ARGONAUT GOLD

Interim Condensed Consolidated Financial Statements

March 31, 2022

(Unaudited and expressed in thousands of United States dollars)

ARGONAUT GOLD INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited and expressed in thousands of United States dollars)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 166,078	$ 199,235
Receivables (Note 4)	25,504	32,019
Inventories (Note 5)	109,164	101,514
Prepaid income tax	667	497
Prepaid expenses and other	7,351	7,020
Marketable securities	159	6,049
	308,923	346,334
Non-current portion of inventory (Note 5)	1,458	2,976
Mineral properties, plant and equipment (Note 6)	994,919	902,239
Deferred income taxes	22,457	13,010
Reclamation deposits (Note 7)	3,126	3,243
Other assets	1,434	1,525
Total assets	$ 1,332,317	$ 1,269,327
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	$ 112,166	$ 104,369
Income taxes payable	14,811	30,510
Flow-through share premium (Note 11b)	4,701	162
Current portion of lease liabilities (Note 10)	20,641	17,477
Current portion of reclamation provision	13,972	16,044
Current portion of derivative liabilities (Note 17)	2,032	1,258
	168,323	169,820
Debt (Note 9)	137,444	136,111
Lease liabilities (Note 10)	42,918	37,460
Reclamation provision	82,308	83,008
Deferred income taxes	13,908	6,317
Other liabilities	5,385	4,981
Total liabilities	450,286	437,697
SHAREHOLDERS' EQUITY		
Share capital (Note 11b)	1,067,782	1,031,827
Contributed surplus	19,500	20,499
Deficit	(145,699)	(151,317)
Accumulated other comprehensive loss	(59,552)	(69,379)
Total shareholders' equity	882,031	831,630
Total liabilities and shareholders' equity	$ 1,332,317	$ 1,269,327

Commitments and contingencies (Note 16)

ARGONAUT GOLD INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the three months ended March 31, 2022 and 2021
(Unaudited and expressed in thousands of United States dollars)

	Three months ended March 31, 2022	Three months ended March 31, 2021 Re-presented (Note 3)
Revenue	$ 105,802	$ 105,267
Cost of sales		
Production costs	66,789	62,295
Depreciation, depletion and amortization	17,531	17,570
Reversal of inventory write-down (Note 5)	(181)	(2,156)
Total cost of sales	84,139	77,709
Gross profit	21,663	27,558
Exploration expenses	367	621
General and administrative expenses	5,021	4,766
Profit from operations	16,275	22,171
Finance income	91	256
Finance expenses	(767)	(675)
(Losses) gains on derivatives (Note 17)	(2,463)	18,808
Other expense (Note 13)	(1,900)	(1,078)
Income before income taxes	11,236	39,482
Current income tax expense	8,122	9,638
Deferred income tax (recovery) expense	(2,504)	2,837
Net income for the period	$ 5,618	$ 27,007
Earnings per share		
Basic and diluted	$ 0.02	$ 0.09
Weighted average number of common shares outstanding (Note 12)		
Basic	311,052,835	299,490,756
Diluted	313,929,340	303,423,278

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

ARGONAUT GOLD INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2022 and 2021
(Unaudited and expressed in thousands of United States dollars)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net income for the period	$ 5,618	$ 27,007
Other comprehensive income		
Items that may be reclassified subsequently to net income		
Foreign currency translation differences	9,827	4,632
Comprehensive income for the period	$ 15,445	$ 31,639

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

ARGONAUT GOLD INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2022 and 2021
(Unaudited and expressed in thousands of United States dollars)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Operating activities		
Net income for the period	$ 5,618	$ 27,007
Items not affecting cash:		
Depreciation, depletion and amortization	17,601	17,647
Share-based compensation	1,279	1,530
Net finance expense	676	419
Unrealized foreign exchange loss (gain)	83	(657)
Unrealized loss (gain) on derivatives	1,465	(19,782)
Deferred income taxes	(1,856)	3,109
Reduction of obligation to renounce flow-through exploration expenditures	(648)	(272)
Reversal of inventory write-down (Note 5)	(181)	(2,156)
Loss on sale of marketable securities	534	—
Other	577	859
	25,148	27,704
Changes in non-cash operating working capital items		
Receivables	5,295	171
Inventories	(7,634)	(3,153)
Prepaid expenses and other	(562)	(2,344)
Accounts payable and accrued liabilities	127	4,121
Income taxes	8,162	9,263
Changes in other non-current assets	46	177
Changes in other non-current liabilities	383	108
Reclamation paid	(2,375)	(221)
Income taxes paid	(24,637)	(9,784)
Interest received	82	256
Net cash provided by operating activities	4,035	26,298
Investing activities		
Expenditures on mineral properties, plant and equipment	(75,493)	(38,414)
Proceeds from sale of marketable securities, net of transaction costs (Note 13)	5,307	—
Net cash used in investing activities	(70,186)	(38,414)
Financing activities		
Proceeds from issuance of flow-through shares, net of share issuance costs (Note 11b)	38,720	19,517
Proceeds from issuance of common shares, net of share issuance costs (Note 11b)	—	7,898
Proceeds from exercise of stock options	751	28
Principal element of lease payments	(4,657)	(2,075)
Payments for settlement of derivatives (Note 17)	(695)	(1,618)
Interest paid	(1,275)	(678)
Net cash provided by financing activities	32,844	23,072
Effects of exchange rate changes on cash and cash equivalents	150	2,203
(Decrease) increase in cash and cash equivalents	(33,157)	13,159
Cash and cash equivalents, beginning of period	199,235	214,188
Cash and cash equivalents, end of period	$ 166,078	$ 227,347

Supplemental cash flow information (Note 14)

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

ARGONAUT GOLD INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2022 and 2021
(Unaudited and expressed in thousands of United States dollars)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Share capital (Note 11b)		
Balance at the beginning of the period	$ 1,031,827	$ 1,002,448
Issuance of flow-through shares (Note 11b)	33,533	16,057
Issuance of common shares by way of private placement	—	7,898
Issuance of common shares related to community agreements	—	1,590
Issuance of common shares on exercise of Alio Replacement Options	—	72
Issuance of common shares on exercise of stock options	1,132	—
Restricted share units vested, net of shares withheld to satisfy tax withholding	717	817
Performance share units vested, net of shares withheld to satisfy tax withholding	573	200
Balance at the end of the period	1,067,782	1,029,082
Contributed surplus		
Balance at the beginning of the period	20,499	20,913
Stock options exercised	(381)	(44)
Restricted share units and performance share units vested	(1,897)	(1,756)
Share-based compensation	1,279	1,530
Balance at the end of the period	19,500	20,643
Deficit		
Balance at the beginning of the period	(151,317)	(177,846)
Net income for the period	5,618	27,007
Balance at the end of the period	(145,699)	(150,839)
Accumulated other comprehensive loss		
Balance at the beginning of the period	(69,379)	(73,337)
Other comprehensive income	9,827	4,632
Balance at the end of the period	(59,552)	(68,705)
Total shareholders' equity	$ 882,031	$ 830,181

1 NATURE OF OPERATIONS

Argonaut Gold Inc. (the "Company" or "Argonaut") is a Canadian public company listed on the Toronto Stock Exchange ("TSX") and engaged in gold mining, mine development, and mineral exploration activities at gold-bearing mineral properties in North America. As at March 31, 2022, the Company owned the producing El Castillo and San Agustin mines (which together form the El Castillo mining complex) in the State of Durango, Mexico, the producing La Colorada mine in the State of Sonora, Mexico, the producing Florida Canyon mine in Nevada, USA, the advanced exploration stage Cerro del Gallo project in the State of Guanajuato, Mexico, the advanced exploration stage Ana Paula project in the State of Guerrero, Mexico, and the construction stage Magino project in the Province of Ontario, Canada. The Company continues to hold several other exploration stage projects, all of which are located in North America.

The Company estimates that the updated estimated cost to completion ("EAC") for the Magino construction project is likely to be approximately 15% higher than the previously reported EAC of CA$800,000. At March 31, 2022, the Company had committed approximately CA$605,000, had incurred approximately CA$400,000, and estimates the project is 50% complete. The Company continues to advance financing and strategic alternatives and is cautiously optimistic it will conclude either a financing or strategic alternative prior to the end of the second quarter 2022. In the event that neither financing nor a strategic alternative is available promptly and upon acceptable terms, the Company may need to amend or adjust its plans for construction of the Magino project.

On July 1, 2020, the Company acquired all of the outstanding common shares of Alio Gold Inc. ("Alio"). Through the acquisition, the Company acquired the Florida Canyon mine and the Ana Paula project. The Ana Paula project was a disposal group classified as assets held for sale as at March 31, 2021 and its results from operations were originally presented as discontinued operations for the three months ended March 31, 2021. At December 31, 2021, Ana Paula was no longer considered a disposal group held for sale and its results from operations were re-presented as part of continuing operations for all reporting periods within the year ended December 31, 2021 (note 3).

The registered office of the Company is located at Suite 3400, One First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1A4, Canada. The head office and principal address of Argonaut Gold (U.S.) Corp., a subsidiary of the Company providing management services, is 9600 Prototype Court, Reno, Nevada, 89521, USA.

COVID-19 pandemic update

On March 11, 2020, the World Health Organization declared the coronavirus disease ("COVID-19") a global pandemic. Since the declaration, the COVID-19 pandemic has negatively impacted global economic and financial markets. Most industries have been impacted by the COVID-19 pandemic and are facing operating challenges associated with the regulations and guidelines resulting from efforts to contain it.

During the year ended December 31, 2021 and the three months ended March 31, 2022, as an indirect result of the COVID-19 pandemic, the Company was impacted by increased inflationary pressures, and cost increases to its construction capital estimate for the Magino project.

Factors that may be impacted by COVID-19 and the global response, among other things, are the Company's operating plan, production, supply chain, construction, and maintenance activities. The Company continues to monitor the situation closely, including any potential impact on its operations. The extent to which COVID-19 may impact the Company's business and operations will depend on future developments that are highly uncertain and cannot be accurately estimated, at this time, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

2 SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), as applicable to interim financial reports including International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*. Therefore, these interim condensed consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS.

The accounting policies applied in these interim condensed consolidated financial statements are consistent with those applied in the most recent annual consolidated financial statements for the year ended December 31, 2021.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Company on May 11, 2022.

a) Recent accounting pronouncements

In October 2020, the International Accounting Standards Board published amendments to IAS 1 - *Presentation of Financial Statements - Classification of debt with covenants as current or non-current*. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. This new requirement may change how companies classify their debt. The amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. The board has now clarified that when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognised as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments. The effective date is for annual periods beginning on or after January 1, 2023, with early adoption permissible. The Company is assessing the effect of the amendments on its consolidated financial statement.

In May 2021, the International Accounting Standards Board published amendments to IAS 12 - *Income Taxes*. The amendments will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. The effective date is for annual periods beginning on or after January 1, 2023, with early adoption permissible. The Company is assessing the effect of the amendments on its consolidated financial statements.

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the consolidated financial statements of the Company.

b) Significant estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may vary from those estimates due to inherent uncertainty or other factors. The Company regularly reviews its estimates. Revisions to estimates and the resulting effects on the carrying amounts of the assets and liabilities are accounted for prospectively.

Key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied and disclosed in the annual consolidated financial statements for the year ended December 31, 2021.

Impairment (impairment reversal) of non-current assets

The Company reviews the carrying amounts of non-current assets whenever events or changes in circumstances indicate that the carrying amounts may exceed the estimated recoverable amounts. Recoverable amounts are determined by reference to relevant market data, discounted future cash flows, and in-situ fair value per ounce of gold equivalent mineral reserves and resources not considered in the discounted cash flow model. An impairment loss is recognized when the carrying amount of those assets is no longer considered recoverable. Non-current assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

Calculating the estimated recoverable amount of the cash generating units for non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated recoverable reserves and resources, metallurgical recovery estimates, estimated future commodity prices, future production volume, the expected future operating, capital and reclamation costs, discount rates and exchange rates. Management relies on internal geological and metallurgical experts to develop estimates of recoverable reserves and resources, metallurgical recovery estimates, and future production volumes as well as expected future operating, capital and reclamation costs. These estimates are subject to various risks and uncertainties which may ultimately influence the estimated recoverability of the carrying amounts of non-current assets.

Future gold prices, exchange rates, discount rates, estimates of recoverable reserves and resources, operating and capital costs, and other key assumptions used in the Company's impairment assessment are subject to greater uncertainty given the current economic environment (note 1). Management's impairment evaluation did not result in the identification of any impairment indicators or impairment reversal indicators as at March 31, 2022, except for the construction stage Magino project cash generating unit ("CGU"). As at March 31, 2022, management of the Company determined the updated EAC for the Magino construction project constituted an impairment indicator. Therefore, the Company completed an impairment assessment for the Magino CGU, whereby the carrying value of the CGU, including acquisition cost, was compared to its recoverable amount using assumptions consistent with those used at December 31, 2021, except for the updated capital costs and gold price assumptions. Management's impairment evaluation did not result in the identification of an impairment as at March 31, 2022.

Work-in-process inventory / Production costs

The Company's management makes estimates of the expected recoverable ounces of gold on leach pads and the expected timing of recoveries in work-in-process inventory, which is also used in the determination of the cost of sales during the period. Expected recoverable ounces of gold on leach pads are determined based on the type of ore tonnes mined and placed on the leach pad, rock density, grams of gold per tonne and expected recovery rates. Management relies on internal geological and metallurgical experts to develop estimates related to expected recoverable ounces of gold on leach pads and timing of recoveries. The Company monitors the recovery of gold ounces from the leach pads and may refine its estimates based on these results. Assumptions used in the net realizable value assessment include the estimated gold price at the time of sale, remaining costs of completion to bring inventory into its saleable form and discount rate. Changes in these estimates can result in a change in the carrying amount of inventories and future cost of sales.

3 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Ana Paula project was previously classified as a disposal group held for sale as at March 31, 2021 and as discontinued operations for the three months ended March 31, 2021.

(Unaudited and expressed in thousands of United States dollars, except where noted)

During the three months ended December 31, 2021, the Company paused its active program to market the sale of the Ana Paula project, an exploration and evaluation asset included with the acquisition of Alio. In accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, the Ana Paula project no longer meets the criteria to be classified as a disposal group held for sale as at March 31, 2022 and December 31, 2021, and as a discontinued operation for the three months ended March 31, 2022 and for the year ended December 31, 2021.

Upon reclassification of the Ana Paula project to continuing operations for 2021, the Company assessed the recoverable value of the Ana Paula project segment for impairment, and recognized a non-cash impairment write-down of $7,330 during the year ended December 31, 2021.

At March 31, 2022 and December 31, 2021, all assets and liabilities related to the Ana Paula project have been included as a part of the assets and liabilities from continuing operations in the interim condensed consolidated statements of financial position. Expenses related to the Ana Paula project incurred during the three months ended March 31, 2022 and 2021 have been presented as a part of continuing operations within the interim condensed consolidated statements of income.

Expenses of $787 related to the Ana Paula project disposal group incurred during the three months ended March 31, 2021 have been re-presented as a part of continuing operations within the interim condensed consolidated statements of income, for comparative purposes. There is no impact on the presentation in the interim condensed consolidated statements of cash flows.

4 RECEIVABLES

	March 31, 2022	December 31, 2021
Mexican value added tax receivable	$ 16,821	$ 18,958
Canadian value added tax receivable	7,350	11,037
Due from customer	925	1,687
Other receivables	408	337
	$ 25,504	$ 32,019

5 INVENTORIES

	March 31, 2022	December 31, 2021
Supplies	$ 18,752	$ 17,173
Work-in-process	90,860	86,243
Finished goods	1,010	1,074
	110,622	104,490
Non-current portion of work-in-process inventory	(1,458)	(2,976)
	$ 109,164	$ 101,514

Cost of inventories recognized as expense in cost of sales for the three months ended March 31, 2022 totaled $84,139 (three months ended March 31, 2021 - $77,709). During the three months ended March 31, 2022, the Company recognized a non-cash impairment reversal of $181 (three months ended March 31, 2021 - $2,156) at the El Castillo mining complex related to the net realizable value of the work-in-process inventory, primarily due to a revision in management’s estimate of the price of gold, the future recoverable ounces, costs to convert the non-current work-in-process inventory into saleable form and the expected timing of recoveries of the inventory. The impairment reversal has been presented in a separate component of cost of sales in the interim condensed consolidated statements of income.

(Unaudited and expressed in thousands of United States dollars, except where noted)

6 MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Exploration and evaluation assets	Assets under construction (1)	Mineral properties (1)(2)(3)	Plant and equipment (1)(2)	Total
Cost					
Balance at January 1, 2022	$ 167,300	$ 593,843	$ 678,384	$ 251,117	$ 1,690,644
Additions	246	79,792	5,185	14,850	100,073
Disposals	—	—	—	(13)	(13)
Adjustment on currency translation	—	9,454	—	421	9,875
Balance at March 31, 2022	167,546	683,089	683,569	266,375	1,800,579
Accumulated depreciation, depletion, amortization and impairment					
Balance at January 1, 2022	118,364	—	536,514	133,527	788,405
Additions	—	—	10,262	6,940	17,202
Disposals	—	—	—	(12)	(12)
Adjustment on currency translation	—	—	—	65	65
Balance at March 31, 2022	118,364	—	546,776	140,520	805,660
Net book value at March 31, 2022	$ 49,182	$ 683,089	$ 136,793	$ 125,855	$ 994,919
Cost					
Balance at January 1, 2021	$ 134,299	$ 300,335	$ 651,787	$ 201,885	$ 1,288,306
Additions	1,584	295,338	29,156	51,221	377,299
Transfer	—	—	(2,559)	2,559	—
Option proceeds	(606)	—	—	—	(606)
Impairment reversal	606	—	—	—	606
Disposals	—	—	—	(6,951)	(6,951)
Reclassification of assets held for sale	31,417	—	—	2,391	33,808
Adjustment on currency translation	—	(1,830)	—	12	(1,818)
Balance at December 31, 2021	167,300	593,843	678,384	251,117	1,690,644
Accumulated depreciation, depletion, amortization and impairment					
Balance at January 1, 2021	111,034	—	427,522	114,783	653,339
Additions	—	—	51,511	24,049	75,560
Disposals	—	—	—	(5,977)	(5,977)
Impairment	7,330	—	57,481	672	65,483
Balance at December 31, 2021	118,364	—	536,514	133,527	788,405
Net book value at December 31, 2021	$ 48,936	$ 593,843	$ 141,870	$ 117,590	$ 902,239

(Unaudited and expressed in thousands of United States dollars, except where noted)

(1) During the three months ended March 31, 2022, the Company recorded right-of-use asset additions of $13,190 within plant and equipment (year ended December 31, 2021 - $35,153) and $nil within mineral properties (year ended December 31, 2021 - $49) (note 10). During the three months ended March 31, 2022, total depreciation on right-of-use assets within plant and equipment was $2,718 (three months ended March 31, 2021 - $1,048). A portion of this total depreciation was capitalized to assets under construction for the right-of-use assets related specifically to the Magino project (note 10). During the three months ended March 31, 2022, total depreciation on right-of-use assets within mineral properties was $15 (three months ended March 31, 2021 - $11). As at March 31, 2022, the net book value of right-of-use assets was $72,730 and $157 within plant and equipment and mineral properties, respectively (December 31, 2021 - $34,124 and $172, respectively).

(2) As at March 31, 2022, plant and equipment includes $6,711 and mineral properties includes $2,953 of mine development costs, primarily related to the El Castillo mining complex, the La Colorada mine and the Florida Canyon mine (December 31, 2021 - $6,482 and $2,031, respectively), which were not subject to depreciation and depletion at the statement of financial position date.

(3) During the three months ended March 31, 2022, the Company capitalized $3,469 (three months ended March 31, 2021 - $5,059) of deferred stripping costs to mineral properties. The depreciation expense related to deferred stripping for the three months ended March 31, 2022 was $2,478 (three months ended March 31, 2021 - $3,909). Included in the mineral properties balance at March 31, 2022 is $11,577 and $9,566 (December 31, 2021 - $10,576 and $10,248) related to deferred stripping costs at the El Castillo mine and the La Colorada mine, respectively.

7 RECLAMATION DEPOSITS

The Company has reclamation deposits representing funds that have been placed in trust as security to the United States Bureau of Land Management relating to site closure obligations of the Florida Canyon mine. These deposits will be released when the government approves successful site restoration or surety bonding is no longer required.

At March 31, 2022, the reclamation deposits are carried at fair value of $3,126 (December 31, 2021 - $3,243) and consist of $639 of cash, $274 of fixed-income funds, and $2,213 of equity funds. During the three months ended March 31, 2022, interest income was $9 (three months ended March 31, 2021 - $34) and the Company recorded a loss on funds of $126 (three months ended March 31, 2021 - $16).

8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	December 31, 2021
Trade accounts payable	$ 51,894	$ 62,839
Accrued liabilities	60,272	41,530
	$ 112,166	$ 104,369

At March 31, 2022, accounts payable and accrued liabilities included $53,145 (December 31, 2021 - $45,234) related to mineral properties, plant and equipment additions. At March 31, 2022 and December 31, 2021, accrued liabilities also included $664 and $222, respectively, of accrued interest on convertible debentures (note 9).

(Unaudited and expressed in thousands of United States dollars, except where noted)

9 DEBT

Overview

		March 31, 2022		December 31, 2021
Revolving credit facility	$	80,000	$	80,000
Convertible debentures				
Debt liability		45,292		44,650
Derivative liability		12,152		11,461
Debt	$	137,444	$	136,111

Revolving credit facility

Effective October 2020, the Company has a $100,000 Amended Revolving Credit Facility ("ARCF") with a syndicate of banks. The ARCF includes a $25,000 accordion feature. The ARCF interest rate is according to the terms described in the agreement and is on a scale ranging from London Interbank Offered Rate, or an alternative benchmark rate as selected by the administrative agent ("LIBOR"), plus 2.25% to 3.50% on drawn amounts, and 0.56% to 0.79% on undrawn amounts, based on the Company's senior secured debt leverage ratio, as defined in the agreement.

The ARCF was not utilized by the Company until it drew $80,000 in December 2021. As at March 31, 2022, the Company had utilized $80,000 of the ARCF (December 31, 2021 - $80,000). During the three months ended March 31, 2022, the Company exercised the accordion feature of the ARCF, making available the full $25,000. The ARCF is secured by certain of the Company's assets and is subject to various covenants, including those that require the Company to maintain certain tangible net worth and ratios for leverage and interest coverage. As at March 31, 2022, the Company was in compliance with these covenants. As of March 31, 2022, there were letters of credit, totaling $17,141, which were secured by the ARCF.

The ARCF matures on November 17, 2023. The commitment reduction beginning April 30, 2023 is detailed in the following table:

Commitment Reduction Date	Accordion + Commitment
Initial	$125,000
Apr 30, 2023	$115,000
May 31, 2023	$100,000
Jun 30, 2023	$85,000
Jul 31, 2023	$70,000
Aug 31, 2023	$55,000

Convertible debentures

On October 30, 2020, the Company issued unsecured convertible debentures with an aggregate amount of $57,500 (the "Debentures"). At March 31, 2022, the Company had $57,480 (December 31, 2021 - $57,480) of the Debentures outstanding. The Debentures mature on November 30, 2025 and bear interest at a rate of 4.625% per annum, payable semi-annually. The Debentures are not redeemable by the Company before November 30, 2023. The Company has used the net proceeds of the Debentures for the advancement of the Magino project.

(Unaudited and expressed in thousands of United States dollars, except where noted)

On March 31, 2022 and December 31, 2021, the fair value of the derivative liability was estimated at $12,152 and $11,461, respectively. The value was determined using the Partial Differential Equation model with the following assumptions:

	March 31, 2022	December 31, 2021
Share price	CA $ 2.45	CA $ 2.40
US$-CA$ exchange rate	0.7996	0.7917
Translated US$ share price	$ 1.96	$ 1.90
Volatility	48.37 %	46.66 %
Risk free rate	2.66 %	1.29 %
Credit spread	7.73 %	8.69 %
All-in rate	10.39 %	9.98 %

The following table summarizes changes to the Company’s Debentures during the period:

	Debt liability	Derivative liability	Total
Balance at December 31, 2020	$ 42,205	$ 16,101	$ 58,306
Accrued interest and accretion of debt liability component	5,563	—	5,563
Change in fair value of derivative liability component	—	(4,635)	(4,635)
Interest paid - year to date	(2,881)	—	(2,881)
Accrued interest recorded in accrued liabilities - current	(222)	—	(222)
Debentures converted to equity	(15)	(5)	(20)
Balance at December 31, 2021	44,650	11,461	56,111
Accrued interest and accretion of debt liability component	1,306	—	1,306
Change in fair value of derivative liability component	—	691	691
Accrued interest recorded in accrued liabilities - current	(664)	—	(664)
Balance at March 31, 2022	$ 45,292	$ 12,152	$ 57,444

During the three months ended March 31, 2022, capitalized interest and accretion expense on the Debentures was $1,306 (three months ended March 31, 2021 - $1,236). Interest is capitalized towards the Magino project until the time where it is ready for its intended use.

(Unaudited and expressed in thousands of United States dollars, except where noted)

10 LEASE LIABILITIES

Overview

		March 31, 2022		December 31, 2021
Florida Canyon mine leases	$	37,925	$	36,986
Magino project leases		24,881		17,033
Other operating leases		753		918
Lease liabilities	$	63,559	$	54,937
Current portion of lease liabilities	$	20,641	$	17,477
Non-current portion of lease liabilities	$	42,918	$	37,460

Contractual undiscounted cash flows related to the Company's lease liabilities are disclosed in note 16. The difference between the contractual undiscounted cash flows related to lease liabilities and the carrying amount of the lease liabilities on the interim condensed consolidated statements of financial position is the amortization of the discount related to the lease liabilities.

Certain leases of the Company contain variable lease payment terms that are linked to the usage of the equipment on a per tonne mined basis. The cost relating to variable lease payments that do not depend on an index or a rate amounted to $12,997 for the three months ended March 31, 2022 (three months ended March 31, 2021 - $11,242).

Florida Canyon mine leases

Upon acquisition of Alio in July 2020, the Company assumed a Master Services Agreement (the "Lease Agreement") to lease thirteen trucks and three loaders employed at the Florida Canyon Mine site. During 2021, the Company amended its Lease Agreement to enact modifications to the scope and structure of the lease (the "Amended Lease Agreement"). The Amended Lease Agreement included the introduction of four new trucks (the "New Trucks") to the existing thirteen trucks and three loaders resulting in a comprehensive lease of seventeen trucks and three loaders (the "Florida Canyon Equipment"). The New Trucks entered service during 2021 with a deemed value of $10,787. The revaluation of the Amended Lease Agreement relating to the original Florida Canyon Equipment resulted in a deemed increase in value of $1,672. The Amended Lease Agreement enacted modifications to the interest rate and hourly fee structure found in the Lease Agreement. The hourly fees are comprehensive and include the lease charge, the service fees and the financing components. The expected lease terms for the Florida Canyon Equipment varies per each unit, ending between June 2024 and August 2026.

At December 31, 2021, the Company assessed the valuation of the Florida Canyon mine leases and determined that there was a $1,206 increase in the value of the lease liabilities due to the change in variables affecting the estimated cash flows over the remaining term of the Florida Canyon mine leases.

During the three months ended March 31, 2022, the Company leased an additional loader to be incorporated into the Florida Canyon Equipment. The lease of the new loader included an implicit interest rate of 4.04% and a fee structure separate from the fees on the other units within the Florida Canyon Equipment, resulting in a separate expected value of $3,486 for the lease payments and buyout amount, based on the expected hours of use and pattern of use, over the expected remaining term of the lease. The expected lease term for the loader unit ends in July 2026.

(Unaudited and expressed in thousands of United States dollars, except where noted)

The following table summarizes the change in the value of the lease liabilities at the Florida Canyon mine:

Balance, December 31, 2020	$	32,769
Lease modification		1,672
New trucks		10,787
Interest		1,669
Payments - principal and interest		(11,117)
Change in estimated cash flows and assumptions		1,206
Balance, December 31, 2021		36,986
New unit of equipment		3,486
Interest		386
Payments - principal and interest		(2,933)
Balance, March 31, 2022	$	37,925
Current portion of equipment lease liabilities	$	12,297
Non-current portion of equipment lease liabilities	$	25,628

The Florida Canyon Equipment is being amortized straight-line over the life of the mine to an estimated recoverable amount of $100 for each truck and loader. For the three months ended March 31, 2022, the Company recorded depreciation on the Florida Canyon Equipment of $1,378 (three months ended March 31, 2021 - $996).

Magino project leases

The Company has entered into a number of lease agreements at its Magino project. The lease agreements included the following:

- During the three months ended March 31, 2022, the Company entered into individual lease agreements with vendors for five units of equipment, including four trucks and loaders, and one drill rig. The leases contain a 48-month term and were valued using an implicit interest rate of 4.65% for the trucks and loaders, and 4.90% for the drill rig. The initial recognition of the value of these leases were $9,704.

- During 2021, the Company entered into individual lease agreements with a single vendor for 22 units of equipment, including trucks, loaders and excavators. The leases contain a 48-month term for 20 units, and a 60-month term for two units. The individual lease agreements bear a range of implicit interest rates from 0.99% to 4.85%. The initial recognition of the value of these leases were $15,318.

- During 2021, the Company entered into various lease agreements with multiple vendors for 11 units of equipment, including eight trucks, loaders, and excavators, two drill rigs, and an office trailer. The leases contain a 13-month term for the heavy equipment, and a 24-month term for the drill rigs and trailer. The individual lease agreements bear a range of implicit interest rates from 2.00% to 4.50%. The initial recognition of the value of the leases was $3,610.

- During 2021, the Company entered into a lease agreement for 13 dorm and container units. The lease is for a 18-month term and was valued using an interest rate of 4.50%, which is the Company's deemed incremental borrowing rate. The initial recognition of the value of the lease was $1,180.

(Unaudited and expressed in thousands of United States dollars, except where noted)

- During 2021, the Company entered into a lease agreement for certain land and buildings. The lease is for a 36-month term and was valued using an interest rate of 4.50%, which is the Company's deemed incremental borrowing rate. The initial recognition of the value of the lease was $612.

Together the various units in the lease agreements comprise the Magino Leases. The Company valued the various lease agreements using the present value of the lease payments and buyout amounts, over the initially estimated terms of the various leases.

The following table summarizes the change in the value of the lease liabilities at the Magino project:

Balance, December 31, 2020	$	—
Capitalization of Magino Leases		20,720
Interest		283
Payments - principal and interest		(3,982)
Adjustment on currency translation		12
Balance, December 31, 2021		17,033
Capitalization of Magino Leases		9,704
Interest		186
Payments - principal and interest		(2,375)
Adjustment on currency translation		333
Balance, March 31, 2022	$	24,881
Current portion of Magino Leases liabilities	$	7,927
Non-current portion of Magino Leases liabilities	$	16,954

The right-of-use assets associated with the Magino Leases are being amortized straight-line over the expected remaining lives of each unit down to each unit's estimated net recoverable value. For the three months ended March 31, 2022, the Company capitalized depreciation on the right-of-use assets associated with the Magino Leases of $1,278 (three months ended March 31, 2021 - $nil) (note 6).

Other operating leases

The following table summarizes the carrying amounts of the Company's other operating lease liabilities measured at the present value of the remaining lease payments that are recognized in the interim condensed consolidated statements of financial position:

		March 31, 2022		December 31, 2021
Current portion of lease liabilities	$	417	$	437
Non-current portion of lease liabilities		336		481
	$	753	$	918

For the three months ended March 31, 2022, the Company recorded depreciation on other operating leases of $115 (three months ended March 31, 2021 - $63).

(Unaudited and expressed in thousands of United States dollars, except where noted)

11 SHAREHOLDERS' EQUITY

a) Authorized share capital: Unlimited common shares without par value.

b) Issued and outstanding share capital:

	Number of shares	Amount
Balance at January 1, 2021	294,762,507	$ 1,002,448
Issuance of flow-through shares	9,847,047	17,121
Issuance of common shares by way of private placement	4,255,319	7,895
Issuance of common shares related to community agreements	809,717	1,590
Issuance of common shares for services provided on Magino	50,000	142
Restricted share units issued to employees, net of shares withheld(1)	669,684	918
Performance share units issued to employees, net of shares withheld(2)	146,719	213
Issuance of common shares for converted debentures	7,002	20
Issuance of common shares on exercise of Alio Replacement Options (Note 11d)	513,052	1,226
Stock options exercised (Note 11c)	136,028	254
Balance at December 31, 2021	311,197,075	1,031,827
Issuance of flow-through shares	19,780,000	33,533
Restricted share units issued to employees, net of shares withheld(1)	507,964	717
Performance share units issued to employees, net of shares withheld(2)	462,397	573
Stock options exercised (Note 11c)	798,643	1,132
Balance at March 31, 2022	332,746,079	$ 1,067,782

(1) During the three months ended March 31, 2022, 196,209 vested restricted share units (year ended December 31, 2021 - 330,562 vested restricted share units) were withheld to satisfy tax withholding requirements under the Company's net settlement feature for vested restricted share units.

(2) During the three months ended March 31, 2022, 149,752 vested performance share units (year ended December 31, 2021 - 75,944 vested performance share units) were withheld to satisfy tax withholding requirements under the Company's net settlement feature for vested performance share units.

Private placement

In March 2021, the Company completed a private placement of 4,255,319 common shares, issued at a price of CA$2.35 per common share, for gross proceeds of $7,917 (CA$10,000) with a primary vendor related to the Magino project. The Company and the vendor had previously executed a fixed-bid engineering, procurement, construction, and commission contract for the construction of the Magino processing facility and other parts of the Magino project at which time a private placement was contemplated. Transaction costs related to the private placement were approximately $22 (CA$28), resulting in net proceeds to the Company of approximately $7,895 (CA$9,972).

Community agreements

During the three months ended March 31, 2022, the Company issued $nil common shares (2021 - 809,717 common shares) as part of community agreements associated with the Magino project.

Flow-through common shares

In March 2022, the Company closed an offering of Canadian development expenditures ("CDE") flow-through common shares of the Company (the "CDE Flow-Through Shares") with a syndicate of underwriters pursuant to which the underwriters purchased, on a bought deal basis, 15,870,000 CDE Flow-Through Shares at CA$2.54 per share for total gross proceeds of $31,829 (CA$40,310). Share issuance costs of $1,733 (CA$2,195) were incurred in relation to the offering, resulting in net proceeds to the Company of $30,096 (CA$38,115). The CDE Flow-Through Shares will provide the subscribers a Canadian tax deduction for qualified CDE incurred and renounced by the Company. The proceeds from the sale of the CDE Flow-Through Shares were used on development expenses on the Magino project as permitted under the Income Tax Act (Canada) in order to qualify as CDE. The net proceeds were bifurcated between share capital of $26,897 and flow-through share premium of $3,199. During the three months ended March 31, 2022, the Company used $3,574 (CA$4,487) to fund development of the Magino project, and is required to incur the remainder of the expenditures before December 31, 2022. As at March 31, 2022, the remaining flow-through share premium liability was $2,821 (CA$3,577).

In March 2022, the Company closed an offering of Canadian exploration expenditures ("CEE") flow-through common shares of the Company ("CEE Flow-Through Shares") with a syndicate of underwriters pursuant to which the underwriters purchased, on a bought deal basis, 3,910,000 CEE Flow-Through Shares at CA$2.95 per share for total gross proceeds of $9,108 (CA$11,535). Share issuance costs of $484 (CA$613) were incurred in relation to the offering, resulting in net proceeds to the Company of $8,624 (CA$10,922). The CEE Flow-Through Shares will provide the subscribers a Canadian tax deduction for qualified CEE incurred and renounced by the Company. The net proceeds were bifurcated between share capital of $6,636 and flow-through share premium of $1,988. During the three months ended March 31, 2022, the Company used $1,143 (CA$1,433) of the proceeds to fund exploration activities related to the Company's directly or indirectly held projects in Ontario, Canada, and is required to incur the remainder of the expenditures before December 31, 2023. As at March 31, 2022, the remaining flow-through share premium liability was $1,725 (CA$2,188).

In September 2021, the Company issued 467,532 CEE Flow-Through Shares at a price of CA$3.85 per share by way of private placement for gross proceeds of $1,421 (CA$1,800). Share issuance costs of $16 (CA$21) were incurred in relation to the offering, resulting in net proceeds to the Company of $1,405 (CA$1,779). The net proceeds were bifurcated between share capital of $1,096 and flow-through share premium of $311. Under the terms of this CEE Flow-Through Shares agreement, the Company agreed to incur $1,421 (CA$1,800) of qualified CEE by December 31, 2022 and renounce those expenditures to the investors effective December 31, 2021. During the three months ended March 31, 2022, the Company used $34 (CA$43) of the proceeds to fund exploration activities in a joint operation in Quebec, Canada. As at March 31, 2022, the total expenditures to date were $715 (CA$905), with the Company required to incur the remainder of the expenditures before December 31, 2022. As at March 31, 2022, the remaining flow-through share premium liability was $154 (CA$195).

In February 2021, the Company closed an offering of CDE Flow-Through Shares with a syndicate of underwriters pursuant to which the underwriters purchased, on a bought deal basis, 9,379,515 CDE Flow-Through Shares at CA$2.82 per share for total gross proceeds of $20,808 (CA$26,450). Share issuance costs of $1,330 (CA$1,691) were incurred in relation to the offering, resulting in net proceeds to the Company of $19,478 (CA$24,759). The CDE Flow-Through Shares will provide the subscribers a Canadian tax deduction for qualified CDE incurred and renounced by the Company. The offering was completed in two concurrent tranches, whereby: (i) an aggregate of 6,276,515 CDE Flow-Through Shares were issued and qualified for distribution to the public under a prospectus; and (ii) an aggregate of 3,103,000 CDE Flow-Through Shares were issued on a private placement basis. The proceeds from the sale of the CDE Flow-Through Shares were used on development expenses on the Magino project as permitted under the Income Tax Act (Canada) in order to qualify as CDE. The net proceeds were bifurcated between share capital of $16,025 and flow-through share premium of $3,453.

(Unaudited and expressed in thousands of United States dollars, except where noted)

During the year ended December 31, 2021, the Company used all of the proceeds to fund development of the Magino project, achieving its development expenditure requirements and as such at December 31, 2021 the remaining flow-through share premium liability was $nil (CA$nil).

c) Share-based compensation

The Company has established the Share Incentive Plan, as amended, which was originally adopted by the Board of Directors on February 12, 2010, was approved by shareholders in 2010 and was last re-approved by shareholders in May 2020. The Share Incentive Plan provides that the maximum number of common shares available to be granted by the Board of Directors as stock options, restricted shares, restricted share units ("RSU" or "RSUs"), performance share units ("PSU" or "PSUs"), deferred share units ("DSU" or "DSUs"), and any other share-based compensation arrangements is 7.25% of the total common shares issued and outstanding.

Stock options

Stock options are granted to directors and selected employees. The options vest one-third per year for three years and have a contractual option term of ten years. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The following table summarizes information relating to stock options outstanding and exercisable at March 31, 2022 that were granted by the Company:

Exercise price per share (CA$)	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CA$)	Options exercisable	Weighted average exercise price (CA$)
$ 1.10 - 1.31	688,672	3.85	$ 1.10	688,672	$ 1.10
1.32 - 2.48	1,264,274	6.73	1.95	1,017,592	1.97
2.49 - 4.00	560,710	4.58	2.61	513,074	2.59
4.01 - 10.35	285,026	1.37	6.74	285,026	6.74
$ 1.10 - 10.35	2,798,682	5.04	$ 2.36	2,504,364	$ 2.40

The following table summarizes stock option activity for the Company:

	Options	Weighted average exercise price (CA$)
Outstanding at January 1, 2021	4,559,245	$ 2.46
Granted	386,013	2.44
Exercised	(136,028)	1.59
Forfeited	(378,389)	2.16
Expired	(105,775)	4.56
Outstanding at December 31, 2021	4,325,066	2.46
Exercised	(798,643)	1.20
Forfeited	(652,487)	3.76
Expired	(75,254)	8.31
Outstanding at March 31, 2022	2,798,682	$ 2.36

(Unaudited and expressed in thousands of United States dollars, except where noted)

The weighted average share price at the time of exercise for 2022 was CA$2.42 per share (2021 - CA$2.72 per share).

The total share-based compensation expense related to stock options granted by the Company for the three months ended March 31, 2022 was $39 (three months ended March 31, 2021 - $80). As at March 31, 2022, there was $96 of unamortized stock-based compensation expense related to stock options granted (December 31, 2021 - $125).

The following weighted-average assumptions were used in computing the fair value of stock options granted during the three months ended March 31, 2021:

		2021
Weighted average share price	CA $	2.35
Expected dividend yield		Nil
Expected volatility		63.1 %
Risk-free interest rate		0.5 %
Estimated forfeiture rate		11.9 %
Expected life		5 years
Weighted average fair value per stock option granted	CA $	1.23

The Company uses its historical volatility as the basis for the expected volatility assumption in the Black-Scholes option pricing model.

(Unaudited and expressed in thousands of United States dollars, except where noted)

Restricted share units

The following table summarizes the RSU activity for the Company:

	RSUs	Weighted average fair value (CA$)
Outstanding at January 1, 2021	2,249,323	$ 1.62
Granted	1,014,195	2.39
Vested	(1,000,246)	1.74
Forfeited	(839,893)	1.85
Outstanding at December 31, 2021	1,423,379	1.95
Granted[(1)]	1,105,674	2.32
Vested[(2)]	(704,173)	1.83
Forfeited	(17,915)	2.24
Outstanding at March 31, 2022	1,806,965	$ 2.22

[(1)] The 1,105,674 RSUs granted during the three months ended March 31, 2022 were all granted to employees (year ended December 31, 2021 - 1,014,195 to employees) that will be issued once the shares vest according to the terms below.

[(2)] The 704,173 RSUs vested during the three months ended March 31, 2022 were all granted to employees (year ended December 31, 2021 - 1,000,246 to employees).

RSUs granted to employees vest based on service-related vesting terms set by the Board of Directors and can therefore vary grant to grant. In general, however, RSUs vest one-third per year for three years. The references to outstanding RSUs in the above table refer to RSUs granted but not yet vested.

The total share-based compensation expense related to RSUs for the three months ended March 31, 2022 was $331 (three months ended March 31, 2021 - $321). As at March 31, 2022, there was $1,605 of unamortized stock-based compensation expense related to RSUs (December 31, 2021 - $609).

The Company has adopted a net withholding settlement feature for vested RSUs, where a portion of the vested RSUs can be withheld, at the election of the employee, to satisfy tax withholding obligations, pursuant to which the Company withholds the number of shares necessary to satisfy such withholding obligations and remits the tax withholdings to the taxing authorities on behalf of the employee. As at March 31, 2022, if all RSUs were to have vested and all employees elected the net withholding settlement feature on vesting, based on the Company's share price at March 31, 2022, the Company estimates that it would have had to transfer approximately $886 to the tax authorities for withholding taxes on such vested RSUs.

(Unaudited and expressed in thousands of United States dollars, except where noted)

Performance share units

The following table summarizes the PSU activity for the Company:

	PSUs	Weighted average fair value (CA$)
Outstanding at January 1, 2021	2,297,701	$ 2.00
Granted	677,835	2.63
Vested	(222,663)	2.49
Forfeited	(1,256,947)	2.30
Outstanding at December 31, 2021	1,495,926	1.96
Granted	687,398	2.70
Vested	(612,149)	2.11
Outstanding at March 31, 2022	1,571,175	$ 2.17

The PSUs are subject to certain vesting requirements and each years' grants vest at the end of three years. The vesting requirements are based on certain performance criteria over the vesting period established by the Board of Directors of the Company. The number of units that vest is determined by multiplying the number of units granted to the participant by an adjustment factor, which ranges from 0 to 2.0. The total share-based compensation expense related to PSUs for the three months ended March 31, 2022 was $311 (three months ended March 31, 2021 - $489). As at March 31, 2022, there was $1,470 of unamortized stock-based compensation expense related to PSUs (December 31, 2021 - $743).

Deferred share units

The following table summarizes the DSU share activity for the Company:

	DSUs	Weighted average exercise price (CA$)
Outstanding at January 1, 2021	—	$ —
Granted	345,944	2.35
Cancelled	(22,432)	2.35
Outstanding at December 31, 2021	323,512	2.35
Granted	327,462	2.32
Outstanding at March 31, 2022	650,974	$ 2.33

In 2021, the Company established a DSU Plan whereby DSUs are issued to directors as long-term incentive compensation. DSUs issued under the DSU Plan are fully vested upon issuance and entitle the holder to either, at the option of the Company, a settlement in cash or common shares of the Company following cessation of service on the Board of Directors and must be converted by December 31 of the year following the departure from the Board of Directors. The value of the DSUs when converted to common shares will be equal to the number of DSUs granted multiplied by the quoted market value of the Company's common share at the time the conversion takes place. Compensation expense related to DSUs is based on the fair value of the Company's common shares at grant date and is recorded immediately. Because the manner of settlement of the DSUs is in the control of the Company and the Company has no past practice of settling such awards in cash or stated intent to settle the DSUs in cash, the Company has recorded the DSUs as equity-settled awards.

(Unaudited and expressed in thousands of United States dollars, except where noted)

The total share-based compensation expense related to DSUs for the three months ended March 31, 2022 was an expense of $598 (three months ended March 31, 2021 - $640).

d) Alio Replacement Options and Alio Warrants

At March 31, 2022, the Company had outstanding Alio Replacement Options.

The following table summarizes the Alio Replacement Option activity subsequent to the acquisition:

	Options	Weighted average exercise price (CA$)
Outstanding at July 1, 2020	1,173,790	$ 6.53
Forfeited	(3,120)	3.34
Expired	(538,848)	12.12
Exercised	(513,052)	1.17
Outstanding at December 31, 2021	118,770	4.41
Forfeited	(1,576)	4.04
Expired	(1,237)	12.12
Outstanding at March 31, 2022	115,957	$ 4.33

The weighted average share price at the time of exercise for 2022, was CA$nil per share (2021 - CA$2.66 per share). The Alio Replacement Options have varied expiry dates ranging from July 2022 to February 2028.

The following table summarizes information relating to Alio Replacement Options outstanding and exercisable at March 31, 2022:

Exercise price per share (CA$)	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CA$)	Options exercisable	Weighted average exercise price (CA$)
$ 1.06 - 4.00	32,705	2.33	$ 1.59	32,705	$ 1.59
4.01 - 7.00	69,649	3.07	4.49	69,649	4.49
7.01 - 10.10	13,603	4.37	10.10	13,603	10.10
$ 1.06 - 10.10	115,957	3.01	$ 4.33	115,957	$ 4.33

The Alio Warrants fully expired during the year ended December 31, 2021.

(Unaudited and expressed in thousands of United States dollars, except where noted)

12 SHARES OUTSTANDING

	Three months ended March 31, 2022	Three months ended March 31, 2021
Basic weighted average shares outstanding	311,052,835	299,490,756
Weighted average shares dilution adjustments:[1]		
Stock options	888,223	1,258,666
Restricted share units	978,393	1,707,192
Performance share units	468,069	805,223
Deferred share units	541,820	161,441
Diluted weighted average shares outstanding	313,929,340	303,423,278
Antidilutive securities	21,594,533	22,854,919

[1] Impact of dilutive stock options and other share-based compensation arrangements were determined using the Company's average share price for the three months ended March 31, 2022 of CA$2.32 (three months ended March 31, 2021 - CA$2.32).

13 OTHER EXPENSE

	Three months ended March 31, 2022	Three months ended March 31, 2021 Re-presented (Note 3)
Foreign exchange (loss) gain	$ (1,066)	$ 11
Loss on sale of marketable securities[1]	(534)	—
Revaluation of marketable securities	74	(598)
Other expense	(374)	(491)
	$ (1,900)	$ (1,078)

[1] During March 2022, the Company disposed in full its marketable securities for $5,336 in gross proceeds, less transaction costs of $114, and a realized foreign exchange gain of $86, for net proceeds of $5,307, received fully in cash. The disposition resulted in a realized loss on sale of $534 during the three months ended March 31, 2022 (three months ended March 31, 2021 - $nil).

(Unaudited and expressed in thousands of United States dollars, except where noted)

14 SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash investing and financing transactions during the period are as follows:

	Three months ended March 31, 2022	2021
(Decrease) increase in expenditures on mineral properties, plant and equipment related to a (increase) decrease in accounts payable and accrued liabilities	$ (7,911)	$ (13,807)
(Decrease) increase in expenditures on plant and equipment related to a (increase) decrease in fair value of leases capitalized as equipment additions	(13,190)	7,066
Fair value of common shares issued related to community agreements capitalized as mineral property additions	—	1,590
Fair value of RSUs allocated from contributed surplus to share capital upon vesting	717	918
Fair value of PSUs allocated from contributed surplus to share capital upon vesting	573	213

15 SEGMENT INFORMATION

Operating segments are those operations whose operating results are reviewed by the chief operating decision-maker (the Chief Executive Officer) to make decisions about resources to be allocated to the segments and assess their performance, provided those operations pass certain quantitative thresholds, or are deemed significant by management. In order to determine if operating segments shall be aggregated, management reviews various factors, including economic characteristics, nature of their products, production process, regulatory environment, geographical location and managerial structure. After aggregation criteria have been considered, operations whose revenues, earnings or assets exceed 10% of the total consolidated revenues, earnings or assets are considered to be reportable segments. Certain operations that do not meet any of the quantitative thresholds may still be considered reportable segments if deemed significant by management. The producing El Castillo and San Agustin mines have been aggregated into the El Castillo mining complex reportable segment. The development, early-stage exploration, and other operations which are not otherwise disclosed are reported in the Corporate and other segment.

The Company operates in the mining industry and its principal product is gold. During the three months ended March 31, 2022 sales were to two customers (three months ended March 31, 2021 - two customers) and were recognized at a point in time. The Company's revenue is generated on the sale of product originating from Mexico and the United States. As at March 31, 2022, the Company's significant mineral properties are located in Canada (Magino), Mexico (El Castillo mining complex, La Colorada and Cerro del Gallo), and the United States (Florida Canyon).

(Unaudited and expressed in thousands of United States dollars, except where noted)

The following tables summarize segment information of the Company:

	El Castillo mining complex	La Colorada	Florida Canyon	Cerro del Gallo	Magino	Corporate and other	Total
Three months ended March 31, 2022							
Revenue	$ 61,012	$ 25,267	$ 19,523	$ —	$ —	$ —	$ 105,802
Production costs	36,255	13,381	17,153	—	—	—	66,789
Depreciation, depletion and amortization	12,018	3,466	2,047	—	—	—	17,531
Reversal of inventory write-down (Note 5)	(181)	—	—	—	—	—	(181)
Total cost of sales	48,092	16,847	19,200	—	—	—	84,139
Gross profit	12,920	8,420	323	—	—	—	21,663
Exploration expenses	—	—	—	—	—	367	367
General and administrative expenses	667	310	—	6	—	4,038	5,021
Income (loss) from operations	$ 12,253	$ 8,110	$ 323	$ (6)	$ —	$ (4,405)	$ 16,275
Capital expenditures	$ 3,993	$ 1,123	$ 4,985	$ 248	$ 89,495	$ 229	$ 100,073
March 31, 2022							
Mineral properties, plant and equipment	$ 79,725	$ 42,562	$ 108,080	$ 20,300	$ 709,933	$ 34,319	$ 994,919
Total assets	$ 175,970	$ 88,193	$ 165,126	$ 22,414	$ 727,210	$ 153,404	$1,332,317

	El Castillo mining complex	La Colorada	Florida Canyon	Cerro del Gallo	Magino	Corporate and other	Total
Three months ended March 31, 2021							
Revenue	$ 57,355	$ 25,098	$ 22,814	$ —	$ —	$ —	$ 105,267
Production costs	31,713	11,596	18,986	—	—	—	62,295
Depreciation, depletion and amortization	9,978	4,253	3,339	—	—	—	17,570
Reversal of inventory write-down (Note 8)	(2,156)	—	—	—	—	—	(2,156)
Total cost of sales	39,535	15,849	22,325	—	—	—	77,709
Gross profit	17,820	9,249	489	—	—	—	27,558
Exploration expenses	—	—	—	—	—	621	621
General and administrative expenses	565	279	—	2	—	3,920	4,766
Income (loss) from operations	$ 17,255	$ 8,970	$ 489	$ (2)	$ —	$ (4,541)	$ 22,171
Capital expenditures	$ 4,994	$ 2,338	$ 9,086	$ 399	$ 42,225	$ 322	$ 59,364
December 31, 2021							
Mineral properties, plant and equipment	$ 84,831	$ 43,907	$ 106,277	$ 20,054	$ 611,910	$ 35,260	$ 902,239
Total assets	$ 181,741	$ 98,350	$ 167,882	$ 21,964	$ 626,251	$ 173,139	$1,269,327

16 COMMITMENTS AND CONTINGENCIES

Various tax and legal matters are outstanding from time to time. Judgments and assumptions regarding these matters are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the consolidated financial statements on the date such changes occur.

Flow-through common shares

The Company is required to incur expenses and renounce all qualified CDE and CEE in relation to its CDE Flow-Through Shares and CEE Flow-Through Shares in favor of the subscribers. The Company renounces all expenditures to flow-through shareholders at the end of the year in which the shares are issued.

As at March 31, 2022, the remaining qualified CDE to be incurred by December 31, 2022 is $28,254 (note 11b) and the remaining qualified CEE to be incurred by December 31, 2022 and December 31, 2023 is $708 and $7,964, respectively (note 11b).

Notice of contractor claim

The Company received notice of a lien and legal claim from a former contractor at the Florida Canyon mine. The plaintiff was seeking $5,000 in compensation for claimed work completed on the heap leach pad. The Company believes the work was not completed as intended and originally agreed upon. In response the Company has placed a surety bond for the amount of the lien and initiated a counterclaim for $2,000 against the plaintiff for the work not completed on the heap leach pad. In April 2022, the Company settled with the former contractor for $3,300 and accordingly recognized a liability at March 31, 2022 within accrued liabilities.

Notice of Civil Claim

Alio received a Notice of Civil Claim from a former shareholder of Rye Patch Gold Corp. whose shares were acquired by Alio. The plaintiff brought the claim in the Supreme Court of British Columbia pursuant to the Class Proceedings Act and is seeking damages against Alio for alleged misrepresentations with respect to anticipated gold production during the year ended December 31, 2018. In March 2021, the court dismissed, in its entirety, the plaintiff's application to certify the action as a class proceeding. In April 2021, the Company received notice that the plaintiff is pursuing an appeal of the court's decision to dismiss the plaintiff's certification application.

The appeal was argued in the Court of Appeal in January 2022 and in March 2022 the Court of Appeal released its decision allowing the appeal but remitting the matter of certification to the trial court for further consideration. The Company has reviewed the claim and is of the view that it is without merit. However, the outcome of the claim and the plaintiff's appeal of the court's decision on certification is not determinable at this time. Accordingly, no liability was accrued in the Alio purchase price allocation and no liability has been recognized in the Company's consolidated financial statements.

Gold forward sales contracts

On March 4, 2022, the Company entered into monthly unsecured forward gold sales contracts (referred to as the "Gold Forwards") of 7,500 gold ounces per month between April 2022 and March 2023, at a fixed price of $1,916 per gold ounce. These Gold Forwards total 90,000 ounces over the next 12-months and are expected to be settled through the Company's production. As at March 31, 2022, no revenue has been recognized for these contracts.

17 FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, marketable securities, trade and other receivables, accounts payable and accrued liabilities, debt, debentures, other liabilities and derivative liabilities.

The fair value hierarchy that reflects the significance of the inputs used in making the measurements has the following levels:

Level 1 - 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 for the asset or liability that are not based on observable market data.

(Unaudited and expressed in thousands of United States dollars, except where noted)

The following table shows the carrying amounts of financial assets and financial liabilities by category:

	March 31, 2022	December 31, 2021
Financial assets at amortized cost[1]	$ 167,411	$ 201,260
Financial liabilities at amortized cost[2]	(312,677)	(287,924)
Financial assets at fair value through profit or loss[3]	3,285	9,292
Financial liabilities at fair value through profit or loss[4]	(14,184)	(12,719)

[1] Financial assets at amortized cost include cash and cash equivalents and receivables.

[2] Financial liabilities at amortized cost include accounts payable and accrued liabilities, lease liabilities, debt and other liabilities.

[3] Financial assets at fair value through profit or loss include reclamation deposits and marketable securities.

[4] Financial liabilities at fair value through profit or loss include derivative liabilities.

Upon acquisition of Alio, the Company acquired marketable securities consisting of common shares of a publicly-traded company. The fair value was determined based on the quoted market price with subsequent changes to fair values recognized in the interim condensed consolidated statements of income. During the three months ended March 31, 2022, the Company disposed in full its marketable securities (note 13).

As at March 31, 2022 and December 31, 2021, the carrying amounts of cash and cash equivalents, receivables, and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. As at March 31, 2022 and December 31, 2021, the carrying amounts of other liabilities and debt are considered to be reasonable approximations of their fair values as either there have been no significant changes in market interest rates or the liability bears interest at a floating rate.

These financial assets and liabilities were classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs.

As at March 31, 2022, the fair value of the Debentures is $61,659 (December 31, 2021 - $58,630), determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).

Commodity derivative contracts - gold collars

In August 2019, the Company entered into zero-cost collar contracts whereby it purchased a series of gold put option contracts and sold a series of gold call option contracts with equal and offsetting values at inception (referred to as the “Gold Collars”).

(Unaudited and expressed in thousands of United States dollars, except where noted)

The details of the Gold Collars that the Company entered into, are as follows:

Gold Collars at inception		Quantity[2] (Ounces)	Term	Strike price per ounce[1][2]
Gold put options - purchased	Expired	51,600	January 2021 - December 2021	$1,450
Gold call options - sold	Expired	38,700	January 2021 - December 2021	$1,709
Gold call options - sold	Expired	12,900	January 2021 - December 2021	$1,785
Gold put options - purchased	Expired	9,000	January 2022 - March 2022	$1,450
Gold call options - sold	Expired	6,750	January 2022 - March 2022	$1,745
Gold call options - sold	Expired	2,250	January 2022 - March 2022	$1,816
Gold put options - purchased	Active	9,000	April 2022 - June 2022	$1,450
Gold call options - sold	Active	6,750	April 2022 - June 2022	$1,745
Gold call options - sold	Active	2,250	April 2022 - June 2022	$1,816

(1) Contracts are exercisable based on the average price for the month being below the strike price of the put or above the strike price of the call.

(2) Quantities and strike prices do not fluctuate by month within each calendar year.

The resulting fair values of the outstanding Gold Collars at March 31, 2022, have been recognized, on a net basis, in derivative liabilities on the interim condensed consolidated statements of financial position. These derivative instruments were not designated as hedges by the Company and are fair valued at the end of each reporting period with the fair value adjustment recorded in the interim condensed consolidated statements of income. The Gold Collars are valued using a Levy two moment valuation model which uses quoted observable inputs and are classified as Level 2 in the fair value hierarchy.

During the three months ended March 31, 2022, an unrealized loss of $774 (three months ended March 31, 2021, reversal of prior period unrealized loss - $13,786) was recognized in the interim condensed consolidated statements of income on the fair value of the Gold Collars. During the three months ended March 31, 2022, a realized loss on the Gold Collars of $998 (three months ended March 31, 2021 - $972) was recognized in the interim condensed consolidated statements of income.