss				
Cash	**$**	**25,935,149**	$	418,703
Loans and receivables				
Sales taxes recoverable		**408,695**		5,181
Financial liabilities:				
Other financial liabilities				
Accounts payable and accrued liabilities	**$**	**2,696,677**	$	180,638

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

As at December 31, 2016 and 2015, the financial instrument recorded at fair value on the statement of financial position is cash which is measured using Level 1 of the fair value hierarchy.

b) Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to financial instruments fails to meet its contractual obligations. The Company's exposure to credit risk includes cash and sales taxes recoverable.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Management believes that the credit risk related to its cash and sales taxes recoverable is negligible.

15. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company maintained sufficient cash at December 31, 2016 in the amount of $25,935,149 in order to meet short-term operating requirements (December 31, 2015 – $418,703). At December 31, 2016, the Company had accounts payable and accrued liabilities of $2,696,677 (December 31, 2016 – $180,638). All accounts payable and accrued liabilities are current.

Market risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and commodity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2016 and 2015.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash. A 1% change in interest rates on cash and cash equivalents outstanding at December 31,2016 would result in a $65,000 change to the Company's net loss for the year ended December 31, 2016 (December 31, 2015 – $4,187).

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, sales taxes recoverable, and accounts payable and accrued liabilities are held in Canadian Dollars ("CAD"), US Dollars ("USD") and Mexican Peso ("MXN"); therefore, USD and MXN accounts are subject to fluctuation against the Canadian dollar.

The Company had the following balances in foreign currency as at December 31, 2016:

	in Canadian dollars	in US dollars	in MXN
Cash	$ 12,149,105	$ 10,260,505	143,044
Sales taxes recoverable	404,738	2,947	-
Accounts payable and accrued liabilities	(1,119,859)	(1,058,425)	(2,403,683)
Total foreign currencies	**11,433,984**	**9,205,027**	**(2,260,639)**
Foreign currency rate	1.000	1.3427	0.0648
Equivalent to Canadian dollars	**$ 11,433,984**	**$ 12,359,589**	**$ (146,406)**

12. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Currency risk (continued)

Based on the above net exposures as at December 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and MXN by 10% would increase/decrease profit or loss by $1,221,318.

The Company had the following balances in foreign currency as at December 31, 2015:

	in Canadian dollars	in US dollars
Cash	413,886	3,473
Sales taxes recoverable	5,181	-
Accounts payable and accrued liabilities	(178,610)	(1,462)
Total foreign currencies	**240,457**	**2,011**
Foreign currency rate	1.000	1.3869
Equivalent to Canadian dollars	**$ 240,457**	**$ 2,789**

Based on the above net exposures as at December 31, 2015, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD by 10% would increase/decrease profit or loss by $278.

Commodity price risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities. The Company is not exposed to significant other price risk.

(Expressed in Canadian Dollars)

16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2016		2015
Loss for the year	$	(2,890,183)	$	(283,496)
Expected income tax recovery	$	(751,000)	$	(73,709)
Change in statutory, foreign tax, foreign exchange rates and other		2,000		-
Permanent Difference		195,000		10,979
Share issue cost		(476,000)		-
Change in unrecognized deductible temporary differences		1,030,000		62,730
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		2016		2015
Deferred Tax Assets (liabilities)				
Exploration and evaluation assets	$	(72,000)	$	(63,685)
Share issue costs		380,000		758
Non-capital losses available for future period		998,000		386,917
		1,306,000		323,990
Unrecognized deferred tax assets		(1,306,000)		(323,990)
Net deferred tax assets	**$**	**-**	**$**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2016	Expiry Date Range	2015	Expiry Date Range
Temporary Differences				
Share issue costs	$ 1,463,000	2037 to 2040	$ 3,000	2036
Non-capital losses available for future period	3,570,000	2027 to 2036	1,243,000	2027 to 2035

Tax attributes are subject to review, and potential adjustment, by tax authorities.

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2016

- 11,558,000 warrants were exercised for proceeds of $685,400.
- 184,500 options were exercised for proceeds of $42,695.
- 209,000 stock options with exercise prices ranging $0.81 to $7.48 expired unexercised.