



Condensed Interim Consolidated Financial Statements
Three and six months ended June 30, 2020 and 2019

Presented in United States dollars

ORLA MINING LTD.

Condensed Interim Consolidated Balance Sheets
(Unaudited – Thousands of United States dollars)

As at	June 30 2020	December 31 2019	January 1 2019
		(restated, notes 3 and 22)	(restated, notes 3 and 22)
ASSETS			
Current assets			
Cash and cash equivalents	\$ 54,665	\$ 23,106	\$ 12,234
Accounts receivable	71	94	282
Prepaid expenses	128	53	151
	54,864	23,253	12,667
Restricted funds	528	509	150
VAT recoverable (note 7)	1,895	1,340	622
Deposits on long term assets (note 5(a)(i))	9,801	—	—
Construction in progress (note 5(a)(i))	1,453	—	—
Equipment (note 6)	343	284	252
Exploration and evaluation assets (note 5(d))	118,113	125,643	124,099
TOTAL ASSETS	\$ 186,997	\$ 151,029	\$ 137,790
LIABILITIES			
Current liabilities			
Trade and other payables (note 8)	\$ 843	\$ 802	\$ 1,278
Accrued liabilities	3,060	1,578	1,405
	3,903	2,380	2,683
Lease obligations	100	44	—
Camino Rojo project loan (note 9)	13,630	12,961	—
Newmont loan (note 10)	8,007	9,647	4,475
Accrued liabilities – long term	386	261	—
Site closure provisions (note 11)	558	575	626
TOTAL LIABILITIES	26,584	25,868	7,784
SHAREHOLDERS' EQUITY			
Share capital (note 13)	214,958	159,230	153,852
Reserves	30,349	30,061	19,931
Accumulated other comprehensive income (loss)	(9,393)	(1,027)	(3,393)
Accumulated deficit	(75,501)	(63,103)	(40,384)
TOTAL SHAREHOLDERS' EQUITY	160,413	125,161	130,006
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 186,997	\$ 151,029	\$ 137,790

Events after the reporting period (notes 13(b), 14(a), 14(d), and 21)

Authorized by the Board of Directors on August 10, 2020, for issuance.

/s/ Elizabeth McGregor

Elizabeth McGregor, Director

/s/ Jason Simpson

Jason Simpson, Director

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

ORLA MINING LTD.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited – Thousands of United States dollars, except per-share amounts)

	Three months ended June 30		Six months ended June 30	
	2020	2019 (restated note 3)	2020	2019 (restated note 3)
EXPLORATION AND EVALUATION EXPENSES (note 5)				
Assays and analysis	\$ 14	\$ 39	\$ 29	\$ 122
Drilling	—	215	—	729
Geological	205	334	420	971
Engineering	252	618	530	1,302
Environmental	16	173	91	317
Community and government	71	165	2,521	350
Land and water use, claims and concessions	(68)	6	3,160	2,312
Project management	—	60	—	93
Project review	—	46	6	88
Site activities	113	302	461	886
Site administration	167	657	913	1,087
Recognition of site closure provisions	—	—	15	—
	770	2,615	8,146	8,257
GENERAL AND ADMINISTRATIVE EXPENSES				
Office and administrative	194	83	379	284
Professional fees	230	110	406	204
Regulatory	66	34	148	65
Salaries and benefits	527	450	791	833
	1,017	677	1,724	1,386
OTHER EXPENSES (INCOME)				
Depreciation (note 6)	382	25	625	47
Share based payments (note 14)	612	673	1,384	1,615
Interest income and finance costs (note 12)	648	35	1,260	256
Foreign exchange loss (gain)	(1,220)	7	(741)	20
	422	740	2,528	1,938
LOSS FOR THE PERIOD	\$ 2,209	\$ 4,032	\$ 12,398	\$ 11,581
OTHER COMPREHENSIVE LOSS (INCOME)				
Items that may in future periods be reclassified to profit or loss:				
Foreign currency differences arising on translation of foreign operations	1,205	(338)	8,366	(1,138)
TOTAL COMPREHENSIVE LOSS	\$ 3,414	\$ 3,694	\$ 20,764	\$ 10,443
Weighted average number of common shares outstanding (millions)	224.4	179.5	205.9	179.5
Loss per share - basic and diluted	\$ 0.01	\$ 0.02	\$ 0.06	\$ 0.06

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

ORLA MINING LTD.

Consolidated Statements of Cash Flows
(Unaudited – Thousands of United States dollars)

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Cash flows provided by (used in):		(restated note 3)		(restated note 3)
OPERATING ACTIVITIES				
Loss for the period	\$ (2,209)	\$ (4,032)	\$ (12,398)	\$ (11,581)
Adjustments for items not affecting cash:				
Depreciation	202	25	445	47
Share based compensation	612	673	1,384	1,615
Changes in site closure provisions charged to exploration expense	—	—	15	—
Newmont loan proceeds received in excess of fair value (note 10)	—	—	—	(715)
Amortization of project loan transaction costs (note 9)	167	—	187	—
Accretion of the Newmont loan (note 10)	(8)	56	57	324
Interest expense on leases	45	—	45	—
Lease payments	(456)	—	(456)	—
Exploration expenses paid via issuance of common shares	—	48	—	48
Changes in non-cash working capital:				
Accounts receivable and prepaid expenses	(91)	168	(65)	315
Trade and other payables	26	199	30	(589)
Accrued liabilities	57	(498)	1,888	(498)
Cash used in operating activities	(1,655)	(3,361)	(8,868)	(11,034)
FINANCING ACTIVITIES				
Proceeds on issuance of common shares	54,959	—	54,959	—
Proceeds – warrants exercised	1,547	261	1,547	261
Proceeds – stock options exercised	128	—	219	—
Share issuance costs	(2,095)	(12)	(2,095)	(12)
Payment of principal portion of lease liabilities	—	(10)	—	(10)
Advances received on the Newmont loan	—	—	—	2,674
Cash provided by financing activities	54,539	239	54,630	2,913
INVESTING ACTIVITIES				
Purchase of equipment	39	(3)	(8)	(3)
Construction in progress	(1,014)	(1)	(1,551)	(1)
Deposits on long term assets	(10,467)	—	(10,467)	—
Restricted cash funded	(17)	(57)	(21)	(303)
Value added taxes paid, not immediately recoverable	(674)	(138)	(843)	(293)
Cash used in investing activities	(12,133)	(199)	(12,890)	(600)
Effects of exchange rate changes on cash	(1,508)	(71)	(1,313)	328
Net increase (decrease) in cash	39,243	(3,392)	31,559	(8,393)
Cash, beginning of period	15,422	7,233	23,106	12,234
CASH, END OF PERIOD	\$ 54,665	\$ 3,841	\$ 54,665	\$ 3,841
Cash consist of:				
Bank current accounts and cash on hand	\$ 54,665	\$ 3,841	\$ 54,665	\$ 3,841

Supplemental cash flow information (note 16)

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

ORLA MINING LTD.

Consolidated Statements of Changes in Equity
(Unaudited – Thousands of United States dollars)

	Common shares		Reserves			Accumulated Other Comprehensive Income	Retained earnings (deficit)	Total
	Number of shares (thousands)	Amount	Share based payments reserve	Warrants reserve	Total			
Balance at January 1, 2019 (restated, note 3)	179,315	\$ 153,852	\$ 6,867	\$ 13,064	\$ 19,931	\$ (3,393)	\$ (40,384)	\$ 130,006
Shares issued for property payments	59	48	—	—	—	—	—	48
Warrants exercised	563	400	—	(134)	(134)	—	—	266
Share issuance costs	—	(12)	—	—	—	—	—	(12)
RSUs redeemed	196	162	(162)	—	(162)	—	—	—
Share based payments	—	—	1,615	—	1,615	—	—	1,615
Loss for the period	—	—	—	—	—	—	(11,581)	(11,581)
Other comprehensive loss	—	—	—	—	—	1,138	—	1,138
Balance at June 30, 2019	180,133	\$ 154,450	\$ 8,320	\$ 12,930	\$ 21,250	\$ (2,255)	\$ (51,965)	\$ 121,480
Balance at January 1, 2020	187,102	\$ 159,230	\$ 8,159	\$ 21,902	\$ 30,061	\$ (1,027)	\$ (63,103)	\$ 125,161
Shares issued pursuant to a financing	36,600	54,959	—	—	—	—	—	54,959
Share issuance costs	—	(2,095)	—	—	—	—	—	(2,095)
Warrants exercised	1,108	1,818	—	(271)	(271)	—	—	1,547
Options exercised	360	399	(178)	—	(178)	—	—	221
RSUs redeemed	359	289	(289)	—	(289)	—	—	—
Bonus shares issued (note 14(d))	500	358	(358)	—	(358)	—	—	—
Share based payments	—	—	1,384	—	1,384	—	—	1,384
Loss for the period	—	—	—	—	—	—	(12,398)	(12,398)
Other comprehensive loss	—	—	—	—	—	(8,366)	—	(8,366)
Balance at June 30, 2020	226,029	\$ 214,958	\$ 8,718	\$ 21,631	\$ 30,349	\$ (9,393)	\$ (75,501)	\$ 160,413

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

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1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Orla Mining Ltd. was incorporated in Alberta in 2007 and was continued into British Columbia in 2010 and subsequently into Ontario under the Business Corporations Act (Ontario) in 2014. The “Company”, “Orla”, “we”, and “our” refer to Orla Mining Ltd. and its subsidiaries. The registered office of the Company is located at Suite 202, 595 Howe Street, Vancouver, Canada.

The Company is engaged in the acquisition, exploration, and development of mineral properties, and holds the Camino Rojo gold and silver project in Zacatecas State, Mexico, and the Cerro Quema gold project in Panama.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2020, the Company had not advanced any of its properties to commercial production and was not able to fund day-to-day activities through operating activities. During the reporting period, the Company completed a C\$75 million (\$55 million) equity financing. The Company has received \$25 million of a \$125 million project loan facility in respect of the Camino Rojo project.

The Company's continuation as a going concern is dependent upon successful results from our mineral exploration and development activities and our ability to attain profitable operations and generate cash or raise equity capital or borrowings sufficient to meet current and future obligations and strategic objectives. We expect to fund operating costs of the Company over the next twelve months with cash on hand and with further loan advances.

During the reporting period, there was a global outbreak of the novel coronavirus (“COVID-19”), which has had an impact on businesses through the restrictions put in place by the governments in the various jurisdictions where the Company conducts its activities. In common with all businesses in the jurisdictions in which we operate, our activities are restricted by government orders related to, among others, travel, business operations, and stay-at-home orders. As of the date of these financial statements, it is not possible to determine the extent of the impact that this global health emergency will have on the Company's activities in the future as the Company cannot predict the ultimate geographic spread of the disease, the duration of the outbreak, and possible government, societal, and individual responses to the situation. We continue to monitor our activities, in particular with regard to the safety of our personnel and the communities where we conduct our activities.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 «Interim Financial Reporting» and do not include all the information required for full annual financial statements.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These condensed interim consolidated financial statements are presented in United States dollars and include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated upon consolidation.

On August 10, 2020, the Board of Directors approved these consolidated financial statements for issuance.

3. CHANGE OF PRESENTATION CURRENCY

As a result of the continued advancement of the Camino Rojo Project, the Company changed its presentation currency from Canadian dollars to United States dollars effective January 1, 2020. The change in the financial statement presentation currency is an accounting policy change and has been accounted for retrospectively. The balance sheets for each period presented have been translated from the related subsidiary's functional currency to the new US dollar presentation currency at the rate of exchange prevailing at the respective balance sheet date except for equity items, which have been translated at accumulated

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historical rates from the related subsidiary's date of incorporation. The statements of income and comprehensive income were translated at the average exchange rates for the reporting period, or at the exchange rate prevailing at the date of transactions. Exchange differences arising in 2018 on translation from the related subsidiary's functional currency to the United States dollar presentation currency have been recognized in other comprehensive income and accumulated as a separate component of equity.

In prior reporting periods, the translation of the Company's subsidiaries that had a United States dollar or Mexican peso functional currency into the Company's presentation currency of the Canadian dollar gave rise to a translation adjustment which was recorded as an adjustment to accumulated other comprehensive income ("AOCI"), a separate component of shareholders' equity. With the retrospective application of the change in presentation currency from the Canadian dollar to the US dollar, the AOCI related to the translation of US dollar functional currency subsidiaries was eliminated. However, with the retrospective application of the change in presentation currency to the US dollar, the Company's corporate office, which has a Canadian dollar functional currency, resulted in an AOCI balance. The AOCI balance generated by the Mexican peso entities has been adjusted since it now reflects the translation into the new US dollar presentation currency.

(a) Adjustment to previously reported financial information due to change in presentation currency

For comparative purposes, the consolidated balance sheets as at December 31, 2019 and January 1, 2019 include adjustments to reflect the change in the presentation currency to the US dollar, which is a change in accounting policy. The exchange rates used to translate the amounts previously reported into US dollars at December 31, 2019 were 1.2988 CAD/USD and 18.87 MXN/USD, and at January 1, 2019 were 1.3642 CAD/USD and 19.65 MXN/USD. Refer to note 22(a) for the effects of the translation.

For comparative purposes, the consolidated statement of loss and comprehensive loss for the three and six months ended June 30, 2019 includes adjustments to reflect the change in the presentation currency to the US dollar, which is a change in accounting policy. The exchange rates used to translate the amounts previously reported into US dollars for the three and six months ended June 30, 2019 were 1.3338 CAD/USD and 19.16 MXN/USD, which were the average exchange rates for the period. Refer to note 22(b) for the effects of the translation.

(b) Functional currency

The functional currencies of the Company and its subsidiaries, all of which are wholly owned, remained unchanged and were as follows for periods presented.

Orla Mining Ltd.	Canadian dollars
Minerometalúrgica San Miguel S de RL de CV	Mexican pesos
Minera Camino Rojo SA de CV.....	Mexican pesos
Minera Cerro Quema SA	United States dollars
Monitor Gold Corporation	United States dollars

4. SIGNIFICANT ACCOUNTING POLICIES

We applied the same accounting policies in these condensed interim consolidated financial statements as those applied in the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2019.

In preparing these condensed interim consolidated financial statements, the significant judgements we made in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2019.

You should read these condensed interim consolidated financial statements in conjunction with the Company's annual audited consolidated financial statements as at and for the years ended December 31, 2019 and 2018.

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5. EXPLORATION AND EVALUATION

(a) Camino Rojo Project

The Camino Rojo Project lies 190 km NE of the city of Zacatecas, 48 km S-SW of the town of Concepcion del Oro, and 54 km S-SE of Newmont Corporation's ("Newmont") Peñasquito Mine. In November 2017, we acquired the Camino Rojo Project, a gold and silver oxide heap leach project located in Zacatecas State, Mexico, from Goldcorp Inc. (now called Newmont Corporation).

The Company and Newmont also entered into an option agreement regarding the potential development of sulphide operations at Camino Rojo. Pursuant to the option agreement, Newmont will, subject to the applicable sulphide project meeting certain thresholds, have an option to acquire a 60% or 70% interest in the applicable sulphide project. The Royalty excludes revenue on the sale of metals produced from a sulphide project where Newmont has exercised its Sulphide Option. We maintain a right of first refusal on the sale if Newmont elects to sell the Royalty, in whole or in part.

We have applied for and expect to receive permits for the construction of a mine at Camino Rojo. In anticipation of such approvals, we have already commenced activities such as construction engineering and design work which are not necessarily of an exploration and evaluation nature. Consequently we are presenting these costs as construction in progress.

(i) Construction in progress

	Total
Construction in progress at historical rates	
At December 31, 2019	\$ —
Additions	1,551
At June 30, 2020	\$ 1,551
Accumulated foreign exchange on translation	
At December 31, 2019	—
Due to changes in exchange rates	(98)
At June 30, 2020	\$ (98)
Construction in progress	
At December 31, 2019	\$ —
At June 30, 2020	\$ 1,453

The figures in the above totals do not include down payments which we have made on key components and construction items related to the Camino Rojo project. At June 30, 2020, down payments and advances totaled \$9,801,000 (December 31, 2019 – \$nil).

(b) Cerro Quema Project

The Cerro Quema Project is located on the Azuero Peninsula in Los Santos Province, Panama. The project is at the exploration and development stage for a proposed open pit mine with process by heap leaching.

In December 2016, we acquired 100% of the Cerro Quema Project by acquiring Pershimco Resources Inc. through the issuance of a combination of Orla common shares and warrants, and the assumption of Pershimco's long term debt, which we subsequently paid off. We own the mineral rights as well as the surface rights over the current mineral resource areas, proposed mine development areas, and priority drill target areas.

The original 20-year terms for these concessions expired in February and March of 2017. The Company has applied for the prescribed ten year extension to these concessions as it is entitled to under Panamanian mineral law. In March 2017, the

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Ministry of Commerce and Industry provided written confirmation to the Company that the extension applications had been received and that exploration work could continue while the Company awaits renewal of the concessions. As of the date of these financial statements, final concession renewals have not been received; however, we continue to receive ongoing drilling, water use, environmental and other permits, and have paid concession taxes, in the normal course.

(c) Monitor Gold Project

The Monitor Gold Project consists of three separate option agreements consisting of 422 claims covering 3,416 hectares in Nye County, Nevada, USA.

In 2019, these consisted of \$50,000 in share issuances, a \$20,000 in advance royalty payments, and \$30,000 in work commitments, all of which requirements were met by the Company. For 2020, these consist of \$40,000 in advance royalty payments, and \$75,000 in work commitments, both of which requirements for 2020 have been met. To maintain the options, minimum payments and work commitments are required for each year to 2038.

(d) Exploration and evaluation assets

	Camino Rojo	Cerro Quema	Monitor Gold	Total
Acquisition costs at historical rates				
At December 31, 2019	\$ 42,615	\$ 82,429	\$ 314	\$ 125,358
Additions	—	—	—	—
At June 30, 2020	\$ 42,615	\$ 82,429	\$ 314	\$ 125,358
Accumulated foreign exchange on translation				
At December 31, 2019	285	—	—	285
Due to changes in exchange rates	(7,530)	—	—	(7,530)
At June 30, 2020	\$ (7,245)	\$ —	\$ —	\$ (7,245)
Acquisition costs				
At December 31, 2019	\$ 42,900	\$ 82,429	\$ 314	\$ 125,643
At June 30, 2020	\$ 35,370	\$ 82,429	\$ 314	\$ 118,113

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(Unaudited – United States dollars, unless otherwise stated. All currency figures in tables are in thousands, except per-share amounts)

(e) Exploration and evaluation expense

Three months ended June 30, 2020	Camino Rojo	Cerro Quema	Monitor Gold	Other	Total
Assays and analysis	\$ 14	\$ —	\$ —	\$ —	\$ 14
Geological	168	37	—	—	205
Engineering	230	22	—	—	252
Environmental	(4)	20	—	—	16
Community and government	(29)	100	—	—	71
Land, water use, and claims	(68)	—	—	—	(68)
Site activities	19	94	—	—	113
Site administration	76	91	—	—	167
	\$ 406	\$ 364	\$ —	\$ —	\$ 770

Six months ended June 30, 2020	Camino Rojo	Cerro Quema	Monitor Gold	Other	Total
Assays and analysis	\$ 28	\$ —	\$ 1	\$ —	\$ 29
Geological	352	68	—	—	420
Engineering	474	56	—	—	530
Environmental	54	37	—	—	91
Community and government	2,341	180	—	—	2,521
Land, water use, and claims	3,120	—	40	—	3,160
Project review	—	—	—	6	6
Site activities	167	294	—	—	461
Site administration	550	363	—	—	913
Recognition of site closure provisions	15	—	—	—	15
	\$ 7,101	\$ 998	\$ 41	\$ 6	\$ 8,146

Three months ended June 30, 2019	Camino Rojo	Cerro Quema	Monitor Gold	Other	Total
Assays and analysis	\$ 39	\$ —	\$ —	\$ —	\$ 39
Drilling	215	—	—	—	215
Geological	226	163	22	(77)	334
Engineering	618	—	—	—	618
Environmental	173	—	—	—	173
Community and government	120	45	—	—	165
Land, water use, and claims	6	1	(1)	—	6
Project management	60	—	—	—	60
Project review	—	—	—	46	46
Site activities	198	104	—	—	302
Site administration	144	512	1	—	657
	\$ 1,799	\$ 825	\$ 22	\$ (31)	\$ 2,615

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Six months ended June 30, 2019	Camino Rojo	Cerro Quema	Monitor Gold	Other	Total
Assays and analysis	\$ 99	\$ 23	\$ —	\$ —	\$ 122
Drilling	729	—	—	—	729
Geological	504	441	26	—	971
Engineering	1,302	—	—	—	1,302
Environmental	317	—	—	—	317
Community and government	209	141	—	—	350
Land, water use, and claims	2,234	2	76	—	2,312
Project management	93	—	—	—	93
Project review	—	—	—	88	88
Site activities	430	456	—	—	886
Site administration	307	778	2	—	1,087
	\$ 6,224	\$ 1,841	\$ 104	\$ 88	\$ 8,257

6. EQUIPMENT

	Cost				Accumulated depreciation				Net book value	
	Begin of year	Changes during the period	Effect of FX	End of period	Begin of year	Changes during the period	Effect of FX	End of period	Begin of year	End of period
Machinery and equipment	\$ 324	\$ 4	\$ (19)	\$ 309	\$ 205	\$ 16	\$ (3)	\$ 218	\$ 119	\$ 91
Office equipment	36	—	(4)	32	15	1	(2)	14	21	18
Computers and software	150	4	(10)	144	96	13	(4)	105	54	39
Vehicles	21	—	—	21	2	—	—	2	19	19
Land – leases	—	3	—	3	—	2	—	2	—	1
Buildings – leases	89	229	(19)	299	18	115	(2)	131	71	168
Office equipment – leases	—	31	(2)	29	—	24	(2)	22	71	7
Road vehicles – leases	—	274	(17)	257	—	274	(17)	257	71	—
Total	\$ 620	\$ 545	\$ (71)	\$1,094	\$ 336	\$ 445	\$ (30)	\$ 751	\$ 284	\$ 343

7. VALUE ADDED TAXES (“VAT”) RECOVERABLE

Our Mexican entities pay value-added taxes (called “IVA” in Mexico) on certain goods and services we purchase.

We also paid approximately 74 million Mexican pesos (approximately \$3,860,000) of IVA on the initial acquisition of the Camino Rojo project, which is classified within exploration and evaluation assets as part of acquisition cost (note 5(a) and 5(d)).

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8. TRADE AND OTHER PAYABLES

	June 30, 2020	December 31, 2019
Trade payables	\$ 386	\$ 492
Payroll related liabilities	372	208
Lease obligations – current	85	23
Interest payable on Camino Rojo project loan	—	79
	\$ 843	\$ 802

9. CAMINO ROJO PROJECT LOAN

In December 2019, the Company entered into a loan agreement with Trinity Capital Partners Corporation (“Trinity Capital”) and certain other lenders with respect to a credit debt facility of US\$125 million for the development of the Camino Rojo Oxide Gold Project (the “Credit Facility”).

The Credit Facility provides a total of US\$125 million to the Company, available in three tranches. The first tranche of US\$25 million was drawn down by the Company on December 18, 2019 upon execution of the definitive loan documentation. Tranches 2 and 3 provide US\$50 million each, available for drawdown after satisfaction of conditions precedent, including the receipt of certain key permits required for the development of the Camino Rojo project.

The Credit Facility is denominated in United States dollars, and bears interest at 8.80% per annum, payable quarterly commencing March 31, 2020, and is secured by all the assets of the Camino Rojo Project and the fixed assets of the Cerro Quema Project. The principal amount is due upon maturity at December 18, 2024, with no scheduled principal payments prior to maturity. The Company may prepay the loan, in full or in part, at any time during the term without penalty, by using cash flow from operations. The Credit Facility does not impose on the Company any mandatory requirements of hedging, production payments, offtake, streams, or royalties.

On December 18, 2019, the Company issued 32.5 million common share purchase warrants, with an exercise price of C\$3.00 per warrant and an expiry date of December 18, 2026, to the lenders.

	Six months ended June 30, 2020	Year ended December 31, 2019
Balance, beginning of year	\$ 12,961	\$ —
Amounts drawn down during the period	—	25,000
Cash transaction costs	—	(3,158)
Warrants issued to the lenders	—	(8,968)
Amortization of the transaction costs	187	86
Foreign exchange	482	1
Balance, end of period	\$ 13,630	\$ 12,961

10. NEWMONT LOAN

As part of the Company's acquisition of the Camino Rojo project from Newmont (then, Goldcorp Inc.), Newmont agreed to provide interest-free loans to the Company for all the annual landholding costs on the Camino Rojo project from November 7, 2017 until December 31, 2019. The loans are to be repaid upon declaration of commencement of commercial production of a heap leach operation at the Camino Rojo Project. To the date of these financial statements, 219,446,000 pesos had been advanced by Newmont under this agreement. No further advances in respect of this loan are expected.

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The original agreement provided that the Company may, at its option, repay any amounts owing to Newmont, prior to maturity, in the form of (a) a lump sum cash payment, (b) the issuance of additional common shares of the Company, or (c) a combination of cash and shares (subject to certain maximum ownership limits). During the quarter ended June 30, 2020, the Company agreed with Newmont that the repayment would be made in cash.

Because the loan is non-interest bearing, for accounting purposes at date of each advance, we discount the expected payments using a risk-adjusted discount rate and an estimated repayment date. Amounts received in excess of fair value on the date of the advances were credited to exploration expense.

	Mexican pesos (thousands)	Mexican pesos (thousands)	US dollars (thousands)
	Undiscounted	Discounted	
At January 1, 2019	121,865	87,917	\$ 4,475
Advances received	97,601	72,897	3,676
Accretion during the year	—	21,886	1,104
Foreign exchange	—	—	392
At December 31, 2019	219,466	182,700	\$ 9,647
Accretion year to date	—	1,231	57
Foreign exchange	—	—	(1,697)
At June 30, 2020	219,466	183,931	\$ 8,007

11. SITE CLOSURE PROVISIONS

	Camino Rojo Project	Cerro Quema Project	Total
At December 31, 2019	\$ 232	\$ 343	\$ 575
At June 30, 2020	\$ 215	\$ 343	\$ 558

12. INTEREST INCOME AND FINANCE COSTS

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Interest on Camino Rojo project loan (note 9)	\$ 536	\$ —	\$ 1,117	\$ —
Amortization of Camino Rojo project loan costs (note 9)	167	—	187	—
Accretion on Newmont loan (note 10)	(8)	56	57	324
Interest expense on leases	40	1	48	1
Interest income	(87)	(22)	(149)	(69)
	\$ 648	\$ 35	\$ 1,260	\$ 256

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13. SHARE CAPITAL

(a) Issued share capital

On April 3, 2020, the Company closed an equity financing of 36,600,000 common shares at a price of C\$2.05 per common share for aggregate gross proceeds to the Company of C\$75,030,000 (\$54,959,000). After share issuance costs of \$2,095,000 net proceeds were \$52,864,000.

In the six months ended June 30, 2020, the Company issued:

- 1,107,500 common shares pursuant to the exercise of warrants (note 13(b)) for proceeds of \$1,547,000.
- 360,000 common shares pursuant to the exercise of stock options (note 14(a)) for proceeds of \$221,000.
- 359,000 common shares pursuant to the vesting of RSUs (note 14(b)).
- 500,000 common shares pursuant to the vesting of bonus shares (note 14(d)).

(b) Warrants

The following summarizes information about the number of warrants outstanding during the period.

Expiry date	Exercise price	December 31 2019	Issued	Exercised	June 30 2020
February 15, 2021	C\$ 2.35	8,790,600	—	(407,500)	8,383,100
July 8, 2021	C\$ 0.62	570,000	—	—	570,000
June 12, 2022	C\$ 1.65	5,842,500	—	(700,000)	5,142,500
November 7, 2022	C\$ 1.40	3,000,000	—	—	3,000,000
December 18, 2026	C\$ 3.00	32,500,000	—	—	32,500,000
Total number of warrants		50,703,100	—	(1,107,500)	49,595,600
Weighted average exercise price	C\$	2.61	—	C\$ 1.91	C\$ 2.63

Subsequent to the reporting period, 320,000 warrants were exercised, for gross proceeds to the Company of \$239,000.

14. SHARE-BASED PAYMENTS

The Company has four different forms of share-based payments for eligible recipients – stock options, restricted share units (“RSUs”), deferred share units (“DSUs”), and bonus shares.

Share based payments expense	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Stock options	\$ 398	\$ 415	\$ 776	\$ 1,005
Restricted share units	138	136	260	174
Deferred share units	—	—	217	190
Bonus shares	76	122	131	246
Share based payments expense	\$ 612	\$ 673	\$ 1,384	\$ 1,615

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(a) Stock options

Stock options outstanding	Number	Weighted average exercise price	
As at January 1, 2019	9,124,005	C\$	1.23
Granted	2,199,322		1.08
Exercised	(1,358,491)		1.16
Expired or cancelled	(47,500)		1.48
As at December 31, 2019	9,917,336		1.20
Granted	1,683,438		2.29
Exercised	(360,000)		0.83
As at June 30, 2020	11,240,774	C\$	1.38
Vested, December 31, 2019	7,229,622	C\$	1.22
Vested, June 30, 2020	8,967,638	C\$	1.29

The options granted during the six months ended June 30, 2020 had an aggregate grant date fair value of \$1,153,600 (C\$1,575,000) which was determined using a Black Scholes option pricing model with the following assumptions:

- Expected volatility 47%, expected life 5 years, Canadian dollar risk free interest rate 0.6%, dividends nil.

The options granted during the six months ended June 30, 2019 had an aggregate grant date fair value of \$737,000 (C\$932,000) which was determined using a Black Scholes option pricing model with the following weighted average assumptions:

- expected volatility 50%, expected life 5 years, Canadian dollar risk free interest rate 1.5%, dividends nil.

Subsequent to the reporting period, 755,789 stock options were exercised, for gross proceeds to the Company of \$716,000 and 300,000 stock options were granted, with an aggregate grant date fair value of \$359,700.

(b) Restricted Share Units

Number of RSUs outstanding:	Total number	Number vesting in the year			
		2020	2021	2022	2023
Outstanding, December 31, 2019	1,014,972	365,882	365,880	283,210	—
Awarded during the period	320,450	—	106,819	106,816	106,815
Vested and settled during the period	(359,215)	(359,215)	—	—	—
Outstanding, June 30, 2020	976,207	6,667	472,699	390,026	106,815

RSUs are valued based on the closing price of the Company's common shares immediately prior to award.

Subsequent to the reporting period, 48,181 RSUs vested and were settled by the issuance of 48,181 common shares.

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(c) Deferred Share Units

DSUs outstanding:	
	Number
Outstanding, December 31, 2019	508,780
Awarded	135,745
Outstanding, June 30, 2020	644,525

DSUs are valued based on the closing price of the Company's common shares immediately prior to award.

(d) Bonus shares

Bonus shares outstanding:	
	Number
Outstanding, December 31, 2019	1,500,000
Vested and issued during the period	500,000
Outstanding, June 30, 2020	1,000,000

During 2017, the Board of Directors awarded 500,000 common shares to the non-executive Chairman of the Company as bonus shares. The bonus shares are subject to a vesting period from June 19, 2017 to June 18, 2020 (the "Eligibility Period"). If the non-executive Chairman ceases to be the director of the Company before the Eligibility Period ends, the bonus shares will be forfeited. The bonus shares will become issuable (1) after the Eligibility Period on the date that the non-executive Chairman ceases to act as a director of the Company, or (2) upon a change of control of the Company.

We estimated the fair value of the bonus shares (\$1.31 each) based on the market price of the common shares at the date of the grant. Accordingly, the amount of \$655,000 is being recognized on a straight line basis over the Eligibility Period.

On November 13, 2018, the Board of Directors awarded 1,000,000 bonus shares to an officer of the Company. The bonus shares vest in four tranches of 250,000 bonus shares each, issuable upon the achievement of certain share price thresholds particular to each tranche. Upon initial recognition we estimated the dates that each of these market condition tranches would vest, such dates ranging from December 2019 to March 2022. Consequently, the award date fair value (\$537,000, or \$0.537 per bonus share) is being recognized over these four periods.

During the three months ended June 30, 2020, two of these tranches vested and the bonus shares were issued.

Subsequent to the reporting period, the third and fourth tranches of 250,000 each vested, but no common shares had yet been issued as of the issuance date of these financial statements.

15. RELATED PARTY TRANSACTIONS

The Company's related parties include:

Related party	Nature of the relationship
Key management personnel	Key management personnel are the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, and members of the Board of Directors of the Company.

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(a) Key Management Personnel

Compensation to key management personnel was as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Short term incentive plans				
Salaries	\$ 596	\$ 457	\$ 732	\$ 631
Directors' fees	41	38	84	69
	637	495	816	700
Share based payments	489	511	1,119	1,270
Total	\$ 1,126	\$ 1,006	\$ 1,935	\$ 1,970

(b) Transactions

The Company had no other material transactions with related parties, other than with key management personnel as described above, during the three and six months ended June 30, 2020, or during the year ended December 31, 2019.

(c) Outstanding balances at the Reporting Date

At June 30, 2020, estimated accrued short term incentive compensation to key management personnel totaled \$253,000 and was included in accrued liabilities (December 31, 2019 – \$540,000).

16. SUPPLEMENTAL CASH FLOW INFORMATION

The non-cash investing and financing activities of the Company include the following:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Financing activities				
Stock options exercised, credited to share capital with an offset to reserves	94	—	179	—
Warrants exercised, credited to share capital with an offset to reserves	—	—	271	—
Shares issued on maturity of RSUs, credited to share capital with offset to reserves	66	112	289	112
Shares issued on vesting of bonus shares, credited to share capital with offset to reserves	—	—	357	—
Investing activities				
Initial recognition of right of use assets with an offset to lease obligation	(80)	—	537	—

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17. SEGMENT INFORMATION

(a) Reportable segments

The operating segments of the Company are based on the reports which are reviewed by the chief operating decision maker (“CODM”) in making strategic resource allocation decisions. These operating segments are the Panamanian projects, the Mexican projects, and the corporate office. The projects are each managed by a dedicated General Manager and management team. Additionally, the corporate office oversees the plans and activities of early stage exploration projects, such as the Monitor Gold project.

None of these segments yet generate revenue from external customers, and each of the projects are focused on the exploration and evaluation of mineral properties.

(b) Geographic segments

We conduct our activities in four geographic areas: Mexico, Panama, the United States, and Canada.

	Mexico	Panama	USA	Canada	Total
At June 30, 2020					
Equipment	\$ 235	\$ 36	\$ —	\$ 72	\$ 343
Exploration and evaluation assets	35,370	82,429	314	—	118,113

	Mexico	Panama	USA	Canada	Total
At December 31, 2019					
Equipment	\$ 140	\$ 48	\$ —	\$ 96	\$ 284
Exploration and evaluation assets	42,900	82,429	314	—	125,643

18. CAPITAL MANAGEMENT

Our objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration, evaluation, and development of our mineral properties and to maintain a flexible capital structure. In the management of capital, we include long term loans and share capital.

There were no changes to our policy for capital management during the three and six months ended June 30, 2020.

We manage our capital structure and adjust it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the Company's capital structure, we may issue new shares, take on additional debt, acquire or dispose of assets, or adjust the amount of cash and short-term investments. To maximize ongoing development efforts, we do not currently pay dividends.

At the end of 2019, we entered into a Project Finance Facility (note 9) pursuant to which we have drawn \$25 million of a total available \$125 million. The Project Finance Facility requires us to maintain a minimum working capital of \$5 million.

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

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Our ability to carry out our long-range strategic objectives in future years depends on our ability to raise financing from lenders, shareholders, and other investors. We continue to regularly review and consider financing alternatives to fund the Company's ongoing exploration and development activities.

19. FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

To provide an indication of the reliability of the inputs used in determining fair value, we classify our financial instruments into the three levels prescribed by the accounting standards.

- Level 1 The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted (unadjusted) market prices as at the reporting date. The quoted market price used for financial assets held by the Company is the closing trading price on the reporting date. Such instruments are included in Level 1.
- Level 2 The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, we include that instrument in Level 2.
- Level 3 If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. We have no financial assets or liabilities included in Level 3 of the hierarchy.

At June 30, 2020, the carrying values and fair values of our financial instruments by category were as follows:

			Fair value					
	Classification	Carrying value	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Approximate fair value due to short term nature of the instrument	Fair value	
Financial assets								
Cash and cash equivalents	FVTPL	\$ 54,665	\$ 54,665	\$ —	\$ —	\$ —	\$ 54,665	
Accounts receivable	Amortized cost	10	—	—	—	10	10	
Restricted funds	Amortized cost	378	—	378	—	—	378	
		\$ 55,053	54,665	\$ 378	\$ —	\$ 10	\$ 55,053	
Financial liabilities								
Trade payables	Amortized cost	\$ 386	\$ —	\$ —	\$ —	\$ 386	\$ 386	
Lease obligation	Amortized cost	539	—	—	—	539	539	
Camino Rojo project loan	Amortized cost	13,630	—	13,630	—	—	13,630	
Newmont loan	Amortized cost	8,007	—	8,007	—	—	8,007	
		\$ 22,562	\$ —	\$ 21,637	\$ —	\$ 925	\$ 22,562	

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At December 31, 2019, the carrying values and fair values of our financial instruments by category were as follows:

			Fair value					
	Classification	Carrying value	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Approximate fair value due to short term nature of the instrument	Fair value	
Financial assets								
Cash and cash equivalents	FVTPL	\$ 23,106	\$ 23,106	\$ —	\$ —	\$ —	\$ 23,106	
Accounts receivable	Amortized cost	18	—	—	—	18	18	
Restricted funds	Amortized cost	509	—	509	—	—	509	
		\$ 23,633	23,106	\$ 509	\$ —	\$ 18	\$ 23,633	
Financial liabilities								
Trade payables	Amortized cost	\$ 802	\$ —	\$ —	\$ —	\$ 802	\$ 802	
Lease obligation	Amortized cost	67	—	—	—	67	67	
Camino Rojo project loan	Amortized cost	12,961	—	12,961	—	—	12,961	
Newmont loan	Amortized cost	9,647	—	9,647	—	—	9,647	
		\$ 23,477	\$ —	\$ 22,608	\$ —	\$ 869	\$ 23,477	

Our policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

20. COMMITMENTS AND CONTINGENCIES

(a) Commitments

During the period ended June 30, 2020, the Company issued purchase orders for long lead equipment necessary for the construction of the Camino Rojo mine. At June 30, 2020, these outstanding purchase orders totaled \$12,981,000 (December 31, 2019 – \$2,483,000), which we expect will be filled in the next 12 months.

In the event of a change in control, the Company is committed to severance payments amounting to approximately \$2,550,000 (December 31, 2019 – \$2,020,000) to certain officers and management. No amounts have been recorded in these consolidated financial statements to reflect such severance payments.

(b) Litigation

We may, from time to time, be a party to legal proceedings, which arise in the ordinary course of our business. We are not aware of any pending or threatened litigation that, if resolved against us, would have a material adverse effect on our consolidated financial position, results of operations or cash flows.

21. EVENTS AFTER THE REPORTING PERIOD

(a) Share Issuances

Subsequent to the reporting period, the Company issued common shares from the exercise of stock options (note 14(a)) and warrants (note 13(b)), and the vesting of RSU's (note 14(b)). Certain bonus shares had vested but had not yet been settled.

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22. EFFECT OF THE CHANGE IN PRESENTATION CURRENCY

The effects of the change in presentation currency discussed in note 3 above were as follows.

(a) Effect on the consolidated balance sheets as at December 31, 2019 and January 1, 2019

	December 31, 2019		January 1, 2019	
	USD	CAD	USD	CAD
ASSETS				
Current assets				
Cash and cash equivalents	US\$ 23,106	C\$ 30,009	US\$ 12,234	C\$ 16,686
Accounts receivable	94	122	282	385
Prepaid expenses	53	64	151	206
	23,253	30,195	12,667	17,277
Restricted funds	509	662	150	205
Value added taxes recoverable	1,340	1,747	622	849
Equipment	284	370	252	344
Exploration and evaluation assets	125,643	163,383	124,099	169,282
TOTAL ASSETS	US\$ 151,029	C\$ 196,357	US\$ 137,790	C\$ 187,957
LIABILITIES				
Current liabilities				
Trade and other payables	US\$ 802	C\$ 1,042	US\$ 1,278	C\$ 1,743
Accrued liabilities	1,578	2,049	1,405	1,916
	2,380	3,091	2,683	3,659
Lease obligations	44	57	—	—
Camino Rojo project loan	12,961	16,833	—	—
Newmont loan	9,647	12,573	4,475	6,103
Accrued liabilities – long term	261	338	—	—
Site closure provisions	575	748	626	745
TOTAL LIABILITIES	25,868	33,640	7,784	10,507
SHAREHOLDERS' EQUITY				
Share capital	159,230	208,186	153,852	201,077
Reserves	30,061	39,348	19,931	25,960
Accumulated other comprehensive income (loss)	(1,027)	(1,036)	(3,393)	4,797
Accumulated deficit	(63,103)	(83,781)	(40,384)	(54,384)
TOTAL SHAREHOLDERS' EQUITY	125,161	162,717	130,006	177,450
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	US\$ 151,029	C\$ 196,357	US\$ 137,790	C\$ 187,957

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(b) Effect on the consolidated statement of loss and comprehensive loss for the six months ended June 30, 2019

	Six months ended June 30, 2019			
	USD		CAD	
EXPLORATION AND EVALUATION EXPENSES				
Assays and analysis	US\$	122	C\$	159
Drilling		729		972
Geological		971		1,297
Engineering		1,302		1,742
Environmental		317		423
Community and government		350		467
Land and water use, claims and concessions		2,312		3,085
Project management		93		124
Project review		88		118
Site activities		886		1,181
Site administration		1,087		1,450
		8,257		11,018
GENERAL AND ADMINISTRATIVE EXPENSES				
Office and administrative		284		379
Professional fees		204		273
Regulatory and transfer agent		65		87
Salaries and benefits		833		1,114
		1,386		1,853
OTHER EXPENSES (INCOME)				
Depreciation		47		62
Share based payments		1,615		2,160
Interest and finance costs		256		346
Foreign exchange loss (gain)		20		24
		1,938		2,592
LOSS FOR THE YEAR	US\$	11,581	C\$	15,463
OTHER COMPREHENSIVE LOSS (INCOME)				
Items that may in future periods be reclassified to profit or loss:				
Foreign currency differences arising on translation of foreign operations		(1,138)		5,443
TOTAL COMPREHENSIVE LOSS	US\$	10,443	C\$	20,906
Weighted average number of common shares outstanding (millions)		179.5		179.5
Loss per share - basic and diluted	US\$	0.06	C\$	0.09