



## **Condensed Interim Financial Statements**

**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

**(unaudited)**

**(Expressed in Canadian Dollars)**

#### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

**Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.**

**The accompanying unaudited interim financial statements of Orla Mining Ltd. for the three months ended March 31, 2016 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.**

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

**ORLA MINING LTD.**  
**Condensed Interim Statements of Financial Position (unaudited)**  
**(Expressed in Canadian Dollars)**

<i>As at</i>	<b>March 31, 2016</b>	December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 331,861	\$ 418,703
Sales taxes recoverable	7,887	5,181
Prepaid expenses	5,409	7,284
	<b>345,157</b>	<b>431,168</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (note 4)	593,461	593,045
	<b>593,461</b>	<b>593,045</b>
<b>TOTAL ASSETS</b>	<b>\$ 938,618</b>	<b>\$ 1,024,213</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 5, 7(b) and 8)	\$ 158,521	\$ 180,638
<b>TOTAL LIABILITIES</b>	<b>158,521</b>	<b>180,638</b>
<b>EQUITY</b>		
Share capital (note 6)	\$ 2,244,267	\$ 2,229,514
Reserves (note 6)	880,604	782,956
Accumulated deficit	(2,344,774)	(2,168,895)
<b>TOTAL EQUITY</b>	<b>780,097</b>	<b>843,575</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 938,618</b>	<b>\$ 1,024,213</b>

*Nature of business and going concern (note 1)*  
*Commitments and contingencies (notes 4 and 8)*  
*Subsequent events (note 6(c))*

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

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

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

**ORLA MINING LTD.****Condensed Interim Statements of Loss and Comprehensive Loss (unaudited)****(Expressed in Canadian Dollars)**

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	<b>For the three months ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>EXPENSES</b>		
Management fees (note 7)	\$ 45,500	\$ -
Office, general and administrative	9,729	213
Professional fees (note 7)	8,684	2,930
Property investigation costs	18,843	-
Regulatory fees and transfer agent fees	6,162	19,779
Rent	3,263	-
Share-based payments (notes 6 and 7)	83,301	-
	<b>175,482</b>	<b>22,922</b>
<b>OTHER EXPENSES (INCOME)</b>		
Interest income	(747)	-
Foreign exchange gain	(156)	-
Gain on settlement of debt	-	(18,221)
Penalties and interest on flow-through shares	1,300	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 175,879</b>	<b>\$ 4,701</b>
<b>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)</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>
<b>Weighted average number of common shares outstanding</b>	<b>17,627,484</b>	<b>8,144,591</b>

**ORLA MINING LTD.**  
**Condensed Interim Statements of Changes in Equity (unaudited)**  
**(Expressed in Canadian Dollars)**

	Note	Share capital		Reserves			Accumulated deficit	Accumulated other comprehensive income (loss)	Total
		Number of shares	Amount	Options	Warrants	Total			
<b>Balance at December 31, 2014</b>		<b>5,137,924</b>	<b>\$ 1,956,728</b>	<b>\$ 332,544</b>	<b>\$ -</b>	<b>\$ 332,544</b>	<b>\$ (1,885,399)</b>	<b>\$ (13,000)</b>	<b>\$ 390,873</b>
Shares issued for cash - private placement		12,300,000	318,273	-	296,727	296,727	-	-	615,000
Share issue costs		-	(45,487)	-	45,487	45,487	-	-	-
Net loss for the period		-	-	-	-	-	(4,701)	-	(4,701)
Other comprehensive loss for the period		-	-	-	-	-	-	-	-
<b>Balance at March 31, 2015</b>		<b>17,437,924</b>	<b>\$ 2,229,514</b>	<b>\$ 332,544</b>	<b>\$ 342,214</b>	<b>\$ 674,758</b>	<b>\$ (1,890,100)</b>	<b>\$ (13,000)</b>	<b>\$ 1,001,172</b>
<b>Balance at December 31, 2015</b>		<b>17,437,924</b>	<b>\$ 2,229,514</b>	<b>\$ 440,742</b>	<b>\$ 342,214</b>	<b>\$ 782,956</b>	<b>\$ (2,168,895)</b>	<b>\$ -</b>	<b>\$ 843,575</b>
Shares issued for cash - private placement	6	375,000	15,653	-	14,347	14,347	-	-	30,000
Share issue costs	6	-	(900)	-	-	-	-	-	(900)
Share-based payments		-	-	83,301	-	83,301	-	-	83,301
Net loss per the period		-	-	-	-	-	(175,879)	-	(175,879)
Other comprehensive loss for the period		-	-	-	-	-	-	-	-
<b>Balance at March 31, 2016</b>		<b>17,812,924</b>	<b>\$ 2,244,267</b>	<b>\$ 524,043</b>	<b>\$ 356,561</b>	<b>\$ 880,604</b>	<b>\$ (2,344,774)</b>	<b>\$ -</b>	<b>\$ 780,097</b>

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

**ORLA MINING LTD.**  
**Condensed Interim Statements of Cash Flows (unaudited)**  
**(Expressed in Canadian Dollars)**

	<b>For the three months ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net loss for the period</b>	\$ (175,879)	\$ (4,701)
<b>Adjustments for items not affecting cash:</b>		
Gain on settlement of debt	-	(18,221)
Share-based compensation	<b>83,301</b>	-
	<b>(92,578)</b>	<b>(22,922)</b>
<b>Net changes in non-cash working capital items:</b>		
Sales taxes recoverable	<b>(2,706)</b>	(3,853)
Prepaid expenses	<b>1,875</b>	-
Accounts payable and accrued liabilities	<b>(22,117)</b>	(65,162)
<b>Net cash flows used in operating activities</b>	<b>(115,526)</b>	<b>(91,937)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds on issuance of units, net of cash share issue costs	<b>29,100</b>	615,000
<b>Net cash flows from financing activities</b>	<b>29,100</b>	<b>615,000</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	<b>(416)</b>	-
<b>Net cash flows used in investing activities</b>	<b>(416)</b>	-
<b>Net increase (decrease) in cash</b>	<b>(86,842)</b>	523,063
<b>Cash, beginning of period</b>	<b>418,703</b>	2,427
<b>Cash, end of period</b>	<b>\$ 331,861</b>	<b>\$ 525,490</b>
<b>Cash paid during the period for interest</b>	\$ -	\$ -
<b>Cash paid during the period for income taxes</b>	\$ -	\$ -
<b>Supplementary cash flow information</b>		
Payment of finder's fees through issue of finder's warrants	\$ -	\$ 45,487

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

## **ORLA MINING LTD.**

### **Notes to the Interim Condensed Financial Statements (unaudited)**

#### **For the Three Months Ended March 31, 2016**

**(Expressed in Canadian Dollars)**

#### **1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS**

Orla Mining Ltd. (formerly Red Mile Minerals Corp.) (the "Company") 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 Columbia. The Company's registered office is located at Suite 2100, 40 King Street West, Toronto, Ontario.

These audited 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 March 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 cash equivalents and through further equity financings. These factors may cast significant doubt on the Company's ability to continue as a going concern.

The condensed consolidated interim financial statements of the Company for the three months ended March 31, 2016 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on May 27, 2016.

#### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

##### **Statement of compliance to International Financial Reporting Standards**

These unaudited condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting.

##### **Basis of presentation**

These unaudited condensed interim financial statements include the accounts of Orla. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2015. Certain amounts in prior periods have been reclassified to conform to the current period presentation.

**ORLA MINING LTD.**  
**Notes to the Interim Condensed Financial Statements (unaudited)**  
**For the Three Months Ended March 31, 2016**  
**(Expressed in Canadian Dollars)**

**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 future accounting periods. 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, tentatively effective for annual periods beginning on or after January 1, 2018.
- IFRS 16: New standard sets out a new model for lease accounting, effective for annual periods beginning on or after January 1, 2019.

**4. EXPLORATION AND EVALUATION ASSETS**

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

	<b>Blue Quartz Property</b>
<b>Acquisition and maintenance costs</b>	
Balance as at December 31 2015 and March 31, 2016	<b>273,121</b>
<b>Deferred exploration costs</b>	
Balance as at December 31, 2015	<b>319,924</b>
During the period	
Exploration costs	416
<b>Balance as at March 31, 2016</b>	<b>320,340</b>
<b>Balance as at March 31, 2016</b>	<b>\$ 593,461</b>



**ORLA MINING LTD.****Notes to the Interim Condensed Financial Statements (unaudited)****For the Three Months Ended March 31, 2016****(Expressed in Canadian Dollars)****4. EXPLORATION AND EVALUATION ASSETS (continued)****Blue Quartz Property, Ontario**

During the year ended December 31, 2010, the Company completed an agreement to acquire a 100% interest in the Blue Quartz gold property in northern Ontario from Russet Lake Resources Inc. (Russet Lake). Russet Lake holds an option to acquire the 100% interest subject to net smelter return (NSR) royalties of 2.5%.

In order to acquire this interest, the Company issued a total of 731,000 of its common shares (valued at \$220,500) and made cash payments of \$40,000. The Company was required to make a cash payment of \$20,000, issue 20,000 of its common shares, and complete \$250,000 in work expenditures on or before September 1, 2011. During the year ended December 31, 2011, the requirements were fulfilled and the Company exercised the option. Up to an aggregate 0.5% of the NSR can be bought back for \$500,000.

Also, during the year ended December 31, 2010, the Company entered into an option agreement with McLaren Resources Inc. ("Optionee") whereby the Optionee could earn 50% of the Company's interest in the property by making a cash payment of \$10,000 and spending a minimum of \$200,000 in exploration and development expenditures on or before September 1, 2011.

During year ended December 31, 2011, these requirements were fulfilled and the option was exercised. The Optionee has right of first refusal on the remaining 50%. The Company has also signed a letter of agreement to operate on a shared cost basis with the Optionee. The Optionee issued 100,000 shares (originally valued at \$14,000 (Note 4) to the Company and will become operator of the property on standard industry terms.

**Esker Property, Ontario**

On February 5th, 2013, the Company purchased a 100% interest in the 1,100 hectare Esker Gold Property, located west of the town of Pickle Lake in northwestern Ontario, by issuing 200,000 common shares of the Company with a fair market value of \$30,000. During the year ended December 31, 2013, the Company completed a work program that included the compilation of historic drill hole data, geochemistry, grid work and geological mapping to be used to assess drill targets.

During the year ended December 31, 2014, the Company wrote off the accumulated exploration and acquisition costs of the Esker property.

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	Note	March 31, 2016	December 31, 2015
Trade payables	\$	13,412	\$ 11,820
Accrued liabilities		10,000	8,000
Due to related party	7	29,804	37,190
Indemnification liability	8	105,305	123,628
	\$	158,521	\$ 180,638

**ORLA MINING LTD.****Notes to the Interim Condensed Financial Statements (unaudited)****For the Three Months Ended March 31, 2016****(Expressed in Canadian Dollars)****6. 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 March 31, 2016, the Company had 17,812,924 common shares issued and outstanding (December 31, 2015 – 17,437,924) with a value of \$ 2,244,267 (December 31, 2015 – \$2,229,514).

**During the three months March 31, 2016:**

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 the placement, the Company incurred share issue costs of \$900.

**c) Warrants**

The changes in warrants during the three months ended March 31, 2016 as follows:

	<u>Number</u> <u>outstanding</u>	<u>Weighted average</u> <u>exercise price</u>
<b>Balance, December 31, 2015</b>	<b>13,265,200</b>	<b>\$ 0.07</b>
Granted	375,000	0.10
<b>Balance, March 31, 2016</b>	<b>13,640,200</b>	<b>\$ 0.07</b>

On February 15, 2016, the Company recognized \$14,347 to reserves for the issuance of 375,000 warrants as part of a private placement (Note 6 (b)). Each common share purchase warrant has an exercise price of \$0.10 and expires February 15, 2018. The proceeds from the private placement were allocated between warrants and common shares based on their relative fair values.

**ORLA MINING LTD.**  
**Notes to the Interim Condensed Financial Statements (unaudited)**  
**For the Three Months Ended March 31, 2016**  
(Expressed in Canadian Dollars)

**6. SHARE CAPITAL (continued)**

**c) Warrants (continued)**

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

<b>Expiry date</b>	<b>Warrants outstanding</b>	<b>Exercise price</b>	<b>Weighted average remaining contractual life (in years)</b>	<b>Estimated grant date fair value</b>
April 11, 2016	50,000	\$ 0.75	0.03	\$ 27,525
October 17, 2016	57,200	0.50	0.55	21,536
March 9, 2017	12,300,000	0.06	0.94	296,727
March 9, 2017	808,000	0.05	0.94	45,487
June 30, 2017	50,000	0.50	1.25	100,150
February 15, 2018	375,000	0.10	1.88	14,347
	<b>13,640,200</b>		<b>0.96</b>	<b>\$ 505,772</b>

Subsequent to March 31, 2016, 50,000 warrants with an exercise price of \$0.75 expired, unexercised.

**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.

There were no options granted, exercised or expiry during the three months ended March 31, 2016.

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

<b>Expiry date</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Exercise price</b>	<b>Estimated grant date fair value</b>	<b>Weighted average remaining contractual life (in years)</b>
January 14, 2018	25,000	25,000	\$ 0.50	3,650	1.79
November 27, 2020	1,535,000	383,750	0.15	308,304	4.66
	<b>1,560,000</b>	<b>408,750</b>		<b>\$ 311,954</b>	<b>4.62</b>

During the three months ended March 31, 2016 and 2015, the Company recognized share-based payments expense of \$83,301 and \$nil, 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.

**ORLA MINING LTD.****Notes to the Interim Condensed Financial Statements (unaudited)****For the Three Months Ended March 31, 2016****(Expressed in Canadian Dollars)****7. 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 three months ended March 31, 2016:

- The Company paid \$15,000 (March 31, 2015 – \$nil) for management services to Pref-Ex Geological Inc., which is a corporation controlled by the Company's Chief Executive Officer. Fees have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.
- The Company paid \$15,500 (March 31, 2015 – \$nil) for accounting and administrative services to Quantum Advisory Partners LLP whose incorporated partner is the Company's Chief Financial Officer. Fees have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.
- The Company paid \$15,000 (March 31, 2015 – \$nil) for geological services to Hans Smit, P.Geo. Inc., which is a corporation controlled by the Company's Chief Operating Officer. Fees have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Total compensation of key company personnel for the three months ended March 31, 2016 and 2015 is as follows:

	For the three months ended	
	March 31, 2016	March 31, 2015
Management fees	\$ 45,500	\$ -
Share-based payments	74,619	-
	\$ 120,119	\$ -

**b) Related party balances**

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$29,804, as at March 31, 2016 (December 31, 2015 – \$37,190), which were paid subsequent to the three months ended March 31, 2016. These amounts are unsecured, non-interest bearing and payable on demand.

**ORLA MINING LTD.**

**Notes to the Interim Condensed Financial Statements (unaudited)**

**For the Three Months Ended March 31, 2016**

**(Expressed in Canadian Dollars)**

**8. 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 \$124,928 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 three months ended March 31, 2016.

During the three months ended March 31, 2016, the Company has recognized \$1,300 in interest and penalties relating to these obligations (March 31, 2015 – \$nil).

The balances due to the indemnification liability included in accounts payables and accrued liabilities were \$105,305, as at March 31, 2016 (December 31, 2015 – \$123,628).

**9. SEGMENTED INFORMATION**

The Company operates in one reportable segment, being the exploration and development of exploration and evaluation assets. All of the Company's exploration and evaluation assets are located in Canada.

**10. CAPITAL MANAGEMENT**

The Company defines capital as all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but, rather, relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. As at March 31, 2016, the Company had capital resources consisting of cash. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts through share issuances as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's investment policy is to invest in instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

There were no changes to the Company policy for capital management during the three months ended March 31, 2016.

**ORLA MINING LTD.****Notes to the Interim Condensed Financial Statements (unaudited)****For the Three Months Ended March 31, 2016****(Expressed in Canadian Dollars)****11. FINANCIAL INSTRUMENTS****a) Fair value**

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

	March 31, 2016	December 31, 2015
<b>Financial assets:</b>		
<i>Fair value through profit and loss</i>		
Cash	\$ 331,861	\$ 418,703
	\$ 331,861	\$ 418,703
<b>Financial liabilities:</b>		
<i>Other financial liabilities</i>		
Accounts payable	\$ 43,216	\$ 49,010
	\$ 43,216	\$ 49,010

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 March 31, 2016, the financial instruments recorded at fair value on the statement of financial position are cash equivalents which are measured using Level 2 of the fair value hierarchy and investments 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 cash equivalents and sales taxes recoverable.

The Company's cash and cash equivalents are 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 cash equivalents and accounts receivable is negligible.

**ORLA MINING LTD.****Notes to the Interim Condensed Financial Statements (unaudited)****For the Three Months Ended March 31, 2016****(Expressed in Canadian Dollars)****11. 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 March 31, 2016 in the amount of \$331,861 in order to meet short-term operating requirements. At March 31, 2016, the Company had accounts payable and accrued liabilities of \$158,521. 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 March 31, 2016.

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 March 31, 2016 would result in a \$3,317 change to the Company's net loss for the three months ended March 31, 2016.

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 and accounts payable are held in Canadian Dollars ("CAD") and US Dollars ("USD"); therefore, USD accounts are subject to fluctuation against the Canadian dollar.

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

	in Canadian dollars		in US dollars	
Cash	\$	329,272	\$	1,997
Sales taxes recoverable		7,887		-
Accounts payable and accrued liabilities		(153,334)		(4,000)
<b>Total foreign currencies</b>		<b>183,825</b>		<b>(2,003)</b>
Foreign currency rate		1.000		1.2967
<b>Equivalent to Canadian dollars</b>	<b>\$</b>	<b>183,825</b>	<b>\$</b>	<b>(2,597)</b>

**ORLA MINING LTD.**  
**Notes to the Interim Condensed Financial Statements (unaudited)**  
**For the Three Months Ended March 31, 2016**  
**(Expressed in Canadian Dollars)**

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**11. FINANCIAL INSTRUMENTS (continued)**

**b) Financial risk management (continued)**

Currency risk (continued)

Based on the above net exposures as at March 31, 2016, 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 \$260.

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.