TOREX GOLD RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Three and Six Month Periods Ended June 30, 2013

(Expressed in Canadian dollars)

Condensed Consolidated Interim Statement of Financial Position

Thousands of Canadian dollars		**June 30, 2013**		December 31, 2012
		(unaudited)		
Assets				
Current Assets:				
Cash and cash equivalents	**$**	**332,984**	$	401,114
Amounts receivable		**278**		222
Prepaid expenses		**5,565**		3,912
		338,827		405,248
Property and equipment (note 3)		**264,289**		210,597
Long term receivable (note 4)		**16,086**		10,528
Total Assets	**$**	**619,202**	$	626,373
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**8,799**	$	4,840
Deferred income tax liabilities		**1,507**		903
Shareholders' equity:				
Share capital (note 5)		**741,923**		739,891
Warrants (note 6)		**11,875**		11,875
Contributed surplus		**19,600**		18,900
Accumulated other comprehensive loss		**(10,097)**		(22,819)
Deficit		**(154,405)**		(127,217)
		608,896		620,630
Total Liabilities and Shareholders' Equity	**$**	**619,202**	$	626,373

Approved on behalf of the Board:

“Fred Stanford”	“Andrew Adams”
Fred Stanford (signed) Director	Andrew Adams (signed) Director

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

Condensed Consolidated Interim Statement of Operations and Comprehensive Loss

(Unaudited)

Thousands of Canadian dollars, except per share amounts	Three Months Ended **June 30, 2013**	Three Months Ended July 31, 2012	Six Months Ended **June 30, 2013**	Six Months Ended July 31, 2012
Expenses:				
General and administrative	**$ 3,251**	$ 1,919	**$ 7,547**	$ 4,465
Exploration and evaluation expenditures	**17,420**	13,234	**30,892**	26,252
	20,671	15,153	**38,439**	30,717
Other expense (income):				
Foreign exchange loss (gain)	**(11,305)**	61	**(10,408)**	254
Interest income	**(670)**	(156)	**(1,409)**	(372)
	(11,975)	(95)	**(11,817)**	(118)
Net loss before income tax expense	**8,696**	15,058	**26,622**	30,599
Income tax expense	**323**	-	**566**	-
Net loss for the period	**9,019**	15,058	**27,188**	30,599
Other comprehensive income (loss)	**3,780**	6,565	**(12,722)**	(6,805)
Comprehensive loss	**$ 12,799**	$ 21,623	**$ 14,466**	$ 23,794
Basic and diluted loss per share (note 9)	**(0.01)**	(0.04)	**(0.04)**	(0.07)
Weighted average number of common shares outstanding	**606,500,126**	413,163,790	**606,491,109**	413,163,790

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

Condensed Consolidated Interim Statement of Shareholders' Equity

(Unaudited)

Thousands of Canadian dollars, except number of common shares	Number of Common Shares	Common Shares	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, November 1, 2011	353,271,134	301,087	7,164	12,418	(26,215)	(50,980)	243,474
Exercise of compensation options	144,900	189	4	(27)	-	-	166
Exercise of stock options	50,000	78	-	(25)	-	-	53
Amortization of stock options	-	-	-	1,793	-	-	1,793
Amortization of RSU expense	-	-	-	180	-	-	180
Exercise of Warrants	59,697,756	84,771	(7,164)	4	-	-	77,611
Expiry of Warrants	-	-	(4)	-	-	-	(4)
Currency translation adjustment	-	-	-	-	(6,602)	-	(6,602)
Net loss for the period	-	-	-	-	-	(13,388)	(13,388)
Balance, January 31, 2012	413,163,790	386,125	-	14,343	(32,817)	(64,368)	303,283
Amortization of stock options	-	-	-	1,662	-	-	1,662
Amortization of RSU expense	-	-	-	363	-	-	363
Currency translation adjustment	-	-	-	-	6,805	(30,599) -	23,794
Net loss for the period	-	-	-	-	-	-	-
Balance, July 31, 2012	413,163,790	386,125	-	16,368	(26,012)	(94,967)	281,514
Balance, December 31, 2012	**604,469,331**	**739,891**	**11,875**	**18,900**	**(22,819)**	**(127,217)**	**620,630**
Exercise of stock options	**30,795**	**52**	**-**	**(25)**	**-**	**-**	**27**
Exercise of RSU	**2,000,000**	**1,980**	**-**	**(1,980)**	**-**	**-**	**-**
Amortization of stock options	**-**	**-**	**-**	**2,227**	**-**	**-**	**2,227**
Amortization of RSU expense	**-**	**-**	**-**	**478**	**-**	**-**	**478**
Currency translation adjustment	-	-	-	**-**	**12,722**	-	**12,722**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(27,188)**	**(27,188)**
Balance, June 30, 2013	**606,500,126**	**741,923**	**11,875**	**19,600**	**(10,097)**	**(154,405)**	**608,896**

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

Condensed Consolidated Interim Statement of Cash Flows

(Unaudited)

	Six Months Ended	
Thousands of Canadian dollars	**June 30, 2013**	July 31, 2012
Cash flow from (used in) operating activities:		
Loss for the period	**$ (27,188)**	$ (30,599)
Items not involving cash:		
Stock-based compensation	**2,705**	2,025
Depreciation and amortization	**410**	255
Deferred income tax expenses	**566**	-
Change in non-cash working capital balances:		
Amounts receivable	**(5,000)**	(2,596)
Prepaid expenses	**(1,435)**	7,201
Accounts payable and accrued liabilities	**3,723**	2,612
	(26,219)	(21,102)
Cash flow used in investing activities:		
Purchase of plant and equipment	**(40,905)**	(749)
	(40,905)	(749)
Cash flow from (used in) financing activities:		
Issuance of Special Warrants	**-**	167
Exercise of stock and compensation options	**27**	(166)
	27	1
Effect of foreign exchange rate changes in cash and cash equivalents	**(1,033)**	(684)
Decrease in cash and cash equivalents	**(68,130)**	(22,534)
Cash and cash equivalents, beginning of period	**401,114**	91,761
Cash and cash equivalents, end of period	**$ 332,984**	$ 69,227

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

(Amounts in thousands of Canadian dollars, except per share amounts)

Note 1. Corporation Information

Torex Gold Resources Inc. (the "Company" or "Torex") is a Canadian-based resource company engaged in the exploration and development of its wholly-owned Morelos Gold Property. The Company's registered address is 145 King Street, Suite 1502, Toronto, Ontario, M5H 1J8, Canada.

The condensed consolidated interim financial statements (herein after referred to as "financial statements") of the Company as at and for the three and six months ended June 30, 2013 and the three and six months ended July 31, 2012 are comprised of the Company and its subsidiaries.

In December 2012, Torex announced the change in its fiscal year end from October 31 to December 31, effective as of December 31, 2012. Accordingly, for the 2012 reporting year, the Company reported its audited consolidated financial statements for the fourteen month period ending December 31, 2012, compared with the twelve month period ended October 31, 2011. The interim reporting periods and their respective comparative periods in 2013 are as follows:

Period	Comparative Period
3 months ended March 31, 2013	3 months ended April 30, 2012
6 months ended June 30, 2013	6 months ended July 31, 2012
9 months ended September 30, 2013	9 months ended October 31, 2012

Note 2. Basis of Presentation

A. Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. These statements do not include all of the information required for full annual financial statements and should be read with the annual financial statements for the fourteen month period ended December 31, 2012 approved by the Board of Directors on March 27, 2013.

The accounting policies applied in these unaudited condensed interim financial statements are the same as those applied to the audited consolidated financial statements as at and for the fourteen month period ended December 31, 2012, except for the new IFRS standards adopted by the Company as described below:

Accounting Policies in effect January 1, 2013

The following IFRS standards have been recently issued by the International Financial Reporting Interpretations Committee ("IASB"): IFRS 10 *Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 13 *Fair Value Measurement*, and the International Financial Reporting Interpretations Committee ("IFRIC") 20 *Stripping Costs in the Production Phase of a Surface Mine*.

IFRS 10 *Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). This standard is required to be applied for accounting periods beginning on or before January 1, 2013. The amendments did not have an impact on the Company's financial position or disclosures.

IFRS 11 *Joint Arrangements* ("IFRS 11") replaces the guidance in IAS 31 *Interests in Joint Ventures.* Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method. The amendments did not have an impact on the Company's financial position or disclosures.

IFRS 13, *Fair Value Measurement* was issued by the IASB on May 12, 2011. The new standard converges IFRS and US generally accepted accounting principles on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The amendments did not have an impact on the Company's financial position or disclosures. The amendments did not have an impact on the Company's financial position or disclosures.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20") provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 is applicable for annual periods beginning on or after January 1, 2013. The amendments did not have an impact on the Company's financial position or disclosures.

Recent accounting pronouncements issued but not yet adopted

The following IFRS standard has been recently issued by the International Financial Reporting Interpretations Committee ("IASB"): IFRS 9 *Financial Instruments* and IFRIC 20 *Levies*. The Company is assessing the impact of these new standards, if any, on the consolidated financial statements.

IFRS 9 *Financial Instruments* ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted.

IFRIC 21 *Levies* ("IFRIC 21") was issued in May 2013 and is an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

(Amounts in thousands of Canadian dollars, except per share amounts)

B. Basis of Measurement

The financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value.

C. Basis of Consolidation

These financial statements are comprised of the financial statements of Torex and the accounts of the Company's wholly-owned subsidiaries as follows:

2290456 Ontario Inc.
GRL Resources (Barbados) Ltd.
GRL Mining (Barbados) Ltd.
TGRXM S.A. de C.V. ("TGRXM")
Minera Media Luna, S.A. de C.V. ("MML")
TGRXM2010 S.A. de C.V. ("TGRXM2010")

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

All intercompany transactions, balances, income and expenses between the above entities are eliminated on consolidation.

Note 3. Property & Equipment

	Mineral Property	Mexico Property & Equipment	Construction in Progress	Corporate Office	**Total**
Cost					
As at December 31, 2012	$205,249	$ 3,573	$ 1,920	$ 1,000	**$ 211,742**
Additions	-	112	41,740	130	**41,982**
Currency translation difference	11,849	207	111	-	**12,167**
As at June 30, 2013	$217,098	$ 3,892	$ 43,771	$ 1,130	**$ 265,891**
Accumulated depreciation					
As at December 31, 2012	$ -	$ 770	$ -	$ 375	**$ 1,145**
Depreciation	-	266	-	144	**410**
Currency translation difference	-	47	-	-	**47**
As at June 30, 2013	$ -	$ 1,083	$ -	$ 519	**$ 1,602**
Net book value					
As at December 31, 2012	$205,249	$ 2,803	$ 1,920	$ 625	**$ 210,597**
As at June 30, 2013	$217,098	$ 2,809	$ 43,771	$ 611	**$ 264,289**

At June 30, 2013, the Company holds a 100% interest in the Morelos Gold Property in Mexico with a carrying value of $217,098 (December 31, 2012 – $205,249). Period to period changes in the mineral property carrying value result from the revaluation of the initial acquisition value of the property at each reporting date using the closing exchange rate at that date. Based on the decision that the Morelos Gold Property is commercially viable, commencing in November 2012, all further costs directly attributable to bringing the asset to commercial production are capitalized. As at June 30, 2013, capitalized costs to construction in process have a carrying value of $43,771 (December 31, 2012 – $1,920).

The Company has entered into a long-term land lease agreement with the Rio Balsas Ejido and the Real Limón Ejido for the use of its common land and long-term land lease agreements with individual owners of land parcels within the Ejido boundary. The land subject to these agreements is part of the total land required for the future construction, mining, and processing of gold at the Morelos Gold Property. The lease agreements are for 30 years with annual payments of 23 thousand pesos per hectare during the first two years, and for the subsequent 13 years, the equivalent, in pesos, of 2.5 troy ounces of gold per hectare, calculated at the annual average gold price published by the London Bullion Market Association. Starting in year 16, and every five years thereafter, the amount of the annual payments will be renegotiated. All of the long-term land lease agreements can be terminated at the Company's discretion at any time without penalty. Also, the Company has entered in to an exploration access agreement with the Puente Sur Balsas Ejido. The lease agreement is for five years with an annual payment of 4 million pesos. The five year exploration access agreement includes access to the new discovery at the Media Luna Project area. As with the land use agreements, this agreement can be terminated at the Company's discretion at any time without penalty. The Company has entered into several other exploration and evaluation related agreements, none of which are expected to extend beyond a one-year term.

Note 4. Long-Term Receivable

The Company is required to pay certain taxes in Mexico, based on consumption. These taxes are recoverable from the Mexican tax authorities. The total recoverable taxes amounted to $16,086 at June 30, 2013 (December 31, 2012 – $10,528).

Note 5. Share Capital

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

(b) In September 2012, 1,022,500 common share options were exercised resulting in gross proceeds of $1,211 and the issue of an equal number of common shares.

(c) In October 2012, 200,000 common share options were exercised resulting in gross proceeds of $236 and the issue of an equal number of common shares

(d) In connection with the completion of the Company's bought deal financing in October 2012, 190,000,000 common shares were issued at $2.00 per share and 47,500,000 common share purchase warrants were issued, which entitle the holders to purchase one common share of the Company at $2.65 until October 23, 2013. This included 15,000,000 common shares and 3,750,000 common share purchase warrants issued in connection with the partial exercise by the underwriters of the over-allotment option. The total cost of this financing was $16,751.

(Amounts in thousands of Canadian dollars, except per share amounts)

(e) In December 2012, 83,041 common share options were exercised resulting in gross proceeds of $141 and the issue of an equal number of common shares.

(f) In February 2013, 2,000,000 restricted share units were exercised resulting in the issue of an equal number of common shares.

(g) In March 2013, 30,795 common share options were exercised for gross proceeds of $49 with the issue of an equal number of common shares.

Note 6. Warrants

The following is a summary of common share purchase warrant activity for the six month period ended June 30, 2013:

	Number of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2012	47,500,000	11,875	$ 2.65
Exercised	-	-	-
Expired warrants	-	-	-
Balance, June 30, 2013	47,500,000	11,875	$ 2.65

Note 7. Share-Based Payments

The Company operates a stock option plan (the “Plan”) which authorizes the board of directors to grant options to directors, officers, consultants or employees to acquire not more than 10% of the then issued and outstanding common shares. The aggregate number of common shares reserved for issuance pursuant to this Plan or any other share compensation arrangement (pre-existing or otherwise) to insiders shall not exceed 10% of the common shares outstanding from time to time. The exercise price of options granted may not be less than the price permitted by any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction. The term of any common share option grant may not exceed five years. As at June 30, 2013, 34,483,048 common share options are available for issuance under the Plan (December 31, 2012– 34,936,173).

As at June 30, 2013, common share options held by directors, officers, employees and consultants are as follows:

	Outstanding			**Exercisable**		
Range (Cdn$)	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average remaing contractual life	Weighted average exercise price
$0.96-$1.20	12,825,000	1.56	$ 1.18	12,825,000	1.56	$ 1.18
$1.21-$1.40	75,000	2.01	$ 1.27	75,000	2.01	1.27
$1.41-$1.60	6,471,465	3.11	$ 1.51	5,751,804	3.09	1.51
$1.61-$1.80	884,500	3.22	$ 1.61	717,333	3.06	1.61
$1.81-$2.17	5,911,000	4.25	$ 2.13	3,170,326	4.26	2.13
	26,166,965	2.61	$ 1.49	22,539,463	2.38	$ 1.41

(Amounts in thousands of Canadian dollars, except per share amounts)

A summary of changes in the number of common share options issued by the Company for the six month period ended June 30, 2013 is presented below:

	Number of options	Weighted average exercise price
Balance, December 31, 2012	25,510,760	$ 1.48
Issued to directors, officers, employees	792,000	1.85
Exercised	(30,795)	1.60
Cancelled	(105,000)	1.85
Balance, June 30, 2013	26,166,965	$ 1.49

The estimated fair value of common share options is amortized using graded vesting over the period in which the options vest which is normally two years. For those options which vest on a single date, either on issuance or on the achievement of certain milestones, the fair value of these options is amortized using graded vesting over the anticipated vesting period.

During September 2012, the Company granted 5.3 million common share options. Of these options, 1.2 million options vested immediately, 2.4 million options will vest over a two-year period, and the remaining 1.8 million options will vest based on the completion of a positive construction decision by the Board of Directors ("contingent options"). The fair value of the contingent options will be recognized and expensed over their estimated vesting period of one year.

On April 1, 2013, the Company granted 117,000 common share options. Of these options, 39,000 vested immediately, and the remainder will vest over a two-year period. On January 28, 2013, the Company granted 675,000 common share options. Of these options, 225,000 vested immediately, and the remainder will vest over a two-year period.

The following is a summary of the amounts expensed for the three month periods ended June 30, 2013 and July 31, 2012 and the six month periods ended June 30, 2013 and July 31, 2012 is presented below:

	Number Outstanding	**Expense Three months ended**		**Expense Six months ended**	
	June 30, 2013	**June 30, 2013**	July 31, 2012	**June 30, 2013**	July 31, 2012
Regular stock options	**22,174,465**	**$ 602**	$ 316	**$ 1,425**	$ 658
Performance & contingent stock options	**3,992,500**	**-**	298	**802**	1,004
Common share options	**26,166,965**	**602**	614	**2,227**	1,662
Restricted share units	**1,500,000**	**164**	132	**478**	363
	27,666,965	**$ 766**	$ 746	**$ 2,705**	$ 2,025

(Amounts in thousands of Canadian dollars, except per share amounts)

The fair value of the common share options granted in the six month period ended June 30, 2013 and the six month period ended July 31, 2012 was calculated using the Black Scholes Valuation Model with the following assumptions:

	Six Months Ended	
	June 30, 2013	July 31, 2012
Risk-free interest rate	**1.15%-1.30%**	**0.99% - 1.31%**
Expected price volatility	**60.12%**	**60.55%**
Expected option life	**3.55 years**	**2.75 - 4.75 years**
Annual dividends	**0%**	**0%**
Estimated forfeiture rate	**2.19%**	**2.32%**
Weighted average per share fair value of options granted	**$ 0.82**	**$ 0.69**

The expected volatility is estimated taking into consideration the historical volatility of the Company's share price.

As at June 30, 2013, the remaining fair value of outstanding unvested common share options to be expensed is $3,628 (December 31, 2012 - $ 4,627).

Note 8. Restricted Share Units

The Company has a restricted share unit ("RSU") Plan which allows for RSU's, up to an aggregate of 3% of the then issued and outstanding common shares, to be granted to the participants in the plan.

RSU's are valued based on the closing stock price at the date of grant and are recognized into the consolidated statements of operations over the vesting period. The RSU's are converted into common shares of the Company. Qualified participants may elect to defer the receipt of all or any part of their entitlement to the RSU's.

	Number of RSU's	Weighted average value
Balance, December 31, 2012	3,500,000	$ 1.24
Exercised	(2,000,000)	0.98
Balance, June 30, 2013	1,500,000	$ 1.56

(Amounts in thousands of Canadian dollars, except per share amounts)

Note 9. Loss per Share

Loss per share has been calculated using the weighted average number of common shares outstanding during the three and six months ended June 30, 2013 and July 31, 2012 as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 31, 2012	**June 30, 2013**	July 31, 2012
Net loss for the period	**$ 9,019**	$ 15,058	**$ 27,188**	$ 30,599
Basic and diluted weighted average shares outstanding	**606,500,126**	413,163,700	**606,491,109**	413,163,700
Basic and diluted loss per share	**$ (0.01)**	$ (0.03)	**$ (0.04)**	$ (0.07)

The diluted weighted average common shares outstanding used in the calculation of diluted net loss per share exclude the outstanding common share options and common share purchase warrants as their exercise would be anti-dilutive in the net loss per share calculation.

Note 10. Financial Instruments and Risks

The Company's financial instruments consist of cash, amounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term maturity.

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

(a) Credit risk:

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

(b) Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2013, the Company had a cash balance of $332,984 (December 31, 2012- $401,114). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

(c) Market risk:

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

(i) Interest rate risk:

The Company deposits cash in fully liquid Schedule A bank business investment savings accounts. Interest is calculated based on an annual interest rate of 1.17% compounded monthly. As at June 30, 2013, the Company had $280,313 (December 31, 2012– $395,779) in such accounts.

(ii) Foreign currency risk:

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada and Mexico and has exposure to financial risk arising from fluctuations in foreign exchange rates. The Company expects a significant amount of project development and exploration expenditures associated with the Morelos Gold Property to be paid in Mexican pesos and U.S. dollars. The Company's common shares trade in Canadian dollars and the Company expects that any future equity issues will be made in Canadian dollars. A significant change in the currency exchange rates between the Canadian dollar and the peso or U.S. dollar is expected to have an effect on the Company's results of operations in future periods.

At June 30, 2013, the Company has not hedged its exposure to foreign currency exchange fluctuations. At June 30, 2013, the Company had cash and cash equivalents denominated in U.S. dollars of $259,439 (December 31, 2012 - $4,182) and accounts payable and accrued liabilities of $6,069 (December 31, 2012 - $1,316).

A 10% appreciation or depreciation of the U.S. dollar would result in approximately $26,649 increase or decrease (December 31, 2012 - $172) in the Company's net loss for the period.

Note 11. Capital Management

Capital is comprised of the Company’s shareholders’ equity and any debt that it may issue. As at June 30, 2013, the Company’s shareholders’ equity was $608,896 (December 31, 2012 - $620,630) and it had accounts payable and accrued liabilities of $8,799 (December 31, 2012 - $4,840). The Company’s objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The capital for expansion was raised through the issuance of common shares in fiscal year 2010 and a bought deal financing in 2012. The net proceeds raised are used to advance the development of the El Limón and Guajes Project and provide sufficient working capital to meet the Company’s ongoing obligations.

As at June 30, 2013, the Company had no debt obligations and was not subject to any externally imposed capital requirement.

Note 12. Commitments

As at July 31, 2012, the Company’s contractual obligations include a head office lease agreement and an office equipment lease. In 2013, the Company has entered into several long term contracts related to the development of the El Limón and Guajes Project. These contracts range from two to three years and relate to long lead time equipment and service agreements.

(Amounts in thousands of Canadian dollars, except per share amounts)

(Unaudited)

2013	$	89,569
2014		52,015
2015		11,894
2016		14
2017		4
	$	153,496