



Condensed Interim Consolidated Financial Statements
Three and six months ended June 30, 2023 and 2022

Presented in United States dollars

ORLA MINING LTD.

Condensed Interim Consolidated Balance Sheets
(Unaudited - thousands of United States dollars)

| As at | June 30, 2023 | December 31, 2022 |
|---|-------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 114,530 | \$ 96,278 |
| Trade and other receivables | 333 | 365 |
| Value added taxes recoverable (note 10) | 7,506 | 8,659 |
| Inventory (note 9) | 26,998 | 22,446 |
| Prepaid expenses | 4,429 | 2,824 |
| Restricted cash | — | 2,290 |
| | 153,796 | 132,862 |
| Restricted cash | 1,156 | 1,142 |
| Value added taxes recoverable (note 10) | 5,338 | 5,229 |
| Long term inventory (note 9) | 4,956 | 4,096 |
| Property, plant and equipment (note 11) | 217,207 | 224,416 |
| Exploration and evaluation properties (note 12) | 242,743 | 242,743 |
| Deferred tax asset | 4,568 | 2,405 |
| Other non-current assets | 1,090 | 923 |
| TOTAL ASSETS | \$ 630,854 | \$ 613,816 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade payables and accrued liabilities (note 13) | \$ 16,678 | \$ 19,675 |
| Current portion of long term debt (note 14) | 45,000 | 45,000 |
| Taxes payable | 11,420 | 33,102 |
| | 73,098 | 97,777 |
| Lease obligations (note 15) | 2,071 | 2,327 |
| Long term debt (note 14) | 89,958 | 100,795 |
| Deferred revenue | 7,500 | 7,500 |
| Site closure provisions (note 16) | 8,129 | 8,261 |
| Other long term liabilities | 276 | 172 |
| TOTAL LIABILITIES | 181,032 | 216,832 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 17) | 470,616 | 445,316 |
| Reserves | 23,980 | 24,009 |
| Accumulated other comprehensive loss | (78) | (1,583) |
| Accumulated deficit | (44,696) | (70,758) |
| TOTAL SHAREHOLDERS' EQUITY | 449,822 | 396,984 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 630,854 | \$ 613,816 |

/s/ Jason Simpson

Jason Simpson, Director

/s/ Elizabeth McGregor

Elizabeth McGregor, Director

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

ORLA MINING LTD.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited - thousands of United States dollars)

| | Three months ended June 30 | | Six months ended June 30 | |
|---|-------------------------------|------------|-----------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| REVENUE (note 4) | \$ 59,272 | \$ 47,797 | \$ 110,403 | \$ 87,442 |
| COST OF SALES | | | | |
| Operating costs (note 5(a)) | (13,458) | (10,776) | (25,250) | (20,142) |
| Depletion and depreciation (note 5(b)) | (6,827) | (5,019) | (12,681) | (5,019) |
| Royalties (note 5(c)) | (1,448) | (1,099) | (2,754) | (2,163) |
| | (21,733) | (16,894) | (40,685) | (27,324) |
| EARNINGS FROM MINING OPERATIONS | 37,539 | 30,903 | 69,718 | 60,118 |
| EXPLORATION AND EVALUATION EXPENSES (note 6) | (7,201) | (2,541) | (14,067) | (5,007) |
| GENERAL AND ADMINISTRATIVE EXPENSES (note 7) | (3,107) | (2,887) | (6,372) | (5,830) |
| OTHER | | | | |
| Interest income | 1,189 | 766 | 2,320 | 934 |
| Depreciation | (120) | (41) | (238) | (77) |
| Share based payments (note 19) | (806) | (538) | (1,913) | (1,403) |
| Interest and accretion expense (note 8) | (2,655) | (2,842) | (5,902) | (3,335) |
| Loss on early settlement of project loan | — | (13,219) | — | (13,219) |
| Foreign exchange and other gain (loss) | (1,240) | 2,428 | (2,042) | 1,065 |
| | (3,632) | (13,446) | (7,775) | (16,035) |
| INCOME BEFORE TAXES | 23,599 | 12,029 | 41,504 | 33,246 |
| Income taxes (note 26) | (10,772) | (12,626) | (15,442) | (15,061) |
| INCOME (LOSS) FOR THE PERIOD | \$ 12,827 | \$ (597) | \$ 26,062 | \$ 18,185 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that may in future periods be reclassified to profit or loss: | | | | |
| Foreign currency differences arising on translation | 1,444 | (1,936) | 1,505 | (873) |
| TOTAL COMPREHENSIVE INCOME (LOSS) | \$ 14,271 | \$ (2,533) | \$ 27,567 | \$ 17,312 |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (note 18) | | | | |
| Basic (millions) | 311.2 | 253.3 | 308.8 | 250.6 |
| Diluted (millions) | 329.4 | 253.3 | 327.5 | 275.9 |
| EARNINGS (LOSS) PER SHARE (note 18) | | | | |
| Basic | \$ 0.04 | \$ (0.00) | \$ 0.08 | \$ 0.07 |
| Diluted | \$ 0.04 | \$ (0.00) | \$ 0.08 | \$ 0.07 |

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

ORLA MINING LTD.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - thousands of United States dollars)

| | Three months ended | | Six months ended | |
|--|--------------------|------------------|-------------------|------------------|
| | June 30 | | June 30 | |
| | 2023 | 2022 | 2023 | 2022 |
| OPERATING ACTIVITIES | | | | |
| Income (loss) for the period | \$ 12,827 | \$ (597) | \$ 26,062 | \$ 18,185 |
| Adjustments for: | | | | |
| Interest and accretion expense (note 8) | 2,655 | 2,842 | 5,902 | 3,335 |
| Income tax expense | 10,772 | 12,626 | 15,442 | 15,061 |
| Income taxes paid | (12,580) | (617) | (39,109) | (861) |
| Payment of cash settled RSUs and DSUs | — | — | (466) | (1,723) |
| Adjustments for items not affecting cash: | | | | |
| Depreciation and depletion | 6,947 | 6,254 | 12,919 | 6,629 |
| Share based payments (note 19) | 806 | 538 | 1,913 | 1,403 |
| Unrealized foreign exchange loss (gain) | 1,097 | (1,634) | (706) | (621) |
| Loss on early settlement of project loan | — | 13,219 | — | 13,219 |
| Other | (120) | 28 | 399 | 50 |
| Cash provided by operating activities before changes in non-cash working capital | 22,404 | 32,659 | 22,356 | 54,677 |
| Accounts receivable and prepaid expenses | (692) | 2,558 | (1,547) | (1,282) |
| Inventory | (1,546) | (5,383) | (3,962) | (7,191) |
| Valued added taxes | 1,494 | (4,482) | 2,777 | (4,482) |
| Trade payables and accrued liabilities | 1,636 | (5,416) | (1,250) | (1,293) |
| Cash provided by operating activities | 23,296 | 19,936 | 18,374 | 40,429 |
| INVESTING ACTIVITIES | | | | |
| Purchase of plant and equipment | (1,515) | (1,218) | (2,674) | (2,146) |
| Mineral properties | (3,284) | — | (4,873) | (5,643) |
| Deposits and other payments on long term assets | (38) | (243) | (166) | (243) |
| Restricted cash and environmental bonding | (7) | 89 | 2,277 | 49 |
| Value added taxes received | — | 10,161 | — | 12,621 |
| Cash provided by (used in) investing activities | (4,844) | 8,789 | (5,436) | 4,638 |
| FINANCING ACTIVITIES | | | | |
| Proceeds from issuance of common shares (note 17(b)) | 18,551 | — | 18,551 | — |
| Share issuance costs | (117) | — | (117) | — |
| Proceeds from exercise of stock options and warrants | 1,917 | 14,935 | 4,885 | 16,312 |
| Repayment of the Camino Rojo project loan | — | (127,500) | — | (127,500) |
| Repayment of the Newmont loan | — | (10,836) | — | (10,836) |
| Proceeds from Credit Facility, net of transaction costs (note 14(a)) | — | 128,134 | — | 128,134 |
| Repayments of Credit Facility (note 14(a)) | (5,550) | — | (11,100) | — |
| Interest paid | (2,658) | (1,385) | (6,952) | (4,622) |
| Lease payments | (268) | (123) | (430) | (255) |
| Cash provided by financing activities | 11,875 | 3,225 | 4,837 | 1,233 |
| Effects of exchange rate changes on cash | 394 | (245) | 477 | (73) |
| Net increase in cash | 30,721 | 31,705 | 18,252 | 46,227 |
| Cash, beginning of period | 83,809 | 35,038 | 96,278 | 20,516 |
| CASH, END OF PERIOD | \$ 114,530 | \$ 66,743 | \$ 114,530 | \$ 66,743 |

Supplemental cash flow information (note 21)

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

ORLA MINING LTD.

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited - thousands of United States dollars)

| | Common shares | | Reserves | | | Accumulated Other Comprehensive Income (loss) | Accumulated deficit | Total |
|--|------------------------------------|-------------------|------------------------------------|---------------------|------------------|--|------------------------|-------------------|
| | Number of shares (thousands) | Amount | Share based payments reserve | Warrants reserve | Total | | | |
| Balance at January 1, 2022 | 247,600 | \$ 269,198 | \$ 10,051 | \$ 19,255 | \$ 29,306 | \$ 2,441 | \$ (116,528) | \$ 184,417 |
| Warrants exercised (note 17) | 7,698 | 15,137 | — | (2,067) | (2,067) | — | — | 13,070 |
| Options exercised (note 19) | 3,032 | 6,016 | (2,774) | — | (2,774) | — | — | 3,242 |
| RSUs redeemed (note 19) | 36 | 138 | (138) | — | (138) | — | — | — |
| RSUs settled in cash (note 19) | — | (1,320) | (403) | — | (403) | — | — | (1,723) |
| DSUs redeemed (note 19) | 112 | 165 | (165) | — | (165) | — | — | — |
| DSUs settled in cash (note 19) | — | (167) | (159) | — | (159) | — | — | (326) |
| Share based payments (note 19) | — | — | 1,403 | — | 1,403 | — | — | 1,403 |
| Income for the period | — | — | — | — | — | — | 18,185 | 18,185 |
| Other comprehensive loss | — | — | — | — | — | (873) | — | (873) |
| Balance at June 30, 2022 | 258,478 | \$ 289,167 | \$ 7,815 | \$ 17,188 | \$ 25,003 | \$ 1,568 | \$ (98,343) | \$ 217,395 |
| Balance at January 1, 2023 | 305,809 | \$ 445,316 | \$ 9,897 | \$ 14,112 | \$ 24,009 | \$ (1,583) | \$ (70,758) | \$ 396,984 |
| Shares issued pursuant to top up right, net (note 17(b)) | 3,987 | 18,434 | — | — | — | — | — | 18,434 |
| Shares issued for property payments | 61 | 242 | — | — | — | — | — | 242 |
| Warrants exercised (note 17) | 864 | 2,149 | — | (230) | (230) | — | — | 1,919 |
| Options exercised (note 19) | 2,598 | 4,247 | (1,281) | — | (1,281) | — | — | 2,966 |
| RSUs redeemed (note 19) | 58 | 228 | (228) | — | (228) | — | — | — |
| Share based payments (note 19) | — | — | 1,710 | — | 1,710 | — | — | 1,710 |
| Income for the period | — | — | — | — | — | — | 26,062 | 26,062 |
| Other comprehensive income | — | — | — | — | — | 1,505 | — | 1,505 |
| Balance at June 30, 2023 | 313,377 | \$ 470,616 | \$ 10,098 | \$ 13,882 | \$ 23,980 | \$ (78) | \$ (44,696) | \$ 449,822 |

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

ORLA MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2023 and 2022

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

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. In 2016, the Company was continued as a federal company under the Canada Business Corporations Act. The “Company”, “Orla”, “we”, and “our” refer to Orla Mining Ltd. and its subsidiaries. The registered office of the Company is located at Suite 1010, 1075 West Georgia Street, Vancouver, Canada.

The Company is engaged in the acquisition, exploration, development, and exploitation of mineral properties, and holds the Camino Rojo gold and silver mine in Zacatecas State, Mexico, Cerro Quema gold project in Panama, and the South Railroad and Lewis gold projects in Nevada, USA.

These condensed interim 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. The Company declared commercial production at Camino Rojo, effective April 1, 2022.

2. BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

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 these condensed interim 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 3, 2023, the Board of Directors approved these condensed interim consolidated financial statements for issuance.

ORLA MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2023 and 2022

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

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021.

We applied the same accounting policies in these condensed interim consolidated financial statements as those applied in the Company's audited consolidated financial statements as at and for the year ended December 31, 2022, except as noted herein. 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 audited consolidated financial statements as at and for the year ended December 31, 2022.

4. REVENUE

| | Three months ended June 30 | | Six months ended June 30 | |
|------------|-------------------------------|-----------|-----------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Gold | \$ 58,797 | \$ 47,600 | \$ 109,504 | \$ 87,026 |
| Silver | 475 | 197 | 899 | 416 |
| Revenue | \$ 59,272 | \$ 47,797 | \$ 110,403 | \$ 87,442 |
| Customer A | \$ 18,049 | \$ 42,004 | \$ 29,837 | \$ 81,649 |
| Customer B | 17,828 | 5,793 | 54,422 | 5,793 |
| Customer C | 19,181 | — | 19,181 | — |
| Others | 4,214 | — | 6,963 | — |
| Revenue | \$ 59,272 | \$ 47,797 | \$ 110,403 | \$ 87,442 |

5. COST OF SALES

(a) OPERATING COSTS

| | Three months ended June 30 | | Six months ended June 30 | |
|-----------------------------------|-------------------------------|-----------|-----------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Mining and processing costs | \$ 13,275 | \$ 10,516 | \$ 24,898 | \$ 19,642 |
| Refining and transportation costs | 183 | 260 | 352 | 500 |
| | \$ 13,458 | \$ 10,776 | \$ 25,250 | \$ 20,142 |

ORLA MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2023 and 2022

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

(b) DEPLETION AND DEPRECIATION

| | Three months ended June 30 | | Six months ended June 30 | |
|---|-------------------------------|----------|-----------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Depletion of producing mineral property | \$ 3,208 | \$ 3,313 | \$ 5,980 | \$ 3,313 |
| Depreciation of plant and equipment | 3,619 | 1,706 | 6,701 | 1,706 |
| Depletion and depreciation | \$ 6,827 | \$ 5,019 | \$ 12,681 | \$ 5,019 |

(c) ROYALTIES

| | Three months ended June 30 | | Six months ended June 30 | |
|--|-------------------------------|----------|-----------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Camino Rojo Oxide 2% NSR royalty | \$ 1,175 | \$ 860 | \$ 2,184 | \$ 1,721 |
| Mexican 0.5% Extraordinary Mining Duty | 273 | 239 | 570 | 442 |
| | \$ 1,448 | \$ 1,099 | \$ 2,754 | \$ 2,163 |

6. EXPLORATION AND EVALUATION EXPENSES

| | Three months ended June 30 | | Six months ended June 30 | |
|---|-------------------------------|----------|-----------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Camino Rojo | \$ 2,304 | \$ 750 | \$ 3,991 | \$ 2,255 |
| Nevada (South Railroad, Lewis and Monitor Gold) | 3,020 | 4 | 5,438 | 87 |
| Cerro Quema | 1,761 | 1,716 | 4,405 | 2,443 |
| Other | 116 | 71 | 233 | 222 |
| | \$ 7,201 | \$ 2,541 | \$ 14,067 | \$ 5,007 |

ORLA MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2023 and 2022

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

7. GENERAL AND ADMINISTRATIVE EXPENSES

| | Three months ended June 30 | | Six months ended June 30 | |
|-------------------------------|-------------------------------|----------|-----------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Office and administrative | \$ 834 | \$ 714 | \$ 1,544 | \$ 1,347 |
| Professional fees | 516 | 875 | 913 | 1,325 |
| Regulatory and transfer agent | 110 | 42 | 396 | 240 |
| Salaries and benefits | 1,647 | 1,256 | 3,519 | 2,918 |
| | \$ 3,107 | \$ 2,887 | \$ 6,372 | \$ 5,830 |

8. INTEREST AND ACCRETION EXPENSE

| | Three months ended June 30 | | Six months ended June 30 | |
|--------------------------------|-------------------------------|----------|-----------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Interest (note 8(a)) | \$ 2,389 | \$ 2,358 | \$ 5,346 | \$ 2,372 |
| Accretion (note 8(b)) | 266 | 484 | 556 | 963 |
| Interest and accretion expense | \$ 2,655 | \$ 2,842 | \$ 5,902 | \$ 3,335 |

(a) INTEREST EXPENSE

| | Three months ended June 30 | | Six months ended June 30 | |
|--------------------------------------|-------------------------------|----------|-----------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Credit Facility (note 14(a)) | \$ 2,309 | \$ 961 | \$ 4,577 | \$ 961 |
| Fresnillo obligation (note 14(b)) | 291 | 483 | 576 | 483 |
| Project loan | — | 869 | — | 869 |
| Interest expense on leases (note 15) | 40 | 7 | 81 | 20 |
| Other | (251) | 38 | 112 | 39 |
| | \$ 2,389 | \$ 2,358 | \$ 5,346 | \$ 2,372 |

ORLA MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2023 and 2022

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

(b) ACCRETION EXPENSE

| | Three months ended June 30 | | Six months ended June 30 | |
|--------------------------------------|-------------------------------|--------|-----------------------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| Credit Facility (note 14(a)) | \$ 145 | \$ 106 | \$ 291 | \$ 106 |
| Newmont loan | — | — | — | 366 |
| Project loan | — | 261 | — | 261 |
| Accretion of site closure provisions | 121 | 117 | 265 | 230 |
| | \$ 266 | \$ 484 | \$ 556 | \$ 963 |

9. INVENTORY

| | June 30, 2023 | December 31, 2022 |
|--------------------------|------------------|----------------------|
| Current | | |
| Stockpiled ore | \$ 1,123 | \$ 1,869 |
| In-process inventory | 21,507 | 15,961 |
| Finished goods inventory | 347 | 1,406 |
| Materials and supplies | 4,021 | 3,210 |
| Inventory – current | \$ 26,998 | \$ 22,446 |
| Long term | | |
| Stockpiled ore | \$ 4,956 | \$ 4,096 |

Long term inventory consists of stockpiled ore that is not expected to be processed within 12 months.

Included within inventory at June 30, 2023 is \$8.3 million of depreciation and depletion (December 31, 2022 — \$6.3 million).

ORLA MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2023 and 2022

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

10. VALUE ADDED TAXES RECOVERABLE

| | June 30, 2023 | December 31, 2022 |
|-------------------|------------------|----------------------|
| Current portion | \$ 7,506 | \$ 8,659 |
| Long term portion | 5,338 | 5,229 |
| | <u>\$ 12,844</u> | <u>\$ 13,888</u> |

Value added taxes ("IVA") paid in Mexico are fully recoverable. However, IVA recovery returns in Mexico are subject to complex filing requirements and detailed audit or review by the fiscal authorities. Consequently, the timing of receipt of refunds is uncertain. We have used judgement in classifying the current and non-current portions of our Mexican VAT receivables. Factors that we considered include (i) the regularity of payments received, (ii) discussions with and communications from the Mexican tax authorities with respect to specific claims, and (iii) the expected length of time for refunds in accordance with Mexico's regulations.

At June 30, 2023, approximately 86 million Mexican pesos (\$5.0 million) (December 31, 2022 —approximately 86 million Mexican pesos (\$4.4 million)) were under dispute with the taxation authorities. This amount is included within long term value added taxes recoverable.

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

11. PROPERTY, PLANT AND EQUIPMENT

Our operating property is the Camino Rojo Oxide Gold Mine in Mexico and constitute substantially all our buildings, and machinery and equipment.

| | Producing mineral property | Buildings | Machinery and equipment | Other assets | Other right of use assets | Total |
|--|----------------------------------|-----------|-------------------------------|--------------|------------------------------|------------|
| Cost | | | | | | |
| At December 31, 2021 | \$ — | \$ 66 | \$ 5,238 | \$ 1,261 | \$ 2,119 | \$ 8,684 |
| Additions | 6,616 | 1,788 | 3,272 | 666 | 2,300 | 14,642 |
| Transfer from construction | 127,002 | 58,869 | 36,684 | 608 | — | 223,163 |
| Reclassification of capitalized interest | (19,020) | 11,585 | 7,341 | 94 | — | — |
| Change in site closure provision (note 16) | 1,155 | (300) | (190) | — | — | 665 |
| Leased assets derecognized | — | — | — | — | (215) | (215) |
| Due to changes in exchange rates | — | — | — | (9) | (44) | (53) |
| At December 31, 2022 | 115,753 | 72,008 | 52,345 | 2,620 | 4,160 | 246,886 |
| Additions | 4,873 | 701 | 1,409 | 564 | — | 7,547 |
| Change in site closure provision (note 16) | — | (331) | (220) | — | — | (551) |
| Due to changes in exchange rates | — | — | — | 9 | 22 | 31 |
| At June 30, 2023 | \$ 120,626 | \$ 72,378 | \$ 53,534 | \$ 3,193 | \$ 4,182 | \$ 253,913 |
| Accumulated depreciation | | | | | | |
| At December 31, 2021 | — | 6 | 350 | 288 | 405 | 1,049 |
| Depletion and depreciation | 9,641 | 6,280 | 4,541 | 421 | 764 | 21,647 |
| Leased assets derecognized | — | — | — | — | (215) | (215) |
| Due to changes in exchange rates | — | — | — | (4) | (7) | (11) |
| At December 31, 2022 | \$ 9,641 | \$ 6,286 | \$ 4,891 | \$ 705 | \$ 947 | \$ 22,470 |
| Depletion and depreciation | 6,588 | 3,988 | 2,884 | 252 | 524 | 14,236 |
| At June 30, 2023 | \$ 16,229 | \$ 10,274 | \$ 7,775 | \$ 957 | \$ 1,471 | \$ 36,706 |
| Net book value | | | | | | |
| At December 31, 2022 | \$ 106,112 | \$ 65,722 | \$ 47,454 | \$ 1,915 | \$ 3,213 | \$ 224,416 |
| At June 30, 2023 | \$ 104,397 | \$ 62,104 | \$ 45,759 | \$ 2,236 | \$ 2,711 | \$ 217,207 |

ORLA MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2023 and 2022

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

12. EXPLORATION AND EVALUATION PROPERTIES

Our exploration and evaluation properties consist of the Cerro Quema Project in Panama and the Nevada projects (South Railroad, Lewis and Monitor Gold projects in Nevada, United States).

| Acquisition costs | Nevada projects | Cerro Quema | Total |
|---|-----------------|-------------|------------|
| As at June 30, 2023 and December 31, 2022 | \$ 160,314 | \$ 82,429 | \$ 242,743 |

13. TRADE PAYABLES AND ACCRUED LIABILITIES

| | June 30, 2023 | December 31, 2022 |
|---|------------------|----------------------|
| Trade payables | \$ 3,272 | \$ 6,707 |
| Goods or services received awaiting vendor invoices | 6,233 | 3,139 |
| Payroll related | 3,686 | 3,380 |
| Royalties payable | 1,763 | 2,119 |
| Current portion of lease obligations (note 15) | 885 | 846 |
| Accrued interest on Credit Facility (note 14(a)) | 25 | 1,660 |
| RSUs and PSUs expected to be cash settled (notes 19(b) and 19(d)) | 92 | 352 |
| Other | 722 | 1,472 |
| | \$ 16,678 | \$ 19,675 |

ORLA MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2023 and 2022

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

14. DEBT

| | June 30, 2023 | | |
|-----------------------------------|---------------|-----------|------------|
| | Current | Long term | Total |
| Credit Facility (note 14(a)) | \$ 22,200 | \$ 89,958 | \$ 112,158 |
| Fresnillo obligation (note 14(b)) | 22,800 | — | 22,800 |
| | \$ 45,000 | \$ 89,958 | \$ 134,958 |

| | December 31, 2022 | | |
|-----------------------------------|-------------------|------------|------------|
| | Current | Long term | Total |
| Credit Facility (note 14(a)) | \$ 22,200 | \$ 100,795 | \$ 122,995 |
| Fresnillo obligation (note 14(b)) | 22,800 | — | 22,800 |
| | \$ 45,000 | \$ 100,795 | \$ 145,795 |

(a) CREDIT FACILITY

On April 28, 2022, the Company entered into a Credit Facility consisting of a \$100.0 million term facility and a \$50.0 million revolving facility through a syndicate of lenders composed of The Bank of Nova Scotia, Bank of Montreal, and Canadian Imperial Bank of Commerce. The Credit Facility is secured by the Company's present and future assets, property and all proceeds thereof other than present and future assets owned by Cerro Quema, which is excluded from the collateral.

The Credit Facility consists of two parts:

1. \$100.0 million term facility with a five-year term, repayable in 18 equal quarterly instalments commencing December 31, 2022.
2. \$50.0 million revolving facility, with the ability to increase to \$75.0 million subject to certain conditions and customary consents. The revolving facility has a three-year term, with an option to extend the term of the revolving facility by up to one-year intervals subject to certain conditions and customary consents. Full repayment of the revolving facility is due upon maturity.

The applicable interest rate for each Credit Facility is based on the term Secured Overnight Financing Rate ("SOFR"), plus an applicable margin ranging from 2.75% to 3.75% based on the Company's leverage ratio at the end of each fiscal quarter.

| Average interest rate paid on the outstanding Credit Facility | Three months ended June 30 | | Six months ended June 30 | |
|--|-------------------------------|-------|-----------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Rate per annum | 7.80% | 4.16% | 7.59% | 4.16% |

The Credit Facility is subject to certain covenants – refer to note 23(c) for details. The Company may prepay all or any portion of the amounts owed under the credit agreement without penalty.

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| | Term facility | Revolving facility | Total |
|---|---------------|--------------------|------------|
| At December 31, 2022 | \$ 93,338 | \$ 29,657 | \$ 122,995 |
| Interest expense during the period | 3,447 | 1,130 | 4,577 |
| Accretion during the period | 225 | 66 | 291 |
| Interest paid during the period | (4,701) | (1,511) | (6,212) |
| Principal repayments during the period | (11,100) | — | (11,100) |
| Reallocated to accrued interest payable | 1,232 | 375 | 1,607 |
| At June 30, 2023 | \$ 82,441 | \$ 29,717 | \$ 112,158 |
| Current | 22,200 | — | 22,200 |
| Non-current | 60,241 | 29,717 | 89,958 |
| | \$ 82,441 | \$ 29,717 | \$ 112,158 |

The undrawn portion of the revolving facility is subject to a standby fee ranging from 0.6875% to 0.9375%.

(b) FRESNILLO OBLIGATION

Pursuant to the terms of the Layback Agreement, we agreed to pay Fresnillo total cash consideration of \$62.8 million through the following staged payment schedule:

- i. \$25.0 million upon closing of the transaction (paid);
- ii. \$15.0 million on December 1, 2022 (paid); and
- iii. \$22.8 million on December 1, 2023

The amounts payable bear interest at 5% per annum, payable quarterly. To March 31, 2022, we capitalized the interest on this loan to "Mineral properties". On April 1, 2022, we commenced commercial production at the Camino Rojo Oxide Gold Mine and began to expense the interest on this obligation.

| | Six months ended June 30, 2023 | Year ended December 31, 2022 |
|---|-----------------------------------|------------------------------------|
| Beginning of period | \$ 22,800 | \$ 37,800 |
| Interest capitalized during the period | — | 473 |
| Interest expense during the period (note 8) | 576 | 1,383 |
| Principal repaid | — | (15,000) |
| Cash interest paid | (576) | (1,856) |
| End of period | \$ 22,800 | \$ 22,800 |

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15. LEASE OBLIGATIONS

The Company has lease contracts for mining equipment, vehicles and buildings. Leases of mining equipment have lease terms of five years, while vehicles and buildings generally have lease terms between three and five years.

(a) LEASE OBLIGATIONS

| | June 30, 2023 | December 31, 2022 |
|----------------------------------|------------------|----------------------|
| Beginning of period | \$ 3,173 | \$ 1,401 |
| Additions | — | 2,300 |
| Interest expense | 81 | 87 |
| Lease payments | (511) | (661) |
| Due to changes in exchange rates | 213 | 46 |
| End of period | \$ 2,956 | \$ 3,173 |
| Current | \$ 885 | \$ 846 |
| Non-current | 2,071 | 2,327 |
| | \$ 2,956 | \$ 3,173 |

(b) LEASE EXPENSES RECOGNIZED

| | Three months ended June 30 | | Six months ended June 30 | |
|---|-------------------------------|----------|-----------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Interest on lease liabilities | \$ 40 | \$ 7 | \$ 81 | \$ 20 |
| Variable lease payments not included in the measurement of lease liabilities | 3,181 | 3,680 | 6,584 | 6,552 |
| Expenses relating to short-term leases | 50 | 36 | 119 | 42 |
| Expenses relating to leases of low-value assets, excluding short-term leases | 31 | 12 | 64 | 39 |
| | \$ 3,302 | \$ 3,735 | \$ 6,848 | \$ 6,653 |

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16. SITE CLOSURE PROVISIONS

| | Camino Rojo | Cerro Quema Project | Nevada projects | Total |
|--|----------------|---------------------------|--------------------|----------|
| At December 31, 2021 | \$ 5,117 | \$ 343 | \$ — | \$ 5,460 |
| Acquisition of Gold Standard | — | — | 1,603 | 1,603 |
| Changes in cost estimates | 351 | — | — | 351 |
| Change in estimated cash flows resulting from current activities | 427 | — | — | 427 |
| Remediation activities conducted during the period | (88) | — | — | (88) |
| Accretion during the period (note 8) | 494 | — | 14 | 508 |
| At December 31, 2022 | 6,301 | 343 | 1,617 | 8,261 |
| Changes in cost estimates | (551) | — | 154 | (397) |
| Accretion during the period (note 8) | 257 | — | 8 | 265 |
| At June 30, 2023 | \$ 6,007 | \$ 343 | \$ 1,779 | \$ 8,129 |

| | Camino Rojo | Cerro Quema Project | Nevada projects |
|---------------------------------------|--------------|------------------------|--------------------|
| Estimated settlement dates | 2033 to 2047 | | 2034 |
| Undiscounted risk-adjusted cash flows | \$ 10,029 | \$ 343 | \$ 1,980 |
| Inflation rate | 4.7% | — | 2.5% |
| Discount rate | 9.0% | — | 3.4% |

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17. SHARE CAPITAL

(a) AUTHORIZED SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

(b) ISSUED SHARE CAPITAL

On May 11, 2023, pursuant to the Investor Rights Agreement between Agnico Eagle Mines Limited ("Agnico Eagle") and the Company, Agnico Eagle partially exercised its top-up right and subscribed for 3,987,241 common shares of the Company at a price of C\$6.27 per common share, for proceeds of C\$25,000,000 (\$18,551,000). The Company incurred transaction costs of C\$156,000 (\$117,000).

In accordance with the Investor Rights Agreement, Agnico Eagle's top-up right was triggered as a result of its percentage ownership in the Company's common shares being diluted by at least 1% due to the exercise or settlement of convertible securities of the Company.

(c) WARRANTS

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

| Expiry date | Exercise price | December 31, 2022 | Exercised | Expired | June 30, 2023 |
|---------------------------------|----------------|-------------------|-----------|---------|---------------|
| December 18, 2026 | C\$ 3.00 | 29,545,000 | (863,800) | — | 28,681,200 |
| Weighted average exercise price | | C\$ 3.00 | C\$ 3.00 | C\$ — | C\$ 3.00 |

Subsequent to the reporting period, the Company issued 43,000 common shares for proceeds of C\$129,000 (\$98,000) pursuant to the exercise of warrants.

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18. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share has been calculated using the weighted average number of common shares outstanding for the three months ended June 30, 2023 and 2022 as follows:

(a) BASIC

| | Three months ended June 30 | | Six months ended June 30 | |
|---|-------------------------------|-----------|-----------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Income (loss) for the period | \$ 12,827 | \$ (597) | \$ 26,062 | \$ 18,185 |
| Weighted average number of common shares (thousands) | 311,186 | 253,306 | 308,763 | 250,559 |
| Basic earnings (loss) per share | \$ 0.04 | \$ (0.00) | \$ 0.08 | \$ 0.07 |

(b) DILUTED

| | Three months ended June 30 | | Six months ended June 30 | |
|---|-------------------------------|-----------|-----------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Income (loss) for the period | \$ 12,827 | \$ (597) | \$ 26,062 | \$ 18,185 |
| Weighted average number of common shares (thousands) | 311,186 | 253,306 | 308,763 | 250,559 |
| Dilutive potential ordinary shares | | | | |
| Warrants | 14,273 | — | 14,180 | 18,135 |
| Options | 2,484 | — | 3,166 | 5,508 |
| RSUs | 246 | — | 309 | 435 |
| DSUs | 661 | — | 613 | 739 |
| Bonus shares | 500 | — | 500 | 500 |
| Weighted average number of ordinary shares | 329,350 | 253,306 | 327,531 | 275,876 |
| Diluted earnings (loss) per share | \$ 0.04 | \$ (0.00) | \$ 0.08 | \$ 0.07 |

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19. SHARE-BASED PAYMENTS

The Company has five different forms of share-based payments for eligible recipients – stock options, restricted share units (“RSUs”), deferred share units (“DSUs”), performance share units (“PSUs”), and bonus shares. The bonus shares have fully vested but have not yet been issued.

| Share-based payments expense | Three months ended June 30 | | Six months ended June 30 | |
|--------------------------------------|-------------------------------|--------|-----------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Stock options (note 19(a)) | \$ 364 | \$ 349 | \$ 720 | \$ 748 |
| Restricted share units (note 19(b)) | 275 | 154 | 551 | 347 |
| Deferred share units (note 19(c)) | 75 | 35 | 550 | 308 |
| Performance share units (note 19(d)) | 92 | — | 92 | — |
| Share based payments expense | \$ 806 | \$ 538 | \$ 1,913 | \$ 1,403 |

(a) STOCK OPTIONS

Stock options granted by the Company prior to 2022 typically had a five-year life, with one third each vesting on grant date, and one year and two years after grant date. Commencing in 2022, stock options granted by the Company have a five-year life, with one third each vesting one, two, and three years after grant date.

Stock options of Gold Standard Ventures Inc. (“Gold Standard”) that were outstanding at the acquisition date of August 12, 2022 were exchanged for options to acquire common shares of Orla (“Replacement Options”), resulting in the issuance of 1,758,334 Replacement Options, which are exercisable until their original expiry dates. For those individuals who did not continue on with Orla, the expiry date is capped at August 12, 2024.

| | Six months ended June 30 | | | |
|---------------------------------|--------------------------|---------------------------------------|-------------|---------------------------------------|
| | 2023 | | 2022 | |
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| Stock options outstanding | | | | |
| Outstanding, January 1 | 9,178,889 | C\$ 3.71 | 9,900,874 | C\$ 1.86 |
| Granted | 457,260 | 6.57 | 950,660 | 5.76 |
| Exercised | (2,597,240) | 1.55 | (3,032,500) | 1.36 |
| Expired, forfeited or cancelled | (211,222) | 14.39 | — | — |
| Outstanding, June 30 | 6,827,687 | C\$ 4.39 | 7,819,034 | C\$ 2.53 |
| Vested, June 30 | 5,468,882 | C\$ 4.04 | 6,525,585 | C\$ 1.95 |

The stock options granted during the six months ended June 30, 2023 had a grant date fair value of C\$1.4 million (\$1.0 million) using the following weighted average assumptions:

- Share prices at grant dates – C\$6.58 and C\$6.07, expected volatility 50%, expected life - 5 years, risk free interest rate 3.0% and expected dividends – nil.

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Subsequent to the reporting period, 38,300 stock options were exercised, for gross proceeds to the Company of C\$84,600 (\$64,000).

(b) RESTRICTED SHARE UNITS

Restricted Share Units ("RSUs") awarded by the Company typically vest one-third each one, two, and three years after award date.

| Number of RSUs outstanding: | Six months ended June 30 | |
|-------------------------------|-----------------------------|-----------|
| | 2023 | 2022 |
| Outstanding, January 1 | 443,267 | 707,840 |
| Awarded | 295,429 | 172,301 |
| Vested and settled | (152,203) | (402,430) |
| Forfeitures during the period | — | (34,444) |
| Outstanding, June 30 | 586,493 | 443,267 |

| Number of RSUs outstanding: | Total | Number vesting in the year | | | | |
|-----------------------------|---------|----------------------------|---------|---------|---------|--------|
| | | 2022 | 2023 | 2024 | 2025 | 2026 |
| Outstanding, June 30, 2022 | 443,267 | 41,865 | 220,873 | 126,812 | 53,717 | — |
| Outstanding, June 30, 2023 | 586,493 | N/A | — | 335,811 | 152,193 | 98,489 |

Restricted Share Units ("RSUs") are valued based on the closing price of the Company's common shares on the trading day immediately prior to award. Certain RSUs may be settled in cash at the option of the Company.

During the six months ended June 30, 2023, the Company elected to settle 94,063 RSUs in cash for \$0.5 million (six months ended June 30, 2022 — 365,935 RSUs cash-settled for \$1.7 million).

(c) DEFERRED SHARE UNITS

Deferred Share Units ("DSUs") are awarded by the Company to directors. These DSUs vest immediately but are not settled until the end of the director's tenure. They may be settled in cash or common shares at the option of the Company. DSUs are valued using the closing price of the Company's common shares immediately prior to award.

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| Number of DSUs outstanding: | Six months ended June 30 | |
|--------------------------------|-----------------------------|-----------|
| | 2023 | 2022 |
| Outstanding, January 1 | 559,725 | 707,028 |
| Awarded and vested immediately | 117,265 | 69,290 |
| Settled during the period | — | (111,834) |
| Outstanding, June 30 | 676,990 | 664,484 |
| Vested, June 30 | 676,990 | 664,484 |

(d) PERFORMANCE SHARE UNITS

In March 2023, the Board of Directors approved a performance share unit (“PSUs”) plan for certain officers of the Company. The PSUs cliff vest after three years and are settled in cash. The cash payment upon vesting will be based on the number of PSUs, multiplied by the five-day volume weighted average price of the Company’s shares upon vesting, which is then multiplied by a “performance percentage”. The performance percentage ranges from 0% to 200% based on the Company’s total shareholder return compared to a peer group, consisting of the constituents of the S&P/TSX Global Gold Index.

We recognize share-based compensation expense related to these PSUs over the vesting period. We adjust the amount recognized at each reporting period to reflect changes in quoted market values of the Company and the peer group, the lapsed portion of the vesting period, the number of PSUs expected to vest, and the expected performance percentage.

On March 27, 2023, the Company issued a total of 198,737 PSUs with an estimated aggregate grant date fair value of \$1.27 million.

| Number of PSUs outstanding: | Six months ended June 30 | |
|-----------------------------|-----------------------------|------|
| | 2023 | 2022 |
| Outstanding, January 1 | — | — |
| Granted during the period | 198,737 | — |
| Outstanding, June 30 | 198,737 | — |
| Vested, June 30 | — | — |

(e) BONUS SHARES

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 were subject to a vesting period from June 19, 2017, to June 18, 2020 (the “Eligibility Period”). Although the bonus shares have vested, they will become issuable (1) when the non-executive Chairman ceases to act as a director of the Company, or (2) upon a change of control of the Company.

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20. 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, Chief Sustainability Officer, the Senior Vice President Exploration, and members of the Board of Directors of the Company. |

(a) KEY MANAGEMENT PERSONNEL

Compensation to key management personnel was as follows:

| | Three months ended June 30 | | Six months ended June 30 | |
|------------------------------------|-------------------------------|----------|-----------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Salaries and short term incentives | \$ 391 | \$ 1,691 | \$ 2,675 | \$ 3,222 |
| Directors' fees | 84 | 78 | 167 | 157 |
| Share based payments | 394 | 441 | 1,317 | 1,186 |
| | \$ 869 | \$ 2,210 | \$ 4,159 | \$ 4,565 |

(b) TRANSACTIONS

The Company had no other material transactions with related parties other than key management personnel during the six months ended June 30, 2023, and 2022.

(c) OUTSTANDING BALANCES AT THE REPORTING DATE

At June 30, 2023, estimated accrued short term incentive compensation totaled \$0.6 million and is included in accrued liabilities (December 31, 2022 - \$1.1 million).

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21. SUPPLEMENTAL CASH FLOW INFORMATION

(a) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of bank current accounts and cash on hand.

(b) NON-CASH INVESTING AND FINANCING ACTIVITIES

| | Three months ended June 30 | | Six months ended June 30 | |
|---|-------------------------------|----------|-----------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Financing activities | | | | |
| Stock options exercised, credited to share capital with an offset to reserves | \$ 526 | \$ 1,035 | \$ 1,281 | \$ 2,774 |
| Warrants exercised, credited to share capital with an offset to reserves | 82 | 985 | 230 | 1,067 |
| Common shares issued on maturity of RSUs, credited to share capital with an offset to reserves | 10 | — | 228 | 541 |
| Common shares issued on maturity of DSUs, credited to share capital with an offset to reserves | — | 324 | — | 324 |
| Investing activities | | | | |
| Marketable securities adjustment included in account receivable with an offset to other gains | (7) | 1 | (3) | (2) |
| Initial recognition of right of use assets, with an offset to lease obligation | — | (108) | — | 79 |

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22. SEGMENT INFORMATION

(a) REPORTABLE SEGMENTS

The operating and reportable 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 (1) the Mexican project, (2) the Panamanian project, (3) the Nevada projects and (4) the corporate office. The operating segments other than corporate office are each managed by a dedicated General Manager and management team. The corporate office oversees the plans and activities of early stage exploration projects.

(b) GEOGRAPHIC SEGMENTS

We conduct our activities in four geographic areas: Mexico, Panama, Nevada USA, and Canada (Corporate).

(i) Income (loss) for the period by segment

| Six months ended June 30, 2023 | Mexico | Panama | Nevada | Corporate | Total |
|--|------------|------------|------------|-------------|------------|
| Revenue (note 4) | \$ 110,211 | \$ — | \$ — | \$ 192 | \$ 110,403 |
| Cost of sales | (40,616) | — | — | (69) | (40,685) |
| Earnings from mining operations | 69,595 | — | — | 123 | 69,718 |
| Exploration and evaluation expenses (note 6) | (3,991) | (4,405) | (5,438) | (233) | (14,067) |
| General and administrative expenses (note 7) | — | — | — | (6,372) | (6,372) |
| Interest income | 1,883 | — | — | 437 | 2,320 |
| Depreciation | (28) | (8) | (64) | (138) | (238) |
| Share based payments (note 19) | (88) | (41) | (146) | (1,638) | (1,913) |
| Interest and accretion expense | (869) | — | (59) | (4,974) | (5,902) |
| Foreign exchange and other gain (loss) | (1,062) | — | — | (980) | (2,042) |
| Income taxes | (14,588) | — | — | (854) | (15,442) |
| Income (loss) for the period | \$ 50,852 | \$ (4,454) | \$ (5,707) | \$ (14,629) | \$ 26,062 |

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| Six months ended June 30, 2022 | Mexico | Panama | USA | Corporate | Total |
|--|---------------|---------------|------------|------------------|--------------|
| Revenue (note 4) | \$ 87,442 | \$ — | \$ — | \$ — | \$ 87,442 |
| Cost of sales | (27,324) | — | — | — | (27,324) |
| Earnings from mining operations | 60,118 | — | — | — | 60,118 |
| Exploration and evaluation expenses (note 6) | (2,255) | (2,443) | (87) | (222) | (5,007) |
| General and administrative expenses (note 7) | — | — | — | (5,830) | (5,830) |
| Interest income | 875 | — | — | 59 | 934 |
| Depreciation | (6) | (7) | — | (64) | (77) |
| Share based payments (note 19) | (14) | (33) | — | (1,356) | (1,403) |
| Interest and accretion expense | (1,104) | — | — | (2,231) | (3,335) |
| Loss on early settlement of project loan | — | — | — | (13,219) | (13,219) |
| Foreign exchange and other gain (loss) | 182 | — | — | 883 | 1,065 |
| Income taxes | (14,200) | — | — | (861) | (15,061) |
| Income (loss) for the period | \$ 43,596 | \$ (2,483) | \$ (87) | \$ (22,841) | \$ 18,185 |

(ii) Assets by segment

| At June 30, 2023 | Mexico | Panama | Nevada | Corporate | Total |
|---------------------------------------|---------------|---------------|---------------|------------------|--------------|
| Property, plant and equipment | \$ 215,559 | \$ 32 | \$ 598 | \$ 1,018 | \$ 217,207 |
| Exploration and evaluation properties | — | 82,429 | 160,314 | — | 242,743 |
| Total assets | 355,020 | 83,369 | 160,878 | 31,587 | 630,854 |

| At December 31, 2022 | Mexico | Panama | Nevada | Corporate | Total |
|---------------------------------------|---------------|---------------|---------------|------------------|--------------|
| Property, plant and equipment | \$ 222,767 | \$ 39 | \$ 577 | \$ 1,033 | \$ 224,416 |
| Exploration and evaluation properties | — | 82,429 | 160,314 | — | 242,743 |
| Total assets | 348,390 | 83,291 | 163,857 | 18,278 | 613,816 |

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23. CAPITAL MANAGEMENT

(a) OBJECTIVES

Our objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the exploration, evaluation, development, and exploitation of our mineral properties and to maintain a flexible capital structure.

We manage our capital structure and adjust it considering 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 or repay outstanding debt, or acquire or dispose of assets. We currently do not pay regular dividends.

Our ability to carry out our long range strategic objectives in future periods depends on our ability to generate positive cash flows from our mining operations and to raise financing from lenders, shareholders, and new investors. We regularly review and consider financing alternatives to fund the Company's ongoing operational, exploration and development activities.

(b) INVESTMENT POLICY

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

(c) CREDIT FACILITY

On April 28, 2022, the Company entered into a Credit Facility which includes a \$100 million term facility and a \$50 million revolving facility pursuant to which we had drawn \$30 million as of June 30, 2023. The agreement includes covenants customary for a facility of this nature, including compliance with customary restrictive covenants and financial covenants related to maintaining a leverage ratio at less than or equal to 3.00, an interest service coverage ratio at greater than or equal to 4, a tangible net worth greater than or equal to \$151.6 million, and minimum liquidity in an amount greater than or equal to \$15 million. The Company is prohibited from declaring, paying or setting aside for payment any dividends unless certain financial covenants and ratios are met.

As at June 30, 2023, the Company was in compliance with all covenants.

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24. 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.

The carrying value of cash and cash equivalents, accounts receivable, restricted cash, trade payables and accrued liabilities approximates the fair value due to the short-term nature of the instruments. The fair value of the Credit Facility and Fresnillo obligation is determined using discounted cash flows based on the expected amounts and timing of the cash flows discounted using a market rate of interest adjusted for appropriate credit risk.

The fair value of the Credit Facility at June 30, 2023 was estimated at \$113.4 million (December 31, 2022 – \$124.5 million) using a discount rate of 8.1% (December 31, 2022 – 7.5%). The fair value of the Fresnillo obligation at June 30, 2023 was estimated at \$22.5 million (December 31, 2022 – \$22.3 million) using a discount rate of 8.1% (December 31, 2022 – 7.5%).

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At June 30, 2023, the carrying values and fair values of our financial instruments by category were as follows:

| | Classification | Carrying value | Fair value | | | | Short term nature | Total fair value |
|---------------------------|----------------|----------------|------------|----------|------------|-----------|-------------------|------------------|
| | | | Level 1 | Level 2 | Level 3 | | | |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | FVTPL | \$ 114,530 | \$ 114,530 | \$ — | \$ — | \$ — | \$ — | \$ 114,530 |
| Accounts receivable | Amortized cost | 314 | 18 | — | — | 296 | — | 314 |
| Restricted cash | Amortized cost | 1,156 | 1,156 | — | — | — | — | 1,156 |
| | | \$ 116,000 | \$ 115,704 | \$ — | \$ — | \$ 296 | — | \$ 116,000 |
| Financial liabilities | | | | | | | | |
| Trade and other payables | Amortized cost | \$ 5,058 | \$ — | \$ — | \$ — | \$ 5,058 | — | \$ 5,058 |
| Accrued liabilities | Amortized cost | 8,944 | 92 | — | — | 8,852 | — | 8,944 |
| Lease obligation | Amortized cost | 2,956 | — | 2,956 | — | — | — | 2,956 |
| Credit facility | Amortized cost | 112,158 | — | — | 113,392 | — | — | 113,392 |
| Fresnillo obligation | Amortized cost | 22,800 | — | — | 22,508 | — | — | 22,508 |
| | | \$ 151,916 | \$ 92 | \$ 2,956 | \$ 135,900 | \$ 13,910 | — | \$ 152,858 |

At December 31, 2022, the carrying values and fair values of our financial instruments by category were as follows:

| | Classification | Carrying value | Fair value | | | | Short term nature | Total fair value |
|---------------------------|----------------|----------------|------------|----------|------------|-----------|-------------------|------------------|
| | | | Level 1 | Level 2 | Level 3 | | | |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | FVTPL | \$ 96,278 | \$ 96,278 | \$ — | \$ — | \$ — | \$ — | \$ 96,278 |
| Accounts receivable | Amortized cost | 317 | 21 | — | — | 296 | — | 317 |
| Restricted cash | Amortized cost | 3,432 | 3,432 | — | — | — | — | 3,432 |
| | | \$ 100,027 | \$ 99,731 | \$ — | \$ — | \$ 296 | — | \$ 100,027 |
| Financial liabilities | | | | | | | | |
| Trade and other payables | Amortized cost | \$ 8,851 | \$ — | \$ — | \$ — | \$ 8,851 | — | \$ 8,851 |
| Accrued liabilities | Amortized cost | 7,967 | 352 | — | — | 7,615 | — | 7,967 |
| Lease obligation | Amortized cost | 3,173 | — | 3,173 | — | — | — | 3,173 |
| Credit facility | Amortized cost | 122,995 | — | — | 124,450 | — | — | 124,450 |
| Fresnillo obligation | Amortized cost | 22,800 | — | — | 22,296 | — | — | 22,296 |
| | | \$ 165,786 | \$ 352 | \$ 3,173 | \$ 146,746 | \$ 16,466 | — | \$ 166,737 |

We determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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25. COMMITMENTS AND CONTINGENCIES

(a) COMMITMENTS

The Company has issued purchase orders for construction, equipment purchases, materials and supplies, and other services at Camino Rojo. At June 30, 2023, these outstanding purchase orders and contracts totaled approximately \$2.0 million (December 31, 2022 – \$2.0 million), which we expect will be filled within the next 12 months.

The Company is committed to making severance payments totaling approximately \$6.6 million (December 31, 2022 – \$3.7 million) to certain officers and management in the event of a change in control. As the likelihood of these events occurring is not determinable, this amount is not reflected in these consolidated financial statements.

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 effect on our consolidated financial position, results of operations or cash flows.

(b) DISCRETIONARY MINERAL PROPERTY-RELATED COMMITMENTS

As is customary in mineral exploration, some of the mineral properties held by the Company as exploration and evaluation assets have annual minimum work commitments and lease payments required to maintain these properties in good standing pursuant to their underlying agreements.

26. INCOME TAXES

Tax expense consists of (i) current income tax on taxable income, (ii) 7.5% special mining duty ("SMD") on income subject to SMD, and (iii) withholding taxes attributable to interest charged on intercompany loans to the Mexican operating company, as well as (iv) deferred income tax, and (v) deferred special mining duty.

| | Three months ended | | Six months ended | |
|---|--------------------|-----------|------------------|-----------|
| | June 30 | | June 30 | |
| | 2023 | 2022 | 2023 | 2022 |
| Current income tax expense | \$ 9,151 | \$ 9,300 | \$ 15,596 | \$ 9,300 |
| Mexican 7.5% Special Mining Duty expense | 3,058 | 2,709 | 5,772 | 4,900 |
| Deferred income tax expense | (2,265) | — | (6,452) | — |
| Deferred Mexican 7.5% Special Mining Duty expense | 405 | — | (328) | — |
| Withholding tax expense | 423 | 617 | 854 | 861 |
| Tax expense | \$ 10,772 | \$ 12,626 | \$ 15,442 | \$ 15,061 |

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27. RECLASSIFICATION OF PRIOR PERIOD CASH FLOW FIGURES

Certain of the prior period's figures have been reclassified to conform to the presentation in the current period. These reclassifications were (i) the inclusion of withholding taxes within tax expense, and (ii) the characterization of tax expense and taxes paid as part of cash flows before changes in non-cash working capital.

(a) INCOME STATEMENT

| | Three months ended | Six months ended |
|--|-----------------------|---------------------|
| | June 30, 2022 | |
| Other gain (loss) | | |
| As previously presented | \$ (618) | \$ (859) |
| Withholding taxes reclassified to income taxes | 617 | 861 |
| As currently presented – negligible, now grouped with foreign exchange and other | \$ (1) | \$ 2 |
| Income taxes | | |
| As previously presented | \$ 12,009 | \$ 14,200 |
| Withholding taxes reclassified from other gain (loss) | 617 | 861 |
| As currently presented | \$ 12,626 | \$ 15,061 |

(b) STATEMENT OF CASH FLOWS

| | Three months ended | Six months ended |
|---|-----------------------|---------------------|
| | June 30, 2022 | |
| Cash provided by operating activities before changes in non-cash working capital | | |
| As previously presented | \$ 20,650 | \$ 40,477 |
| Income tax expense reclassified from non-cash working capital | 12,626 | 15,061 |
| Withholding taxes paid reclassified to income taxes | (617) | (861) |
| As currently presented | \$ 32,659 | \$ 54,677 |
| Changes in non-cash working capital | | |
| As previously presented | \$ (714) | \$ (48) |
| Income tax expense reclassified from non-cash working capital | (12,626) | (15,061) |
| Withholding taxes paid reclassified to income taxes | 617 | 861 |
| As currently presented | \$ (12,723) | \$ (14,248) |
| Cash provided by operating activities | | |
| As previously presented | \$ 19,936 | \$ 40,429 |
| Net effect of the above adjustments | — | — |
| As currently presented | \$ 19,936 | \$ 40,429 |

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28. EVENTS AFTER THE REPORTING PERIOD

(a) EXERCISE OF STOCK OPTIONS AND WARRANTS

Subsequent to the reporting period, the Company issued common shares pursuant to the exercise of stock options (note 19(a)) and warrants (note 17(c)).