



Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in Canadian Dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Orla Mining Ltd.

We have audited the accompanying financial statements of Orla Mining Ltd. which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Orla Mining Ltd. as at December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Orla Mining Ltd. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 22, 2016

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

<i>As at</i>	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash	\$ 418,703	\$ 2,427
Sales taxes recoverable	5,181	277
Prepaid expenses	7,284	-
	431,168	2,704
Non-current assets		
Investments (note 4)	-	1,000
Exploration and evaluation assets (note 5)	593,045	590,764
	593,045	591,764
TOTAL ASSETS	\$ 1,024,213	\$ 594,468
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 6, 8(b) and 9)	\$ 180,638	\$ 203,595
TOTAL LIABILITIES	180,638	203,595
EQUITY		
Share capital (note 7)	\$ 2,229,514	\$ 1,956,728
Reserves (note 7)	782,956	332,544
Accumulated deficit	(2,168,895)	(1,885,399)
Accumulated other comprehensive loss	-	(13,000)
TOTAL EQUITY	843,575	390,873
TOTAL EQUITY AND LIABILITIES	\$ 1,024,213	\$ 594,468

Nature of business and going concern (note 1)
Commitments and contingencies (notes 5 and 9)
Subsequent events (note 14)

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

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

/s/ Marc Prefontaine, Director */s/ Aaron Wolfe, Director*

ORLA MINING LTD.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the years ended	
	December 31, 2015	December 31, 2014
EXPENSES		
Exploration expenditure	\$ 125	\$ 30,008
Management fees (note 8)	42,848	14,251
Office, general and administrative	27,381	6,040
Professional fees (note 8)	31,149	29,535
Regulatory fees and transfer agent fees	35,804	17,686
Rent	5,175	1,400
Share-based payments (notes 7 and 8)	108,198	-
	250,680	98,920
OTHER EXPENSES (INCOME)		
Interest income	(530)	-
Fair value loss on available-for-sale investments	14,000	-
Foreign exchange loss	105	-
Gain on settlement of debt (note 6)	(18,221)	(51,985)
Impairment loss on exploration and evaluation assets (note 5)	-	70,618
Penalties and interest on flow-through shares	37,462	24,896
LOSS FOR THE YEAR	\$ 283,496	\$ 142,449
OTHER COMPREHENSIVE EXPENSES (INCOME)		
Unrealised loss on available-for-sale investments	\$ 1,000	\$ 1,000
Reclassification adjustment for impairment loss on available-for-sale investments	(14,000)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ 270,496	\$ 143,449
Basic and diluted loss per share for the year attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)	\$ 0.02	\$ 0.03
Weighted average number of common shares outstanding	15,146,417	5,137,924

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

ORLA MINING LTD.

Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Note	Share capital		Reserves		Total	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
		Number of shares	Amount	Options	Warrants				
Balance at December 31, 2013		4,489,000	\$ 1,924,281	\$ 239,744	\$ -	\$ 239,744	\$ (1,742,950)	\$ (12,000)	\$ 409,075
Shares issued on settle debt		648,924	32,447	92,800	-	92,800	-	-	125,247
Net loss for the year		-	-	-	-	-	(142,449)	-	(142,449)
Other comprehensive loss for the year		-	-	-	-	-	-	(1,000)	(1,000)
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	7	12,300,000	318,273	-	296,727	296,727	-	-	615,000
Share issue costs	7	-	(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

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

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

	For the years ended	
	December 31, 2015	December 31, 2014
OPERATING ACTIVITIES		
Net loss for the year	\$ (283,496)	\$ (142,449)
Adjustments for items not affecting cash:		
Gain on settlement of debt (note 6)	(18,221)	(51,985)
Share-based compensation	108,198	-
Impairment loss on available-for-sale investments (note 4)	14,000	-
Impairment loss on exploration and evaluation assets (note 5)	-	70,618
	(179,519)	(123,816)
Net changes in non-cash working capital items:		
Sales taxes recoverable	(4,904)	7,677
Prepaid expenses	(7,284)	159
Accounts payable and accrued liabilities	(4,736)	111,312
Net cash flows used in operating activities	(196,443)	(4,668)
FINANCING ACTIVITIES		
Proceeds on issuance of units	615,000	-
Net cash flows from financing activities	615,000	-
INVESTING ACTIVITIES		
Exploration and evaluation assets	(2,281)	(32,592)
Net cash flows used in investing activities	(2,281)	(32,592)
Net increase (decrease) in cash	416,276	(37,260)
Cash, beginning of year	2,427	39,687
Cash, end of year	\$ 418,703	\$ 2,427
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
Supplementary cash flow information		
Payment of finder's fees through issue of finder's warrants	\$ 45,487	\$ -

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

ORLA MINING LTD.
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(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 December 31, 2015, 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.

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").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 22, 2016.

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.

ORLA MINING LTD.
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

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.

ORLA MINING LTD.
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

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.

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 does not have any assets classified 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. At December 31, 2015, the Company has classified its investments as available-for sale.

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.

ORLA MINING LTD.
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

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

Financial instruments (continued)

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2015, 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 is classified as other financial liabilities.

Exploration and evaluation expenditures and assets

Exploration and evaluation expenditures 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.

ORLA MINING LTD.
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

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, 2015.

Share based payment

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 are 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.

ORLA MINING LTD.
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

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 or 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.

ORLA MINING LTD.
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards adopted during the year

Effective January 1, 2015, the following standards were adopted but did not have a material impact on the financial statements.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

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. INVESTMENT

During the year ended December 31, 2011, the Company received 100,000 common shares of McLaren Resources Inc. with a fair value of \$14,000 as part of the Blue Quartz letter of agreement (Note 5).

During the year ended December 31, 2015, management determined that there was objective evidence that 100,000 common shares of McLaren Resources Inc. were impaired and accordingly, the cumulative losses previously recognized in other comprehensive loss were reclassified to net loss and the Company recognized an impairment loss of \$14,000.

As at December 31, 2015, the carrying value of the common shares of McLaren is \$nil (December 31, 2014 – \$1,000).

ORLA MINING LTD.
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

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

	Blue Quartz Property	Esker Property	Total
Acquisition and maintenance costs			
Balance as at December 31, 2013	\$ 273,121	\$ 30,000	\$ 303,121
During the year ended December 31, 2014			
Impairment	-	(30,000)	(30,000)
	-	(30,000)	(30,000)
Balance as at December 31, 2014	273,121	-	273,121
Deferred exploration costs			
Balance as at December 31, 2013	315,170	10,500	325,670
During the year ended December 31, 2014			
Exploration costs	2,473	30,118	32,591
Impairment	-	(40,618)	(40,618)
	2,473	(10,500)	(8,027)
Balance as at December 31, 2014	317,643	-	317,643
Balance as at December 31, 2014	\$ 590,764	\$ -	\$ 590,764
Acquisition and maintenance costs			
Balance as at December 31, 2014 and 2015	273,121	-	273,121
Deferred exploration costs			
Balance as at December 31, 2014	317,643	-	317,643
During the year ended December 31, 2014			
Exploration costs	2,281	-	2,281
Balance as at December 31, 2015	319,924	-	319,924
Balance as at December 31, 2015	\$ 593,045	\$ -	\$ 593,045

ORLA MINING LTD.
Notes to the Financial Statements
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(Expressed in Canadian Dollars)

5. 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.

During the year ended December 31 2012 the Company signed an option agreement with McLaren to acquire up to a 50% interest of 8 staked claims with an area of 240 Hectares known as the ("Blue Quartz Extension Property"). The Blue Quartz Extension property is subject to an existing 2% NSR by a third party. To earn the 50% interest, the Company must spend \$500,000 in exploration drilling under the following schedule:

1. Spend \$100,000 on exploration drilling by August 31, 2013
2. Spend an additional \$200,000 on exploration drilling by August 31, 2014
3. Spend an additional \$200,000 on exploration drilling by August 31, 2015.

As the Company did not meet the expenditure requirements under the option agreement, the option agreement was terminated during the year ended December 31, 2014 and the 8 staked claims have been returned to the government.

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.

ORLA MINING LTD.
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Note	December 31, 2015	December 31, 2014
Trade payables		\$ 11,820	\$ 80,710
Accrued liabilities		8,000	-
Due to related party	8	37,190	36,721
Indemnification liability	9	123,628	86,164
		\$ 180,638	\$ 203,595

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.

During the year ended December 31, 2014, the Company issued 648,924 common shares with a fair value of \$32,446 to settle debts of \$177,231 with vendors and recognize recorded a gain on settlement of debt of \$51,985 on settlement with arm's length parties.

7. 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, 2015, the Company had 17,437,924 common shares issued and outstanding (December 31, 2014 – 5,137,924) with a value of \$2,229,514 (December 31, 2014 – \$1,956,728).

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 7(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.

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7. SHARE CAPITAL (continued)

b) Issued share capital (continued)

During the year ended December 31, 2014

The Company issued 648,924 common shares with a fair value of \$32,446 to settle debts of \$177,231 with vendors and recognized a gain of \$51,985 on settlement with arm's length parties.

c) Warrants

The changes in warrants during the years ended December 31, 2015 and 2014 as follows:

	December 31, 2015		December 31, 2014	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	207,200	\$ 0.68	701,200	\$ 0.55
Issued	13,108,000	0.06	-	-
Expired	(50,000)	1.00	(494,000)	0.10
Outstanding and exercisable, end of year	<u>13,265,200</u>	<u>\$ 0.07</u>	<u>207,200</u>	<u>\$ 0.68</u>

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 7 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 7b)).

During the year ended December 31, 2015 50,000 (2014 – 494,000) warrants expired unexercised.

The following summarizes information about warrants outstanding at December 31, 2015:

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (in years)
April 11, 2016	50,000	\$ 0.75	0.28
October 17, 2016	57,200	0.50	0.80
March 9, 2017	12,300,000	0.06	1.19
March 9, 2017	808,000	0.05	1.19
June 30, 2017	50,000	0.50	1.50
	<u>13,265,200</u>		<u>1.19</u>

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7. 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 options during the years ended December 31, 2015 and 2014 are as follows:

	December 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	120,000	\$ 0.50	405,000	\$ 0.50
Granted	1,535,000	0.15	-	-
Expired / Cancelled	(95,000)	0.50	(285,000)	0.50
Outstanding, end of year	1,560,000	\$ 0.16	120,000	\$ 0.50
Outstanding, and exercisable end of year	408,750	\$ 0.17	120,000	\$ 0.50

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.

During the year ended December 31, 2015 95,000 (2014 – 285,000) options expired unexercised.

The following summarizes information about stock options outstanding and exercisable at December 31, 2015:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
January 14, 2018	25,000	25,000	\$ 0.50	3,650	2.04
November 27, 2020	1,535,000	383,750	0.15	308,304	4.91
	1,560,000	408,750		\$ 311,954	4.87

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7. SHARE CAPITAL (continued)

d) Stock options

The estimated grant date fair value of the options granted during the years ended December 31, 2015 and 2014 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the years ended	
	December 31, 2015	December 31, 2014
Risk-free interest rate	0.79%	N/A
Expected annual volatility	173.23%	N/A
Expected life (in years)	5	N/A
Expected dividend yield	0.00%	N/A
Share price	\$ 0.21	N/A
Exercise price	\$ 0.15	N/A

During the year ended December 31, 2015 and 2014, the Company recognized share-based payments expense of \$108,198 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.

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8. 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, 2015:

- The Company paid \$22,848 (December 31, 2014 – \$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.

Total compensation of key company personnel for the years ended December 31, 2015 and 2014 is as follows:

	For the years ended	
	December 31, 2015	December 31, 2014
Management fees	\$ 42,848	\$ 14,251
Share-based payments	96,920	-
	<u>\$ 139,768</u>	<u>\$ 14,251</u>

b) Related party balances

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$37,190, as at December 31, 2015 (December 31, 2014 – \$36,721), which were paid subsequent to the year ended December 31, 2015. These amounts are unsecured, non-interest bearing and payable on demand (note 6).

9. 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 \$123,628 (December 31, 2014 – \$86,164) related to penalties, interest and indemnification liabilities to date in these financial statements, which is included in accounts payable and accrued liabilities (note 6). During fiscal 2015 the Company has recognized \$37,462 in interest and penalties relating to these obligations.

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10. 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.

11. 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 December 31, 2015, 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 year ended December 31, 2015.

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12. 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. Investments are determined by the closing market price of the securities held by the Company.

	December 31, 2015	December 31, 2014
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 418,703	\$ 2,427
<i>Available-for-sale</i>		
Investments	-	1,000
	\$ 418,703	\$ 3,427
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable	\$ 49,010	\$ 117,431
	\$ 49,010	\$ 117,431

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, 2015 and 2014, 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.

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12. 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, 2015 in the amount of \$418,703 in order to meet short-term operating requirements (December 31, 2014 – \$2,427). At December 31, 2015, the Company had accounts payable and accrued liabilities of \$180,638 (December 31, 2014 – \$203,595). 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, 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, 2015 would result in a \$4,187 change to the Company's net loss for the year ended December 31, 2015 (December 31, 2014 – \$24).

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 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

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12. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Currency risk (continued)

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.

During the year ended December 31, 2014, the Company does not have significant foreign exchange risk as its administrative operations are all in Canadian dollars.

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.

13. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2015	2014
Combined Canadian statutory income tax rate	26.00%	26.00%
Income tax recovery at statutory rate	\$ (73,709)	\$ (37,037)
Effect on income tax of:		
Non-deductible expenses and other items	10,979	41,032
Change in enacted rates	-	(10,048)
Change in unrecognized deferred tax assets	62,730	6,053
Income tax recoverable	\$ -	\$ -

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13. INCOME TAXES (continued)

Significant components of the Company's deferred income tax assets (liabilities) are shown below:

	2015	2014
Non-capital loss carry-forwards	\$ 386,917	\$ 334,889
Share-issue costs	758	8,417
Exploration and evaluation assets	(63,685)	(82,046)
Unrecognized deferred tax assets	(323,990)	(261,260)
Net deferred income tax assets	\$ -	\$ -

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2015

- On February 15, 2016, the Company closed a non-brokered private placement of 375,000 units (the "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.
- 50,000 warrants with an exercise price of \$0.75 expired, unexercised.
- The Company amended renunciation forms and paid \$19,623 related to penalties and interest.