UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-38387

HYCROFT MINING HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**82-2657796**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8181 E. Tufts Avenue, Suite 510 Denver, Colorado	**80237**
(Address of Principal Executive Offices)	(Zip Code)

(303) 253-3267

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	**HYMC**	**The Nasdaq Capital Market**
Warrants to purchase common stock	**HYMCW**	**The Nasdaq Capital Market**
Warrants to purchase common stock	**HYMCZ**	**The Nasdaq Capital Market**
Warrants to purchase common stock	**HYMCL**	**The Nasdaq Capital Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

☐	Large accelerated filer	☐	Accelerated filer
☒	Non-accelerated filer	☒	Smaller reporting company
		☒	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

As of November 10, 2021, there were 60,410,922 shares of the Company’s common stock and no shares of the Company’s preferred stock issued and outstanding.

HYCROFT MINING HOLDING CORPORATION

Quarterly Report on Form 10-Q

TABLE OF CONTENTS

ITEM I. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

HYCROFT MINING HOLDING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share amounts)

	September 30, 2021	December 31, 2020
	(unaudited)	
Assets:		
Cash	$ 19,753	$ 56,363
Accounts receivable	347	426
Income tax receivable - Note 15	95	—
Inventories - Note 4	16,833	12,867
Ore on leach pads - Note 4	29,588	38,041
Prepaids and other, net - Note 5	5,666	4,303
Current assets	72,282	112,000
Ore on leach pads - Note 4	6,142	7,243
Plant, equipment, and mine development, net - Note 6	69,777	60,223
Restricted cash - Note 7	34,293	39,677
Other assets - Note 5	12,838	13,483
Total assets	$ 195,332	$ 232,626
Liabilities:		
Accounts payable and accrued expenses	$ 10,852	$ 12,280
Deferred revenue - Note 13	1,598	—
Debt, net - Note 9	12,745	5,120
Deferred gain on sale of royalty - Note 10	125	124
Other liabilities - Note 8	5,847	4,157
Current liabilities	31,167	21,681
Warrant liabilities - Note 11	4,149	15,389
Debt, net - Note 9	146,189	142,665
Deferred gain on sale of royalty - Note 10	29,714	29,839
Asset retirement obligation - Note 12	5,091	4,785
Other liabilities - Note 8	541	1,650
Total liabilities	$ 216,851	$ 216,009
Commitments and contingencies - Note 20		
Stockholders' (deficit) equity:		
Common stock, $0.0001 par value; 400,000,000 shares authorized; 60,410,922 issued and outstanding at September 30, 2021; and 59,901,306 issued and outstanding at December 31, 2020	$ 6	$ 6
Additional paid-in capital	540,562	537,370
Accumulated deficit	(562,087)	(520,759)
Total stockholders' (deficit) equity	(21,519)	16,617
Total liabilities and stockholders' (deficit) equity	$ 195,332	$ 232,626

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

HYCROFT MINING HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues - Note 13	$ 31,676	$ 12,291	$ 86,713	$ 31,051
Cost of sales:				
Production costs	30,616	10,865	77,927	27,286
Depreciation and amortization	1,577	675	4,191	1,999
Mine site period costs - Note 4	11,467	14,230	24,445	34,292
Write-down of production inventories - Note 4	—	—	—	17,924
Total cost of sales	43,660	25,770	106,563	81,501
Operating expenses:				
General and administrative	3,313	5,711	12,271	18,149
Projects and development	2,344	—	3,860	—
Write-off of deposit	916	—	916	—
Accretion - Note 12	102	93	306	280
Impairment on equipment not in use - Note 5	—	5,331	—	5,331
Loss from operations	(18,659)	(24,614)	(37,203)	(74,210)
Other (expense) income:				
Interest expense, net of capitalized interest - Note 9	(5,461)	(4,319)	(15,176)	(39,278)
Fair value adjustment to warrants - Notes 11 and 18	812	(3,354)	10,956	(4,276)
Interest income	—	9	—	156
Loss before income taxes	$ (23,308)	$ (32,278)	$ (41,423)	$ (117,608)
Income tax benefit - Note 15	95	—	95	—
Net loss	$ (23,213)	$ (32,278)	$ (41,328)	$ (117,608)
Loss per share:				
Basic - Note 16	$ (0.39)	$ (0.64)	$ (0.69)	$ (5.10)
Diluted - Note 16	$ (0.39)	$ (0.64)	$ (0.69)	$ (5.10)
Weighted average shares outstanding:				
Basic - Note 16	60,114,358	50,160,080	59,989,457	23,059,068
Diluted - Note 16	60,114,358	50,160,080	59,989,457	23,059,068

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

HYCROFT MINING HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows used in operating activities:		
Net loss	$ (41,328)	$ (117,608)
Adjustments to reconcile net loss for the period to net cash used in operating activities:		
Non-cash portion of interest expense - Note 9	13,042	34,696
Non-cash (gain) loss on fair value adjustment for warrant liabilities - Note 11	(10,956)	4,276
Depreciation and amortization	5,175	4,250
Stock-based compensation - Note 14	2,227	1,991
Write-off of deposit	916	—
Accretion - Note 12	306	280
Write-down of production inventories - Note 4	—	17,924
Impairment on equipment not in use - Note 5	—	5,331
Phantom share compensation	—	225
Changes in operating assets and liabilities:		
Accounts receivable	79	(500)
Income tax receivable	(95)	—
Production-related inventories	5,351	(39,763)
Materials and supplies inventories	(1,141)	(2,094)
Prepaids and other assets, net	(1,634)	(2,765)
Accounts payable and accrued expenses	(1,852)	6,926
Deferred revenue	1,598	—
Other liabilities	1,262	1,619
Net cash used in operating activities	(27,050)	(85,212)
Cash flows used in investing activities:		
Additions to plant, equipment, and mine development	(11,908)	(19,237)
Net cash used in investing activities	(11,908)	(19,237)
Cash flows (used in) provided by financing activities:		
Principal payments on debt	(2,978)	—
Principal payments on capital leases	(58)	—
Proceeds from private placement	—	75,963
Proceeds from Sprott Credit Agreement	—	68,600
Proceeds from sale of royalty to Sprott - Note 10	—	30,000
Proceeds from forward purchase contract	—	25,000
Proceeds from Recapitalization Transaction	—	10,419
Proceeds from 1.25 Lien Note Issuances	—	44,841
Repayment of First Lien Agreement	—	(125,468)
Transaction and issuance costs	—	(15,801)
Repayment of Promissory Note	—	(6,914)
Net cash (used in) provided by financing activities	(3,036)	106,641
Net (decrease) increase in cash and restricted cash	(41,994)	2,192
Cash and restricted cash, beginning of period	96,040	48,967
Cash and restricted cash, end of period	$ 54,046	$ 51,159
Reconciliation of cash and restricted cash:		
Cash	$ 19,753	$ 11,505
Restricted cash	34,293	39,654
Total cash and restricted cash	$ 54,046	$ 51,159

q

See *Note 19 - Supplemental Cash Flow Information* for additional details.

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

HYCROFT MINING HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (UNAUDITED)
(dollars in thousands)

	Common Stock[(1)]		Treasury Stock[(1)]		Additional Paid-in Capital[(1)]	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance at January 1, 2020	345,431	$ —	22,103	$ —	$ 5,187	$ (444,438)	$ (439,251)
Net loss	—	—	—	—	—	(34,618)	(34,618)
Balance at March 31, 2020	345,431	—	22,103	—	5,187	(479,056)	(473,869)
Conversion of Seller's 2.0 Lien Notes to common shares of Seller and distribution of HYMC common stock	14,795,153	2	(22,103)	—	146,217	74,640	220,859
Exchange of Seller's 1.5 Lien Notes for HYMC common stock	16,025,316	2	—	—	160,252	(14,569)	145,685
Common shares issued in private placement	7,596,309	1	—	—	75,962	—	75,963
Exchange of Seller's 1.25 Lien Notes for HYMC common stock	4,845,920	—	—	—	48,459	—	48,459
Shares issued pursuant to forward purchase agreement with SPAC sponsor, including conversion of Class B shares	4,813,180	—	—	—	12,814	—	12,814
Unredeemed SPAC shares of MUDS public stockholders	1,197,704	—	—	—	3,723	—	3,723
Common shares issued pursuant to Sprott Credit Agreement	496,634	—	—	—	6,282	—	6,282
Common shares issued to underwriter	44,395	—	—	—	444	—	444
Vesting of restricted stock units	—	—	—	—	1,802	—	1,802
Equity issuance costs	—	—	—	—	(7,281)	—	(7,281)
Net loss	—	—	—	—	—	(50,712)	(50,712)
Balance at June 30, 2020	50,160,042	$ 5	—	$ —	$ 453,861	$ (469,697)	$ (15,831)
Shares issued	101	—	—	—	1	—	1
Stock-based compensation costs	—	—	—	—	16	—	16
Equity issuance costs	—	—	—	—	(960)	—	(960)
Net loss	—	—	—	—	—	(32,278)	(32,278)
Balance at September 30, 2020	50,160,143	$ 5	—	$ —	$ 452,918	$ (501,975)	$ (49,052)

(1) Retroactively restated January 1, 2020 and March 31, 2020 for the reverse recapitalization as described in *Note 2 - Summary of Significant Accounting Policies,* and the restated reclassification of the Company's 5-Year Private Warrants as described in *Note 11 - Warrants*.

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at Balance at January 1, 2021	59,901,306	$ 6	—	$ —	$ 537,370	$ (520,759)	$ 16,617
Stock-based compensation costs	—	—	—	—	507	—	507
Vesting of restricted stock units	—	—	—	—	104	—	104
Net loss	—	—	—	—	—	(9,688)	(9,688)
Balance at March 31, 2021	59,901,306	6	—	—	537,981	(530,447)	7,540
Stock-based compensation costs	—	—	—	—	1,011	—	1,011
Vesting of restricted stock units	63,674	—	—	—	—	—	—
5-Year Private Warrants transferred to 5-Year Public Warrants	—	—	—	—	284	—	284
Net loss	—	—	—	—	—	(8,427)	(8,427)
Balance at June 30, 2021	59,964,980	$ 6	—	$ —	$ 539,276	$ (538,874)	$ 408
Stock-based compensation costs	—	—	—	—	636	—	636
Vesting of restricted stock units	308,442	—	—	—	650	—	650
Net loss	—	—	—	—	—	(23,213)	(23,213)
Balance at September 30, 2021	60,273,422	$ 6	—	$ —	$ 540,562	$ (562,087)	$ (21,519)

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

HYCROFT MINING HOLDING CORPORATION
Notes to Unaudited Consolidated Financial Statements

1. Company Overview

Hycroft Mining Holding Corporation (formerly known as Mudrick Capital Acquisition Corporation ("MUDS")) and its subsidiaries (collectively, "Hycroft", the "Company", "we", "us", "our", "it", "HYMC") is a U.S.-based gold and silver company that is focused on operating and developing its wholly owned Hycroft Mine in a safe, environmentally responsible, and cost-effective manner. The Hycroft Mine is located in the State of Nevada and the corporate office is located in Denver, Colorado.

The Company restarted pre-commercial scale open pit mining operations at the Hycroft Mine during the second quarter of 2019 and began producing and selling gold and silver during the third quarter of 2019. The Company's operating plan to date has been primarily focused on developing the proprietary two-stage heap oxidation and leach process detailed in the Hycroft Technical Report Heap Leaching Feasibility Study, prepared in accordance with the requirements of the Modernization of Property Disclosures for Mining Registrants, with an effective date of July 31, 2019 (the "2019 Technical Report") and advancing evaluations and developing technical studies for milling sulfide ore so that the Company can evaluate alternative processing technologies. Based upon the Company's findings to date, including an analysis completed by an independent third-party research laboratory and independent reviews by two metallurgical consultants, the Company does not believe the Novel Process, as currently designed in the 2019 Technical Report, is economic at current metal prices or those metal prices used in the 2019 Technical Report. Additionally, as announced on November 10, 2021, as a result of current and expected ongoing cost pressures for many of the reagents and consumables used at the Hycroft Mine, and the timeline for completing the updated technical studies in early 2022, effective immediately the Company is discontinuing pre-commercial scale mining at its run-of-mine ("ROM") operation. The Company will continue producing gold and silver from ore on the leach pads as long as it is economic and will right-size the workforce to meet ongoing operational requirements. As a result, the Company is focusing its study efforts and resources on the necessary technical studies for milling sulfide ore and plans to file a new technical report prior to or concurrent with the filing of its Annual Report on Form 10-K for the year ended December 31, 2021, that will include associated mineral reserves and mineral resources.

On May 29, 2020, the Company consummated the Recapitalization Transaction (as defined below) as contemplated by a purchase agreement dated January 13, 2020, as amended on February 26, 2020 (the "Purchase Agreement"), by and among the Company, MUDS Acquisition Sub, Inc. ("Acquisition Sub") and Hycroft Mining Corporation ("Seller"). Pursuant to the Purchase Agreement, Acquisition Sub acquired all of the issued and outstanding equity interests of the direct subsidiaries of Seller and substantially all of the other assets of Seller and assumed substantially all of the liabilities of Seller in a business combination and reverse recapitalization transaction (the "Recapitalization Transaction"). See *Note 3 - Recapitalization Transaction* for further details.

<u>*Restatement of Previously Issued Financial Statements*</u>

On April 12, 2021, the Acting Director of the Division of Corporation Finance and Acting Chief Accountant of the Securities and Exchange Commission together issued a statement regarding the accounting and reporting considerations for warrants issued by special purpose acquisition companies entitled "Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs") (the "SEC Statement"). Specifically, the SEC Statement clarified guidance for all SPAC-related companies regarding the accounting and reporting for their warrants and focused in part on provisions in warrant agreements that provide for potential changes to the settlement amounts dependent upon the characteristics of the warrant holder, and because the holder of such warrants would not be an input into the pricing of a fixed-for-fixed option on equity shares, such provision would preclude such warrants from being classified in equity and thus such warrants should be classified as a liability.

As previously disclosed in the Company's Annual Report on Form 10-K/A, as filed on May 14, 2021 ("2020 Form 10-K/A"), the Company restated its previously issued consolidated financial statements and accompanying notes as of and for the year ended December 31, 2020, to make the necessary accounting corrections related to warrant accounting and to recognize certain warrants as a liability instead of as equity, in accordance with Accounting Standards Codification ("ASC") 815-40, *Contracts in Entity's Own Equity*. As a smaller reporting company that was not required to include quarterly financial information in the 2020 Form 10-K/A, the Company did not amend its previously issued Quarterly Reports on Form 10-Q for any period prior to December 31, 2020. The Company restated the condensed consolidated financial statements for the three and nine months ended September 30, 2020, as reflected below.

HYCROFT MINING HOLDING CORPORATION
Notes to Consolidated Financial Statements

The following presents the restated condensed consolidated financial statements as of and for the three and nine months ended September 30, 2020. The condensed consolidated statement of stockholders' equity reflects the restatement adjustments presented in the consolidated Balance Sheets presented below.

HYCROFT MINING HOLDING CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)
(dollars in thousands)

	September 30, 2020		
	As Previously Reported	Restatement Adjustment	As Restated
Total assets	$ 173,186	$ —	$ 173,186
Liabilities:			
Current liabilities	$ 28,649	$ —	$ 28,649
Other liabilities	1,893	(190)	1,703
Debt, net	140,959	—	140,959
Deferred gain on sale of royalty	29,812	—	29,812
Asset retirement obligation	4,654	—	4,654
Warrant liabilities	—	16,461	16,461
Total liabilities	$ 205,967	$ 16,271	$ 222,238
Stockholders' deficit:			
Common stock	$ 5	$ —	$ 5
Additional paid-in capital	465,103	(12,185)	452,918
Accumulated deficit	(497,889)	(4,086)	(501,975)
Total stockholders' deficit	$ (32,781)	$ (16,271)	$ (49,052)
Total liabilities and stockholders' deficit	$ 173,186	$ —	$ 173,186

HYCROFT MINING HOLDING CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)
(dollars in thousands)

	Three Months Ended September 30, 2020			Nine Months Ended September 30, 2020		
	As Previously Reported	Restatement Adjustment	As Restated	As Previously Reported	Restatement Adjustment	As Restated
Revenue	$ 12,291	$ —	$ 12,291	$ 31,051	$ —	$ 31,051
Total cost of sales	(25,770)	—	(25,770)	(81,501)	—	(81,501)
Operating expenses	(11,135)	—	(11,135)	(23,760)	—	(23,760)
Loss from operations	(24,614)	—	(24,614)	(74,210)	—	(74,210)
Other (expense) income:						
Interest expense, net of capitalized interest	(4,319)	—	(4,319)	(39,278)	—	(39,278)
Fair value adjustment to warrants	(190)	(3,164)	(3,354)	(190)	(4,086)	(4,276)
Interest income	9	—	9	156	—	156
Net loss	$ (29,114)	$ (3,164)	$ (32,278)	$ (113,522)	$ (4,086)	$ (117,608)

HYCROFT MINING HOLDING CORPORATION
Notes to Consolidated Financial Statements

HYCROFT MINING HOLDING CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

	Nine Months Ended September 30, 2020		
	As Previously Reported	Restatement Adjustment	As Restated
Net loss	$ (113,522)	$ (4,086)	$ (117,608)
Adjustments to reconcile net loss for the period to net cash used in operating activities:			
Non-cash portion of interest expense	34,696	—	34,696
Write-down of production inventories	17,924	—	17,924
Depreciation and amortization	4,250	—	4,250
Stock-based compensation	1,991	—	1,991
Fair value adjustment to warrants	190	4,086	4,276
Accretion	280	—	280
Impairment on equipment not in use - Note 5	5,331	—	5,331
Phantom share compensation	225	—	225
Changes in operating assets and liabilities	(36,577)	—	(36,577)
Net cash used in operating activities	(85,212)	—	(85,212)
Net cash used in investing activities	(19,237)	—	(19,237)
Cash flows from financing activities:	106,641	—	106,641
Net increase in cash and restricted cash	2,192	—	2,192
Cash and restricted cash, beginning of period	48,967	—	48,967
Cash and restricted cash, end of period	$ 51,159	$ —	$ 51,159
Total cash and restricted cash	$ 51,159	$ —	$ 51,159

2. Summary of Significant Accounting Policies

Basis of presentation

These condensed consolidated interim financial statements of the Company have been prepared, without audit, in accordance with U.S. generally accepted accounting principles (“GAAP”) and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, these financial statements do not include all information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto as of and for the year ended December 31, 2020, as amended. The Company continues to follow the accounting policies set forth in those audited consolidated financial statements. In the opinion of management, the accompanying unaudited condensed consolidated interim financial statements include all adjustments that are necessary for a fair presentation of the Company's interim financial position, operating results and cash flows for the periods presented.

Risks and Uncertainties

The Company has a single mine with its revenue, profitability, and cash flows substantially dependent on prevailing prices for gold and silver and its ability to mine and process sufficient volumes of ore cost effectively. Historically, the commodity markets have been very volatile, and there can be no assurance that commodity prices will not be subject to wide fluctuations in the future. A substantial or extended decline in commodity prices could have a material adverse effect on the Company’s financial position, results of operations, cash flows, access to capital and the quantities of mineral reserves that the Company can economically produce.

In addition to changes in commodity prices, other factors such as changes in mine plans, increases in costs, geotechnical failures, changes in social, environmental or regulatory requirements, taxation policies, the ability to successfully implement new technologies for processing ore, timely financing for development, impacts of global events such as the COVID-19 pandemic, and management's decision to expand production to commercial levels can adversely affect the Company's ability to recover its investment in certain assets and result in impairment charges.

For more information on risks associated with the Company' s business, please see Item 1A. Risk Factors in the 2020 Form 10-K/A.

Going concern

The financial statements of the Company have been prepared on a "going concern" basis, which contemplates the presumed continuation of the Company even though events and conditions exist that, when considered individually or in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern because it is probable that, without additional capital injections, the Company may be unable to meet its obligations as they become due within one year after the date that these financial statements were issued.

For the nine months ended September 30, 2021, the Company recorded a net loss of $41.3 million, which included a gain from Fair value adjustments to warrants of $11.0 million, and net cash used in operating activities was $27.1 million. As of September 30, 2021, the Company had available cash on hand of $19.8 million, working capital of $41.1 million, Total liabilities of $216.9 million, and an Accumulated deficit of $562.1 million. Historically, the Company has been dependent on various forms of debt and equity financing to fund its business, and the Company currently projects that it will require additional cash to meet its operating and investing requirements and future obligations as they become due within the next twelve months, including the estimated $9.6 million in cash payments required pursuant to the Credit Agreement among MUDS, MUDS Holdco Inc., Allied VGH LLC, Hycroft Mining Holding Corporation, Hycroft Resources and Development, LLC, Sprott Private Resource Lending II (Collector) Inc., and Sprott Resources Lending Corp. ("Sprott Credit Agreement").

While the Company plans to continue processing gold and silver ore on the leach pads after ceasing mining operations for the pre-commercial scale ROM operation and partially offset the cash that is projected to be used in its operations and investing activities, the Company does not expect to generate net positive cash for the foreseeable future. Accordingly, the Company will be dependent on its unrestricted cash and other sources of cash to fund its business. The Company is actively evaluating alternatives to raise additional capital necessary to fund future development and ongoing working capital needs and exploring other strategic initiatives to enhance stockholder value.

As discussed in *Note 22 - Subsequent Events,* to avoid potential non-compliance with the Sprott Credit Agreement, on November 9, 2021, the Company received a waiver for six months to permit it to cease active mining operations, and, in alignment with its current forecasts, reduce the minimum unrestricted cash balance to $9.0 million. Depending on the Company's ability to obtain additional cash and the timing of any such cash, the Company may need to obtain additional waivers from its first lien lender in 2022 to comply with debt covenants. While the first lien lender has indicated a willingness to work with the Company, the Company cannot provide any assurance that it will be able to timely obtain cash or receive waivers from debt covenants that will allow the Company to avoid a default under our credit agreements and to continue operating.

The Company's ability to continue as a going concern is contingent upon securing additional funding for working capital, capital and project expenditures, satisfying debt covenants required under the Sprott Credit Agreement, and other corporate expenses so that we can continue to develop the Hycroft Mine by conducting targeted exploration and completing the necessary technical studies to determine the likely timeline to bring the sulfides into commercial scale operation.

These financial statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of any liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. As such, recorded amounts in these financial statements (including without limitation, stockholders' deficit) have been prepared on a historical-cost basis, as required, which do not reflect or approximate the current fair value of the Company's assets or management's assessment of the Company's overall enterprise or equity value.

Use of estimates

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect amounts reported in these financial statements and accompanying notes. The more significant areas requiring the use of management estimates and assumptions relate to: recoverable gold and silver ounces on stockpiles, leach pads and in-process inventories; timing of near-term ounce production and related sales; the useful lives of long-lived assets; probabilities of future expansion projects; estimates of mineral reserves; estimates of life-of-mine production timing, volumes, costs and prices; current and future mining and processing plans; environmental reclamation and closure costs and timing; deferred taxes and related valuation allowances; estimates of the fair value of liability classified warrants, and estimates of fair value for asset impairments and financial instruments. The Company bases its estimates on historical experience and various other assumptions that are believed to be reasonable at the time the estimate is made. Actual results may differ from amounts estimated in these financial statements, and such differences could be material. Accordingly, amounts presented in these financial statements are not indicative of results that may be expected for future periods.

Inventories

The Company's production-related inventories include: (i) stockpiles; (ii) ore on leach pads; (iii) in-process inventories; and (iv) doré and off-site carbon and slag finished goods. Production-related inventories are carried at the lower of average cost or net realizable value per estimated recoverable gold ounce, which is computed for each category of production-related inventories at each reporting period.

Net realizable value represents the estimated future gold revenue of production-related inventories after adjusting for silver by-product revenue and deductions for further processing, refining, and selling costs. The estimated future revenue is calculated using sales prices based on the London Bullion Market Association's ("LBMA") quoted period-end metal prices. Estimates for silver revenue by-products credits and deductions for estimated costs to complete reflect the Company's historical experience for expected processing, refining and selling plans. Actual net realizable values for gold sales may be different from such estimates. Changes to inputs and estimates resulting from changes in facts and circumstances are recognized as a change in management estimate on a prospective basis.

Stockpiles

Stockpiles represents ore that has been extracted from the mine and is available for further processing. Stockpiles are subject to oxidation over time which can impact expected future recoveries depending on the process recovery method. The value of the stockpiles is measured by estimating the number of tons added and removed from the stockpiles, the number of contained ounces based on assay data, and the estimated metallurgical recovery rates based on the expected processing method. Costs are added to the value of the stockpiles based on current mining costs, including applicable overhead and depreciation and amortization relating to the Company's mining operations.

Ore on leach pads

Ore on leach pads represents ore that has been mined and placed on leach pads where a solution is applied to dissolve the contained gold and silver. Costs are added to ore on leach pads based on current mining costs, including reagents, leaching supplies, and applicable depreciation and amortization relating to mining operations. As gold-bearing materials are further processed, costs are transferred from ore on leach pads to in-process inventories at an average cost per estimated recoverable ounce of gold.

Although the quantities of recoverable metal placed on the leach pads are reconciled by comparing the grades of ore placed on pads to the quantities of metal actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored, and estimates are refined based on actual results over time and changes in future estimates.

In-process inventories

In-process inventories represent gold-bearing concentrated materials that are in the process of being converted to a saleable product using a Merrill-Crowe plant or carbon-in-column processing method. As gold ounces are recovered from in-process inventories, costs, including conversion costs are transferred to precious metals inventory at an average cost per ounce of gold.

Precious metals inventory

Precious metals inventory consists of doré and loaded carbon containing both gold and silver, which is ready for offsite shipment or at a third-party refiner before being sold to a third party. As gold ounces are sold, costs are recognized in *Production costs* and *Depreciation and amortization* in the consolidated statements of operations at an average cost per gold ounce sold.

Materials and supplies

Materials and supplies are valued at the lower of average cost or net realizable value. Cost includes applicable taxes and freight.

Warrants

Warrant liabilities

The Company accounts for certain warrants to purchase shares of the Company's common stock that were issued to the SPAC sponsor and/or underwriter in a private placement and/or pursuant to a forward purchase contract (the "5-Year Private Warrants") that are not indexed to the Company's own stock as warrant liabilities at fair value on the consolidated balance sheet. These warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a component of *Other (expense) income* on the condensed consolidated statement of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the (i) exercise or expiration of the 5-Year Private Warrants or (ii) the transfer of any 5-Year Private Warrants to any person who is not a permitted transferee, at which time the warrant liability will be reclassified to *Additional paid-in capital* on the condensed consolidated balance sheet.

Equity classified warrants

Warrants that are considered indexed to the Company's own stock, which are not required to be recorded as a liability are measured at fair value at the date of issuance and included in *Additional paid-in capital* on the condensed consolidated balance sheet and do not require subsequent remeasurement of the fair value.

Projects and development

Costs incurred to enhance our understanding of the recovery and processing of the current ore body to sustain production at existing operations that do not qualify for capitalization are expensed within *Projects and development*, which is included in *Operating expenses* on the condensed consolidated statement of operations. Projects and development costs include expenditures for: (i) analyzing established feasibility studies; (ii) conducting geological studies; (iii) oversight and project management; and (iv) drilling, engineering, and metallurgical activities.

Accounting pronouncements not yet adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of operations and classification within the consolidated statement of cash flows. In October 2019, the FASB issued ASU No. 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)* ("ASU 2019-10") that amends the effective date of ASU 2016-02 for emerging growth companies, such that the new standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. As the Company qualifies as an emerging growth company, the Company has elected to take advantage of the deferred effective date afforded to emerging growth companies. A modified retrospective transition approach is required to either the beginning of the earliest period presented or the beginning of the year of adoption. The Company has compiled its leases and is in the process of estimating the impact on its consolidated financial statements and related disclosures.

In December of 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), as part as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. Amendments include removal of certain exceptions to the general principles of ASC 740, Income Taxes and simplification in several other areas such as accounting for a franchise tax (or similar tax) that is partially based on income. For emerging growth companies, the new guidance is effective for annual periods beginning after December 15, 2021. As the Company qualifies as an emerging growth company, the Company plans to take advantage of the deferred effective date afforded to emerging growth companies. The Company is currently evaluating the impact that adopting this update will have on its consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"). ASU 2020-06 simplifies guidance on accounting for convertible instruments and contracts in an entity's own equity including calculating diluted earnings per share. For emerging growth companies, the new guidance is effective for annual periods beginning after December 15, 2022. As the Company qualifies as an emerging growth company, the Company plans to take advantage of the deferred effective date afforded to emerging growth companies. The Company is currently evaluating the impact that adopting this update will have on its consolidated financial statements and related disclosures.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)*. ASU 2021-04 clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (*e.g.,*, warrants) that remain equity classified after modification or exchange. ASU 2021-04 provides guidance that will clarify whether an issuer should account for a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as (i) an adjustment to equity and, if so, the related earnings per share effects, if any, or (ii) an expense and, if so, the manner and pattern of recognition. The new guidance is effective for annual and interim periods beginning after December 15, 2021, and early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact that adopting this update will have on its consolidated financial statements and related disclosures.

3. Recapitalization Transaction

Recapitalization Transaction with MUDS

On May 29, 2020, the Company, formerly known as Mudrick Capital Acquisition Corporation, consummated the Recapitalization Transaction (as defined below) as contemplated by a purchase agreement dated January 13, 2020, as amended on February 26, 2020 (the "Purchase Agreement"), by and among the Company, MUDS Acquisition Sub, Inc. ("Acquisition Sub") and Hycroft Mining Corporation ("Seller"). Pursuant to the Purchase Agreement, Acquisition Sub acquired all of the issued and outstanding equity interests of the direct subsidiaries of Seller and substantially all of the other assets of Seller and assumed substantially all of the liabilities of Seller in a business combination and reverse recapitalization transaction (the "Recapitalization Transaction").

In connection with the consummation of the Recapitalization Transaction, MUDS and the entities purchased from Seller were consolidated under Hycroft Mining Holding Corporation, and the Company's certificate of incorporation was amended and restated to reflect the Company's change in name. Pursuant to the consummation of the Recapitalization Transaction, the shares of common stock of Hycroft Mining Holding Corporation were listed on the Nasdaq Capital Market under the ticker symbol "HYMC".

In conjunction with the Recapitalization Transaction, Seller's indebtedness existing prior to the Recapitalization Transaction was either repaid, exchanged for indebtedness of the Company, exchanged for shares of common stock or converted into shares of Seller common stock, and the Company's post-Recapitalization Transaction indebtedness included amounts drawn under the Sprott Credit Agreement and the assumption of the newly issued Subordinated Notes (as such terms are defined herein). Upon closing of the Recapitalization Transaction, the Company's unrestricted cash available for use totaled \$68.9 million, and the number of shares of common stock issued and outstanding totaled 50,160,042. In addition, upon closing, the Company had 34,289,999 outstanding warrants to purchase an equal number of shares of common stock at \$11.50 per share and 12,721,901 warrants to purchase 3,210,213 shares of common stock at a price of \$44.82 per share.

Prior to the Recapitalization Transaction, the Company was a SPAC with no business operations and on May 29, 2020 had assets and liabilities consisting primarily of \$10.4 million of cash and \$6.9 million of liabilities for accounts payable, accrued expenses, and deferred underwriting fees.

The Recapitalization Transaction was accounted for as a reverse recapitalization in accordance with ASC 805, Business Combinations. Under this method of accounting, for financial reporting purposes, MUDS has been treated as the "acquired" company and Seller has been treated as the "acquirer". This determination was primarily based on (1) stockholders of Seller immediately prior to the Recapitalization Transaction received a majority of the voting power of the combined entity; (2) the operations of Seller prior to the Recapitalization Transaction comprise the only ongoing operations of the combined entity; (3) four of the seven members of the Board of Directors immediately following the Recapitalization Transaction were directors of Seller immediately prior to the Recapitalization Transaction; and (4) executive and senior management of Seller were appointed as the senior management of the Company.

Based on Seller being the accounting acquirer, the financial statements of the combined entity represent a continuation of the financial statements of Seller, with the acquisition treated as the equivalent of Seller issuing stock for the net assets of MUDS, accompanied by a recapitalization. The net assets of MUDS were recognized at historical cost as of the date of the Recapitalization Transaction, with no goodwill or other intangible assets recorded. Comparative information prior to the Recapitalization Transaction in these financial statements are those of Seller and the accumulated deficit of Seller has been carried forward after the Recapitalization Transaction. Shares of common stock issued and outstanding prior to the Recapitalization Transaction have been retroactively restated reflecting the exchange ratio established in the Recapitalization Transaction to effect the reverse recapitalization (1 Seller share for 0.112 HYMC share).

For more information regarding debt issuances and extinguishments, royalty obligations, and warrant issuances related to the Recapitalization Transaction see *Note 9 - Debt, Net*, *Note 10 - Deferred Gain on Sale of Royalty*, and *Note 11 - Warrants*.

HYCROFT MINING HOLDING CORPORATION
Notes to Consolidated Financial Statements

4. Inventories

The following table provides the components of *Inventories* and the estimated recoverable gold ounces therein (dollars in thousands):

	September 30, 2021		December 31, 2020	
	Amount	Gold Ounces	Amount	Gold Ounces
Current inventories:				
Materials and supplies	$ 7,590	—	$ 6,449	—
Merrill-Crowe process plant	763	407	4,810	2,587
Carbon-in-column	3,399	2,052	299	166
Finished goods (doré and off-site carbon)	5,081	2,924	1,309	710
Non-current inventories:				
Stockpiles[(1)]	—	4,996	—	—
Total	$ 16,833	10,379	$ 12,867	3,463

(1) During 2021, the Company began stockpiling sulfide ore. The Company intends to use the stockpiles for testing related to the two-stage heap oxidation and leach process or for future processing through a mill and subsequent oxidation process. As of September 30, 2021, stockpiles had a value of $Nil due to the net realizable value analysis performed by the Company as discussed in the *Mine site period costs* section below.

As of September 30, 2021 and December 31, 2020, in-process inventories and finished goods inventories included $0.5 million and $0.3 million, respectively of capitalized depreciation and amortization costs.

The following table summarizes *Ore on leach pads* and the estimated recoverable gold ounces therein (dollars in thousands):

	September 30, 2021		December 31, 2020	
	Amount	Gold Ounces	Amount	Gold Ounces
Ore on leach pads, current	$ 29,588	17,454	$ 38,041	21,869
Ore on leach pads, non-current	6,142	3,612	7,243	4,164
Total	$ 35,730	21,066	$ 45,284	26,033

As of September 30, 2021 and December 31, 2020, the current portion of *Ore on leach pads* included $1.6 million and $1.8 million, respectively of capitalized depreciation and amortization costs. Additionally, as of September 30, 2021 and December 31, 2020 the non-current portion of *Ore on leach pads* included $0.4 million and $0.4 million respectively, of capitalized depreciation and amortization costs.

Write-down of production inventories

The estimated recoverable gold ounces placed on the leach pads are periodically reconciled by comparing the related ore contents to the actual gold ounces recovered (metallurgical balancing). As the Company did not experience a reduction in ounces expected to be recovered from the leach pads during 2021 to date, the Company did not record a *Write-down of production inventories* during the three and nine months ended September 30, 2021.

During the three and nine months ended September 30, 2020, based on metallurgical balancing results, the Company determined that 6,512 and 10,492 ounces of gold, respectively, that had been placed on the leach pads were no longer recoverable and recognized a *Write-down of production inventories* on the consolidated statements of operations, which included *Production costs* of $10.2 million and $16.7 million, respectively, and capitalized depreciation and amortization costs of $0.8 million and $1.2 million, respectively. The write-off of ounces during the three and nine months ended September 30, 2020 were primarily due to mismanagement of the oxidation process, improper adjustments to variables in the oxidation process for changes in the ore type based on domain, and improper solution management. As a result, the Company determined it would recover less gold ounces than planned for those sections of the leach pads.

HYCROFT MINING HOLDING CORPORATION
Notes to Consolidated Financial Statements

Mine site period costs

The following table summarize the components of *Mine site period costs* (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Production related costs	$ 10,956	$ 13,394	$ 23,341	$ 32,024
Capitalized depreciation and amortization	511	836	1,104	2,268
Total	$ 11,467	$ 14,230	$ 24,445	$ 34,292

Mine site period costs are generally the result of recurring or significant downtime or delays, unusually high levels of repairs, inefficient operations, overuse of processing reagents, inefficient cost-volume structures, or other unusual costs and activities, and cannot be recorded to production-related inventories based on the threshold established by the calculation of the estimated net realizable value per ounce of gold, which incorporates estimated future processing, refining, and selling costs, as well as the value for silver by-product.

5. Prepaids and Other, Net

The following table provides the components of *Prepaids and other, net* and *Other assets* (dollars in thousands):

	September 30, 2021	December 31, 2020
Prepaids and other, net		
Prepaids		
Insurance	$ 2,191	$ 1,847
Prepaid supplies inventory	1,770	—
Mining claims and permitting fees	1,283	417
License fees	207	259
Equipment mobilization	—	423
Other	7	252
Deposits	208	1,105
Total	$ 5,666	$ 4,303
Other assets, non-current		
Equipment not in use	$ 12,238	$ 12,238
Royalty - advance payment	600	360
Prepaid supplies inventory	—	885
Total	$ 12,838	$ 13,483

Deposits

During the third quarter of 2021, the Company determined that additional equipment was no longer expected to be purchased under the current mine plan. Accordingly, a full reserve was applied against a $0.9 million deposit previously paid by the Company to an equipment supplier.

Equipment not in use

As of September 30, 2021, equipment not in use was classified as *Other assets* and included ball mills, SAG mills, regrind mills, and related motors and components that were previously purchased by a predecessor of the Company. During the second quarter of 2020, the Company engaged an international equipment broker to advertise equipment not in use for potential sale. As a result, the Company recorded an adjustment of $5.3 million to the carrying value during the third quarter of 2020 to reflect the fair market value of the equipment not in use. As of September 30, 2021, the equipment remains not in use and it is uncertain if the Company will sell any of the equipment within one year.

Prepaid supplies inventory

The Company has multiple inventory consignment agreements with certain of its suppliers of parts used in the crushing, drilling, and blasting processes that require the supplier to maintain a specified inventory of replacement parts and components that are exclusively for purchase and use at the Hycroft Mine. As part of the agreements, the Company is required to make certain payments in advance of receiving such consignment inventory at the mine site. The Company records advance payments as prepaid supplies inventory within *Other assets* until such inventory is received, at which point, the amounts are reclassified to *Inventories.*

Royalty - advance payment

As of September 30, 2021, royalty-advance payments included annual advance payments for a portion of the Hycroft Mine that is subject to a mining lease requiring a 4% net profit royalty be paid to the owner of certain patented and unpatented mining claims. Refer to *Note 20 - Commitments and Contingencies* for further detail.

6. Plant, Equipment, and Mine Development, Net

The following table provides the components of *Plant, equipment, and mine development, net* (dollars in thousands):

	Depreciation Life or Method	September 30, 2021	December 31, 2020
Leach pads	Units-of-production	$ 17,708	$ 17,432
Process equipment	5 - 15 years	17,597	16,065
Buildings and leasehold improvements	10 years	10,507	10,507
Mine equipment	5 - 7 years	8,242	5,961
Vehicles	3 - 5 years	1,454	991
Furniture and office equipment	7 years	352	322
Mine development	Units-of-production	6,673	756
Mineral properties	Units-of-production	37	37
Construction in progress and other		36,529	33,185
		$ 99,099	$ 85,256
Less, accumulated depreciation and amortization		(29,322)	(25,033)
Total		$ 69,777	$ 60,223

Mine development

During the nine months ended September 30, 2021, the Company incurred costs of $5.9 million related to metallurgical testing and drill work.

Construction in progress and other

The primary project included in construction in progress as of September 30, 2021 was construction of a new larger leach pad, which continued through February 2021 at which time construction was suspended ($3.2 million, including $0.7 million of capitalized interest), resulting in construction costs for the new larger leach pad of $34.1 million since commencing construction in 2020.

7. Restricted Cash

The following table provides the components of *Restricted cash* (dollars in thousands):

	September 30, 2021	December 31, 2020
Reclamation and other surety bond cash collateral	$ 34,293	$ 39,677

As of September 30, 2021, the Company's BLM reclamation and similar obligations were secured with surety bonds totaling $59.3 million, which were partially collateralized by the *Restricted cash* shown above. During the nine months ended September 30, 2021 the Company replaced certain surety bonds with new surety bonds with lower cash collateral requirements, resulting in an approximate $5.4 million reduction in restricted cash.

8. Other Liabilities

The following table summarizes the components of current and non-current portions of *Other liabilities* (dollars in thousands):

	September 30, 2021	December 31, 2020
Other liabilities, current		
Accrued compensation	$ 2,849	$ 1,560
Salary continuation payments	1,653	1,215
Restricted stock units	736	913
Deferred payroll tax liability	471	436
Excise tax liability	100	—
Accrued directors' fees	38	33
Total	$ 5,847	$ 4,157
Other liabilities, non-current		
Salary continuation payments	$ 70	$ 1,145
Deferred payroll tax liability	471	505
Total	$ 541	$ 1,650

Salary continuation payments

The Company has entered into separation agreements with former executives that provide for, among other things, continuation of such former executives' salaries and certain benefits for periods of 12-24 months from the date of separation. Refer to *Note 22 - Subsequent Events* for further details on the separation agreements.

Deferred payroll tax liability

Under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Company has deferred payment of certain employer payroll taxes, with 50% due December 31, 2021 and 50% due December 31, 2022.

9. Debt, Net

Debt covenants

The Company's debt agreements contain representations and warranties, events of default, restrictions and limitations, reporting requirements, and covenants that are customary for agreements of these types.

As of September 30, 2021, the Company was in compliance with all covenants under its debt agreements. Refer to *Note 22 - Subsequent Events* for further details on the Company's debt covenants.

HYCROFT MINING HOLDING CORPORATION
Notes to Consolidated Financial Statements

Debt balances

The following table summarizes the components of *Debt, net* (dollars in thousands):

	September 30, 2021	December 31, 2020
Debt, net, current:		
Sprott Credit Agreement[1]	$ 13,185	$ 5,274
Note payable[2]	125	—
Less, debt issuance costs	(565)	(154)
Total	$ 12,745	$ 5,120
Debt, net, non-current:		
Subordinated Notes	$ 91,316	$ 84,797
Sprott Credit Agreement, net of original issue discount ($8.2 million, net)	57,082	61,894
Note payable[2]	364	—
Less, debt issuance costs	(2,573)	(4,026)
Total	$ 146,189	$ 142,665

(1) As of September 30, 2021 amount included: (i) $2.2 million of Additional Interest, as defined in the Sprott Credit Agreement and (ii) $11.0 million scheduled principal payments under the Sprott Credit Agreement, all due in the next twelve months. As of December 31, 2020, amount included $1.6 million of Additional Interest (as defined in the Sprott Credit Agreement) plus 5.0% of the Company's outstanding debt balance under the Sprott Credit Agreement.

(2) During the first quarter of 2021, the Company financed the $0.4 million purchase of a rental fuel/lube truck with a note payable to the vendor with an interest rate of 0.99%, requiring equal monthly payments for 48 months. During the third quarter of 2021, the Company financed a $0.1 million purchase of three Ford trucks with a note payable to the vendor with an interest rate of 4.54%, requiring equal monthly payments for 60 months.

The following table summarizes the Company's contractual payments of *Debt, net*, including current maturities, for the five years subsequent to September 30, 2021 (dollars in thousands):

July 1, 2021 through December 31, 2021	$ 4,242
2022	16,980
2023	24,298
2024	24,301
2025	103,470
Total	173,291
Less, original issue discount, net of amortization ($5.8 million)	(11,219)
Less, debt issuance costs, net of amortization ($1.8 million)	(3,138)
Total debt, net	$ 158,934

Interest expense, net of capitalized interest

The following table summarizes the components of recorded *Interest expense, net of capitalized interest* (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Sprott Credit Agreement	$ 2,820	$ 2,526	$ 8,227	$ 3,322
Subordinated Notes	2,227	2,018	6,520	2,729
Amortization of debt issuance costs	358	336	1,043	1,643
Other interest expense	56	—	40	8
2.0 Lien Notes	—	—	—	12,902
1.5 Lien Notes	—	—	—	8,635
1.25 Lien Notes	—	—	—	6,218
First Lien Agreement	—	—	—	4,575
Promissory Note	—	—	—	141
Capitalized interest	—	(561)	(654)	(895)
Total	$ 5,461	$ 4,319	$ 15,176	$ 39,278

The Company capitalizes interest to *Plant, equipment, and mine development, net* for construction projects in accordance with ASC Topic 835, *Interest*. Interest expense incurred under the Subordinated Notes is payable-in-kind. In May 2021, the Company began paying cash for interest expense incurred under the Sprott Credit Agreement. Prior to May 2021, interest expense incurred under the Sprott Credit Agreement was payable-in-kind.

10. Deferred Gain on Sale of Royalty

On May 29, 2020, the closing date of the Recapitalization Transaction, the Company and Sprott Private Resource Lending II (Co) Inc. (the "Payee") entered into a royalty agreement with respect to the Hycroft Mine (the "Sprott Royalty Agreement") in which Payee paid to the Company cash consideration in the amount of $30.0 million, for which the Company granted to Payee a perpetual royalty equal to 1.5% of the Net Smelter Returns from its Hycroft Mine, payable monthly. Net Smelter Returns for any given month are calculated as Monthly Production multiplied by the Monthly Average Gold Price and the Monthly Average Silver Price, minus Allowable Deductions, as such terms are defined in the Sprott Royalty Agreement. The Company is required to remit royalty payments to the Payee free and clear and without any present or future deduction, withholding, charge or levy on account of taxes, except Excluded Taxes as such term is defined in the Sprott Royalty Agreement.

The Company has the right to repurchase up to 33.3% (0.5% of the 1.5% royalty) of the royalty on each of the first and second anniversaries from May 29, 2020. The Company did not exercise its right to repurchase 0.5% on the first anniversary. The Sprott Royalty Agreement is secured by a first priority lien on certain property of the Hycroft Mine, including: (1) all land and mineral claims, leases, interests, and rights; (2) water rights, wells, and related infrastructure; and (3) stockpiles, buildings, structures, and facilities affixed to, or situated on, the Hycroft Mine, which ranks senior to security interests and liens granted pursuant to the Sprott Credit Agreement. In addition to the terms generally described above, the Sprott Royalty Agreement contains other terms and conditions commonly contained in royalty agreements of this nature.

During the three and nine months ended September 30, 2021, the Company recorded amortization of its deferred gain on the sale of its royalty of approximately $0.1 million and $0.1 million, respectively, and made payments of $1.0 million and $2.0 million, respectively. As of September 30, 2021, $0.1 million of the deferred gain from the sale of its royalty was recorded as a current liability based upon the estimated gold and silver expected to be produced over the next 12 months, using the current mine plan, and current proven and probable mineral reserves.

11. Warrants

The following table summarizes the Company's outstanding warrants (dollars in thousands):

	Balance at January 1, 2021		Fair Value Adjustments[1]		Transfers to an Unrelated Third Party		Balance at September 30, 2021	
	Warrants	Amount	Warrants	Amount	Warrants	Amount	Warrants	Amount
Warrant liabilities								
5-Year Private Warrants	9,888,415	$ 15,326	—	$ (10,917)	(394,863)	$ (284)	9,493,552	$ 4,125
Seller Warrants	12,721,901	63	—	(38)	—	—	12,721,901	25
Total	22,610,316	$ 15,389	—	$ (10,955)	(394,863)	$ (284)	22,215,453	$ 4,150
Equity classified warrants								
5-Year Public Warrants	24,401,483	$ 28,619	—	$ —	394,863	$ 284	24,796,346	$ 28,903
Public Offering Warrants	9,583,334	12,938	—	—	—	—	9,583,334	12,938
Total	33,984,817	$ 41,557	—	$ —	394,863	$ 284	34,379,680	$ 41,841

(1) Liability classified warrants are subject to fair value remeasurement at each balance sheet date in accordance with ASC 814-40, Contracts on Entity's Own Equity. As a result, fair value adjustments related exclusively to the Company's liability classified warrants. Refer to *Note 18 - Fair Value Measurements* for further detail on the fair value of the Company's liability classified warrants.

The following table summarizes additional information on the Company's outstanding warrants:

	Exercise Price	Exercise Period	Expiration Date	Warrants Outstanding
Warrant liabilities				
5-Year Private Warrants	$ 11.50	5 years	May 29, 2025	9,493,552
Seller Warrants	40.31	7 years	October 22, 2022	12,721,901
Equity classified warrants				
5-Year Public Warrants	$ 11.50	5 years	May 29, 2025	24,796,346
Public Offering Warrants	10.50	5 years	October 6, 2025	9,583,334

Warrant liabilities

5-Year Private Warrants

Prior to the Recapitalization Transaction, MUDS issued 7,740,000 warrants to purchase 7,740,000 shares of common stock, and concurrently with the Recapitalization Transaction, the Company issued 2,500,000 private placement warrants as part of a forward purchase unit offering (collectively, the "5-Year Private Warrants"). Refer to *Note 3 - Recapitalization Transaction* for further detail on the Recapitalization Transaction. The 5-Year Private Warrants cannot be redeemed and can be exercised on a cashless basis if the 5-Year Private Warrants are held by the initial purchasers or their permitted transferees. If the 5-Year Private Warrants are transferred to someone other than the initial purchasers or their permitted transferees (an "Unrelated Third Party"), such warrants become redeemable by the Company under substantially the same terms as the 5-Year Public Warrants. Since the original issue of private warrants, transfers to an Unrelated Third Party totaled 746,448, including 351,585 and 394,863 in the year ended 2020 and in the nine months ended September 30, 2021, respectively, and therefore became classified as 5-Year Public Warrants.

Seller Warrants

In connection with the Recapitalization Transaction, the Company assumed the obligations and liabilities under that certain warrant agreement, dated as of October 22, 2015, by and between Seller and Computershare Inc., a Delaware corporation, and its wholly owned subsidiary Computershare Trust Company, N.A., a federally chartered trust company, collectively as initial warrant agent; and Continental Stock Transfer & Trust Company, LLC was named as the successor warrant agent (the “Seller Warrant Agreement”). Pursuant to the assumption of the Seller Warrant Agreement, the warrants issued thereunder (the “Seller Warrants”) became exercisable into shares of common stock.

Under the Seller Warrant Agreement, certain adjustments are required to be made to: (i) the exercise price of each Seller Warrant; and (ii) the number of shares of common stock issuable upon exercise of each Seller Warrant upon issuing shares of common stock to “Restricted Persons” as defined in the Seller Warrant Agreement. As of September 30, 2021, the exercise price of each Seller Warrant was $40.31 per share of common stock and the number of shares of common stock issuable upon exercise of each Seller Warrant was 0.28055. As a result, an aggregate of 3,569,129 shares of common stock are issuable upon exercise of the 12,721,901 outstanding Seller Warrants. The Seller Warrants are listed on the Nasdaq Capital Market under the symbol "HYMCZ".

Equity classified warrants

5-Year Public Warrants

Prior to the Recapitalization Transaction, MUDS issued 20,800,000 units, with each unit consisting of one share of common stock and one warrant to purchase one share of common stock (the "IPO Warrants"), and concurrently with the Recapitalization Transaction, the Company issued 3,249,999 warrants upon substantially similar terms as part of a backstop unit offering (the "Backstop Warrants" and collectively with the IPO Warrants, the "5-Year Public Warrants"). Refer to *Note 3 - Recapitalization Transaction* for further detail on the Recapitalization Transaction. The Company has certain abilities to call the 5-year Public Warrants if the last reported sale price of common stock equals or exceeds $18.00 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period. The 5-Year Public Warrants (other than the Backstop Warrants) are listed for trading on the Nasdaq Capital Market under the symbol "HYMCW".

Public Offering Warrants

On October 6, 2020, the Company issued 9,583,334 units in an underwritten public offering (the "Public Offering"), with each unit consisting of one share of common stock and one warrant to purchase one share of common stock (the "Public Offering Warrants"). Of the 9.6 million units issued, 5.0 million units were issued to Restricted Persons, as defined under the Seller Warrant Agreement. The Public Offering Warrants are immediately exercisable and entitle the holder thereof to purchase one share of common stock. The Company has certain abilities to call such Public Offering Warrants if the last reported sale price of common stock equals or exceeds $17.00 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period. The shares of common stock and Public Offering Warrants were separated upon issuance in the Public Offering. The Public Offering Warrants are listed for trading on the Nasdaq Capital Market under the symbol "HYMCL".

12. Asset Retirement Obligation ("ARO")

The following table summarizes changes in the Company's ARO (dollars in thousands):

	September 30, 2021	December 31, 2020
Balance, beginning of period	$ 4,785	$ 4,374
Accretion expense	306	374
Changes in estimates	—	37
Balance, end of period	$ 5,091	$ 4,785

During the nine months ended September 30, 2021, the Company did not incur any additional reclamation obligations associated with additional disturbances, or other regulatory requirements. The Company estimates that no significant reclamation expenditures associated with the ARO will be made until 2047 and that reclamation work will be completed by the end of 2065. During the nine months ended September 30, 2021, there were no events or changes to the Company's regulatory environment or new or additional disturbances that would require a change to the Company's ARO due to changes in estimates. As a result, the Company did not record any adjustments to the ARO.

13. Revenues

The table below is a summary of the Company's gold and silver sales (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
	Amount	Ounces Sold	Amount	Ounces Sold	Amount	Ounces Sold	Amount	Ounces Sold
Gold sales	$ 29,129	16,354	$ 11,623	6,056	$ 77,570	43,244	$ 29,234	16,854
Silver sales	2,547	105,478	668	27,251	9,143	352,480	1,817	97,954
Total	$ 31,676		$ 12,291		$ 86,713		$ 31,051	

While the Company is not obligated to sell any of its gold and silver to one customer, the majority of gold and silver sales during both of the nine months ended September 30, 2021 and 2020 were to three customers. For the three and nine months ended September 30, 2021, approximately 74.1% and 78.2% of revenue was attributable to sales to the same customer, respectively. For the three and nine months ended September 30, 2020, approximately 53.8% and 69.1% of revenue was attributable to sales to one customer, respectively.

During the third quarter of 2021, the Company received $1.6 million in sales consideration for which the Company had not satisfied its performance obligation under its contract with the customer as of September 30, 2021. Such consideration received is included in *Deferred revenue.*

14. Stock-Based Compensation

Performance and Incentive Pay Plan ("PIPP")

As of September 30, 2021, all awards granted under the PIPP were in the form of restricted stock units to employees or consultants of the Company. Restricted stock units granted under the PIPP without performance-based vesting criteria typically vest in either equal annual installments over two to three years, or in entirety on the fourth anniversary after the grant date. Awards granted with performance-based vesting criteria typically vest in annual installments over two or three years subject to the achievement of certain financial and operating results of the Company. Certain restricted stock units granted to non-employee directors vested immediately while others vest in equal installments over a two to three year period. As of September 30, 2021 there were 361,239 shares available for issuance under the PIPP.

For restricted stock units granted in the first quarter of 2019 that had not vested as of September 30, 2021 a price per share was not determined as of the grant date. The number of shares of common stock of the Company to be issued upon vesting is to be calculated on the vesting date, which is either the second or third anniversary of the date of the grant, or the annual date the compensation committee determines the achievement of the corporate performance targets. Such unvested restricted stock unit awards are included in the non-current portion of *Other liabilities*. Refer to *Note 8 - Other Liabilities* for further detail.

The following table summarizes the Company's non-vested share awards granted under the PIPP:

	Nine Months Ended September 30, 2021
Non-vested at beginning of year[1]	545,696
Impact of fluctuations in share price	47,196
Granted	922,653
Canceled/forfeited[1]	(214,959)
Vested	(191,413)
Non-vested at end of period	1,109,173

(1) Amounts include liability-based awards for which the number of units awarded is not determined until the vesting date. The number of liability-based award units included in this amount are estimated using the market value of the Company's common shares as of September 30, 2021.

During the nine months ended September 30, 2021 and the year ended December 31, 2020, the Company reclassified $0.8 million and $1.8 million from the current portion of *Other liabilities* to *Additional paid-in capital* for restricted stock units that vested.

15. Income Taxes

The Company's anticipated annual tax rate is impacted primarily by the amount of taxable income associated with each jurisdiction in which its income is subject to income tax, permanent differences between the financial statement carrying amounts and tax basis of assets and liabilities.

During the three and nine months ended September 30, 2021, the Company recorded an income tax benefit of $0.1 million for discrete items related estimated tax payments submitted prior to the Recapitalization Transaction. The Company incurred no net income tax expense or benefit for the same periods of 2020. The effective tax rate for the three and nine months ended September 30, 2021, and 2020, was 0.2% and 0.0%, respectively. The effective tax rates differed from the statutory rate during each period primarily due to changes in the valuation allowance established to offset net deferred tax assets and a current tax benefit related to prior year return-to-provision true-up. The effective tax rate for the nine months ended September 30 2020 was less than the U.S. statutory rate which was due to the current year tax loss, offsetting the change in valuation allowance.

A new mining excise tax applied to gross proceeds became effective on July 1, 2021 following the passing of Assembly Bill 495 at the Nevada Legislative Session ended on May 31, 2021. The new excise tax is a tiered tax, with a highest rate of 1.1% and the first payment expected in April 2022.

The bill does not take into consideration expenses or costs incurred to generate gross proceeds. Therefore, this tax will be treated as a gross receipts tax and not as a tax based on income. As a result, this new tax will be reported as a component of *Cost of sales* and not as income tax expense. As of September 30, 2021, the Company has accrued $0.1 million related to the annual excise tax, included in *Accounts payable and accrued expenses*.

HYCROFT MINING HOLDING CORPORATION
Notes to Consolidated Financial Statements

16. Loss Per Share

The table below summarizes the Company's basic and diluted loss per share calculations (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	$ (23,213)	$ (32,278)	$ (41,328)	$ (117,608)
Weighted average shares outstanding				
Basic	60,114,358	50,160,080	59,989,457	23,059,068
Diluted	60,114,358	50,160,080	59,989,457	23,059,068
Basic loss per common share	$ (0.39)	$ (0.64)	$ (0.69)	$ (5.10)
Diluted loss per common share	$ (0.39)	$ (0.64)	$ (0.69)	$ (5.10)

Basic and diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Loss per share amounts in the 2020 period exclude the common share effects from certain of Seller's debt instruments, which are reflected in the 2021 period.

Due to the Company's net loss during the three and nine months ended September 30, 2021 and 2020, there was no dilutive effect of common stock equivalents because the effects of such would have been anti-dilutive. The following table summarizes the shares excluded from the weighted average number of common shares outstanding, as the impact would be anti-dilutive (in thousands):

	September 30,	
	2021	2020
Warrants	56,595	37,500
Restricted stock units	1,190	149
Total	57,785	37,649

HYCROFT MINING HOLDING CORPORATION
Notes to Consolidated Financial Statements

17. Segment Information

The Company's reportable segments are comprised of operating units that have revenues, earnings or losses, or assets exceeding 10% of the respective consolidated totals, and are consistent with the Company’s management reporting structure. Each segment is reviewed by the executive decision-making group to make decisions about allocating the Company's resources and to assess their performance. The tables below summarize the Company's segment information (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	Hycroft Mine	Corporate and Other	Total	Hycroft Mine	Corporate and Other	Total
2021						
Revenue - Note 13	$ 31,676	$ —	$ 31,676	$ 86,713	$ —	$ 86,713
Cost of sales	43,660	—	43,660	106,563	—	106,563
Other operating costs	3,362	3,313	6,675	5,082	12,271	17,353
Loss from operations	(15,346)	(3,313)	(18,659)	(24,932)	(12,271)	(37,203)
Interest expense, net of capitalized interest - Note 9	—	(5,461)	(5,461)	—	(15,176)	(15,176)
Fair value adjustment to warrants - Notes 11 and 18	—	812	812	—	10,956	10,956
Loss before income taxes	$ (15,346)	$ (7,962)	$ (23,308)	$ (24,932)	$ (16,491)	$ (41,423)
Income tax benefit	—	95	95	—	95	95
Net loss	$ (15,346)	$ (7,867)	$ (23,213)	$ (24,932)	$ (16,396)	$ (41,328)
2020						
Revenue - Note 13	$ 12,291	$ —	$ 12,291	$ 31,051	$ —	$ 31,051
Cost of sales	25,770	—	25,770	81,501	—	81,501
Other operating costs	5,424	5,711	11,135	5,611	18,149	23,760
Loss from operations	(18,903)	(5,711)	(24,614)	(56,061)	(18,149)	(74,210)
Interest expense, net of capitalized interest - Note 9	—	(4,319)	(4,319)	—	(39,278)	(39,278)
Fair value adjustment to warrants - Notes 11 and 18	—	(3,354)	(3,354)	—	(4,276)	(4,276)
Interest income	9	—	9	156	—	156
Net loss	$ (18,894)	$ (13,384)	$ (32,278)	$ (55,905)	$ (61,703)	$ (117,608)

18. Fair Value Measurements

Recurring fair value measurements

The following table sets forth by level within the fair value hierarchy, the Company's liabilities measured at fair value on a recurring basis (dollars in thousands).

	Hierarchy Level	September 30, 2021	December 31, 2020
Warrant liabilities			
5-Year Private Warrants	2	4,125	15,327
Seller Warrants	2	25	62
Total		$ 4,150	$ 15,389

5-Year Private Warrants

The 5-Year Private Warrants are valued using a Black-Scholes model that requires a variety of inputs including the Company's stock price, the strike price of the 5-Year Private Warrants, the risk-free rate, and the implied volatility. As the terms of the 5-Year Private Warrants are identical to the terms of the 5-Year Public Warrants except that the 5-Year Private Warrants, while held by the SPAC sponsor and/or SPAC underwriter and their permitted transferees, are precluded from mandatory redemption and are entitled to be exercise on a "cashless basis" at the holder's election, the implied volatility used in the Black-Scholes model is calculated using a Monte-Carlo model of the 5-Year Public Warrants that factors in the restrictive redemption and cashless exercise features of the 5-Year Private Warrants. The Company updates the fair value calculation on at least a quarterly basis, or more frequently if changes in circumstances and assumptions indicate a change from the existing carrying value.

Seller Warrants

As part of the Recapitalization Transaction, the Company assumed Seller's obligations under the Seller Warrant Agreement and the 12.7 million Seller Warrants outstanding became exercisable into shares of the Company's common stock. The Seller Warrant Agreement also contains certain terms and features to reduce the exercise price and increase the number of shares of common stock each warrant is exercisable into. As a result, Seller Warrants are considered derivative financial instruments and carried at fair value. The fair value of Seller Warrants was computed by an independent third-party consultant (and validated by the Company) using a Monte Carlo simulation-based model that requires a variety of inputs, including contractual terms, market prices, exercise prices, equity volatility and discount rates. The Company updates the fair value calculation on at least an annual basis, or more frequently if changes in circumstances and assumptions indicate a change from the existing carrying value. See *Note 11 - Warrants* for additional information on the Seller Warrants.

Items disclosed at fair value

Debt, net

The Sprott Credit Agreement and the Subordinated Notes are privately held and, as such, there is no public market or trading information available for such debt instruments. As of September 30, 2021 and December 31, 2020, the fair value of the Company's debt instruments was $161.8 million and $154.9 million, compared to the carrying value of $158.9 million and $147.8 million as of September 30, 2021 and December 31, 2020, respectively. The fair value of the principal of the Company's debt instruments, including capitalized interest, was estimated using a market approach in which pricing information for publicly traded, non-convertible debt instruments with speculative ratings were analyzed to derive a mean trading multiple to apply to the December 31, 2020 balances.

19. Supplemental Cash Flow Information

The following table provides supplemental cash flow information (dollars in thousands):

	Nine Months Ended September 30,	
	2021	2020
Cash interest paid	$ 2,153	$ 5,366
Significant non-cash financing and investing activities:		
Increase in debt from in-kind interest	13,696	—
Plant, equipment, and mine development acquired by note payable	538	—
Plant, equipment, and mine development additions included in accounts payable	424	3,713
Liability based restricted stock units transferred to equity	754	—
Exchange of Seller lien notes for HYMC common stock	—	208,713
Exchange of Seller lien notes for Subordinated Notes	—	80,000
Allocate and write-off Seller's debt issuance costs	—	8,202

20. Commitments and Contingencies

From time to time, the Company is involved in various legal actions related to its business, some of which are class action lawsuits. Management does not believe, based on currently available information, that contingencies related to any pending or threatened legal matter will have a material adverse effect on the Company's financial statements, although a contingency could be material to the Company's results of operations or cash flows for a particular period depending on the results of operations and cash flows for such period. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, and other factors.

The Company has deductible-based insurance policies for certain losses related to general liability, workers' compensation and automobile coverage. The Company records accruals for contingencies related to its insurance policies when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or additional information becomes available. Insurance losses for claims filed and claims incurred but not reported are accrued based upon estimates of the aggregate liability for uninsured claims using historical loss development factors and actuarial assumptions followed in the insurance industry.

Financial commitments not recorded in the financial statements

As of September 30, 2021 and December 31, 2020, the Company's off-balance sheet arrangements consisted of operating lease agreements, a net profit royalty arrangement, and a future purchase obligation for consignment inventory.

Operating leases

During the year ended December 31, 2020, the Company signed two leases for the rental of mining equipment. The operating leases for mobile mining equipment are used to supplement the Company's own fleet. Each lease has less than a year remaining as of September 30, 2021. The total remaining minimum lease payments for the two leases was approximately $0.9 million as of September 30, 2021.

During the first quarter of 2021, the Company executed an operating lease agreement for a new large wheel loader with equal monthly payments of $0.1 million payable over four years, in addition to monthly maintenance payments based upon a fixed rate per service maintenance units. The total remaining minimum lease payments for this lease was approximately $7.8 million (including maintenance payments of $3.4 million) as of September 30, 2021.

The Company also holds operating leases for office buildings. Rent expense is $0.1 million annually and the leases expire between July 2021 and January 2022.

Net profit royalty

A portion of the Hycroft Mine is subject to a mining lease that requires a 4% net profit royalty be paid to the owner of certain patented and unpatented mining claims. The mining lease also requires an annual advance payment of $120,000 every year mining occurs on the leased claims. All advance annual payments are credited against the future payments due under the 4% net profit royalty. An additional payment of $120,000 is required for each year total tons mined on the leased claims exceeds 5.0 million tons. As of September 30, 2021 total tons mined from the leased claims exceeded 5.0 million tons, for which the Company remitted the required additional payment of $120,000 during the third quarter of 2021. The total payments due under the mining lease are capped at $7.6 million, of which the Company has paid or accrued $3.0 million and included $0.6 million in *Other assets* in the consolidated balance sheets as of September 30, 2021.

Net smelter royalty

Pursuant to the Sprott Royalty agreement in which the Company received cash consideration in the amount of $30.0 million, the Company granted a perpetual royalty equal to 1.5% of the Net Smelter Returns from its Hycroft Mine, payable monthly. Net Smelter Returns for any given month are calculated as Monthly Production multiplied by the Monthly Average Gold Price and the Monthly Average Silver Price, minus Allowable Deductions, as such terms are defined in the Sprott Royalty Agreement. The Company is required to remit royalty payments to the payee free and clear and without any present or future deduction, withholding, charge or levy on account of taxes, except Excluded Taxes as such term is defined in the Sprott Royalty Agreement.

As of September 30, 2021 and December 31, 2020, the estimated net present value of the Company’s net smelter royalty was $106.4 million and $148.4 million, respectively. The net present value of the Company's net smelter royalty was modeled using the following level 3 inputs: (i) market consensus inputs for future gold and silver prices; (ii) a precious metals industry consensus discount rate of 5.0%; and (iii) estimates of the Hycroft Mine’s life-of-mine gold and silver production volumes and timing.

21. Related Party Transactions

Certain amounts of the Company's indebtedness have historically, and with regard to the $80.0 million of Subordinated Notes, are currently, held by five financial institutions. As of September 30, 2021, three of the financial institutions, Highbridge Capital Management, LLC (“Highbridge”), Mudrick Capital Management, L.P (“Mudrick”) and, Whitebox Advisors, LLC (“Whitebox”), held more than 10% of the common stock of the Company and, as a result, each are considered a related party (the "Related Parties") in accordance with ASC 850, *Related Party Disclosures*. For the three and nine months ended September 30, 2021, *Interest expense, net of capitalized interest* included $1.9 million and $5.5 million, respectively, for the debt held by Related Parties. For the three and nine months ended September 30, 2020, *Interest expense, net of capitalized interest* included $1.7 million and $29.5 million, respectively, for the debt held by Related Parties. As of September 30, 2021 and December 31, 2020, the Related Parties held a total $76.7 million and $71.2 million, respectively, of debt. Additionally, during 2020, the Company's Compensation Committee and Board of Directors approved annual Director compensation arrangements for non-employee directors, of which $0.2 million is payable to Mudrick as of September 30, 2021. During the three months ended September 30, 2021, the Company paid $0.03 million to Mudrick and Mudrick vested in 5,047 restricted stock units that will convert into the same number of shares of the Company's common stock upon the Mudrick representative no longer serving on the Company's Board of Directors.

In connection with the closing of the Public Offering on October 6, 2020, Highbridge and Mudrick acquired 833,333, and 3,222,222 of the units, consisting of shares of common stock and Public Offering Warrants, issued in the Public Offering, respectively. Refer to *Note 11 - Warrants* for further information.

Additionally, during the nine months ended September 30, 2021, the Company paid $0.2 million to Ausenco Engineering USA South ("Ausenco") for work performed on preparing an Acid POX milling technical study. Diane Garrett is currently an non-executive director on Ausenco's Board of Directors.

22. Subsequent Events

Waiver and amendment of certain compensatory arrangements

On October 6, 2021, the Company entered in a Waiver and Amendment to the Transition and Succession Agreement and Consulting Agreement with Randy Buffington, the former Chairman of the Board, President and Chief Executive Officer of the Company. The Waiver and Amendment amends the Transition and Succession Agreement and the Consulting Agreement between the Company and Mr. Buffington, dated July 1, 2020. The Waiver and Amendment terminated the remaining unpaid cash payments to Mr. Buffington pursuant to the Transition and Succession Agreement and Consulting Agreement in the aggregate amount of $0.7 million, in exchange for the issuance of an aggregate of up to 275,000 shares of the Company's common stock, of which 137,500 was issued on October 8, 2021, and the remaining shares to be issued on June 30, 2022.

Waiver of certain Sprott Credit Agreement provisions

On November 9, 2021, the Company entered into a waiver (the “Waiver”) with Sprott Private Resource Lending II (Collector), LP (the “Lender”) of certain provisions of the Sprott Credit Agreement. Pursuant to the Waiver, the Lender has: (i) permitted the Company to cease active mining operations; and (ii) to reduce the amount of unrestricted cash required to be maintained by the Company from not less than $10.0 million to not less than $9.0 million for the period ending May 10, 2022.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion, which has been prepared based on information available to us as of November 10, 2021, provides information that we believe is relevant to an assessment and understanding of our consolidated operating results and financial condition. As a result of the completion of the Recapitalization Transaction, the financial statements of Seller are now the financial statements of the Company. Prior to the Recapitalization Transaction, the Company had no operating assets but, upon consummation of the Recapitalization Transaction, the business and operating assets of Seller sold to the Company became the sole business and operating assets of the Company. Accordingly, the financial statements of Seller and its subsidiaries as they existed prior to the Recapitalization Transaction and reflecting the sole business and operating assets of the Company going forward, are now the financial statements of the Company. The following discussion should be read in conjunction with our other reports filed with the U.S. Securities and Exchange Commission (the "SEC") as well as our consolidated financial statements (the "Financial Statements") and the notes thereto (the "Notes") included in this Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2021. Terms not defined herein have the same meaning defined in the Financial Statements and the Notes.

The following MD&A generally discusses our condensed consolidated financial condition and results of operations for 2021 and 2020 and year-to-year comparisons between 2021 and 2020.

Introduction to the Company

We are a U.S.-based gold and silver company that is focused on operating and developing our wholly owned Hycroft Mine in a safe, environmentally responsible, and cost-effective manner. Gold and silver sales represent 100% of our operating revenues and the market prices of gold and silver significantly impact our financial position, operating results, and cash flows. The Hycroft Mine is located in the State of Nevada and the corporate office is located in Denver, Colorado. The Hycroft Mine had proven and probable mineral reserves of 11.9 million ounces of gold and 478.5 million ounces of silver at December 31, 2020, as determined by deducting mineral reserves mined through December 31, 2020 from the mineral reserves estimated in the 2019 Technical Report. We are also evaluating alternative milling and processing methods for developing a commercial scale sulfide operation.

As discussed throughout this MD&A, including within the *Hycroft Mine* section, during the nine months ended September 30, 2021, while we have been able to achieve or improve on certain of our internal operating, processing, sales and production cost targets, because the Company is operating at a pre-commercial scale, it has incurred a net operating loss with negative cash flows before financing activities creating substantial doubt about our ability to continue as a going concern. Refer to the *Going Concern* subsection of the *Recent Developments* section of this MD&A for additional details.

Health and Safety

We believe that safety is a core value and we support that belief through our philosophy of safe work performance. Our mandatory mine safety and health programs include employee engagement and ownership of safety performance, accountability, employee and contractor training, risk management, workplace inspection, emergency response, accident investigation, and program auditing. This integrated approach is essential to ensure that our employees, contractors, and visitors operate safely.

During the first nine months of 2021, we reported no lost time accidents. The Hycroft Mine's total reportable incident frequency rate ("TRIFR") for the trailing twelve months, which includes other reportable incidents, is one of the metrics we use to assess safety performance, and it is well below industry averages and significantly below historical levels experienced at the Hycroft Mine. During the first nine months of 2021 we continued our critical focus on safety, including allocating additional personnel, resources, workforce time, and communications to mine safety. These actions contributed to a reduction in our TRIFR to approximately 0.41 at September 30, 2021, compared with approximately 2.30 at December 31, 2020, an approximate 82% reduction. We will continue our safety efforts to reach the level of safety we expect and need to keep our workforce, contractors, and visitors safe.

For health and safety actions specific to COVID-19, refer to the *Recent Developments* section of this MD&A.

Executive Summary

During the first nine months of 2021 we operated a conventional run-of-mine ("ROM") operation at 2020 pre-commercial scale using a mix of the Hycroft-owned mining fleet and a rental mining fleet. As a result of current and expected ongoing cost pressures for many of the reagents and consumables used at the Hycroft Mine, and the timeline for completing our updated technical studies in early 2022, effective immediately the Company is discontinuing pre-commercial scale mining at its ROM operation. We will continue producing gold and silver from ore on the leach pads as long as it is economic and will right-size the workforce to meet ongoing operational requirements. When the operation was started up in 2019, mining oxide and transition ore allowed the Company to pre-strip overburden with some revenue offset to gain access to commercial scale sulfides ore. With the change in focus from the two-stage heap oxidation and leach to a milling operation, there is ample time to align the remaining pre-stripping with the start-up of commercial scale sulfide operations. We believe that this action will conserve cash and focus the Company's time and resources on its technical studies for sulfide ore. The metallurgical and variability drill program is ongoing with drilling expected to be completed by the end of 2021 and metallurgical analysis and test work continuing through the first half of 2022.

The Company has previously discussed its strategy for developing an economic sulfide process for Hycroft. Based on the Company's findings to-date, including the analysis completed by an independent third-party research laboratory and the independent reviews by two metallurgical consultants, the Company does not believe the novel two-stage sulfide heap oxidation and leach process ("Novel Process"), as currently designed in the 2019 Technical Report, dated July 31 2019 ("2019 Technical Report"), is economic at current metal prices or those metal prices used in the 2019 Technical Report. Subject to the challenges discussed below, we will complete test work that is currently underway and may advance our understanding of the Novel Process in the future.

Following a review of past and recent test work and based on the currently contemplated designs and operating parameters of the alternative sulfide processing methods being studied including the Novel Process, and milling with Atmospheric Alkaline or Alkaline Oxidation ("POX"), the Company, working closely with its industry leading technical consultants, completed pit optimization runs and trade-off analyses comparing the alternative processes which reflected that an acid POX ("Acid POX") process has significantly better economics than other processes studied. Therefore, the Company is focusing its study efforts and resources solely on the Acid POX pre-feasibility study ("PFS") being prepared by Ausenco Engineering USA South Inc. ("Ausenco"), with completion expected in Q1 2022. The Acid POX process under study involves a conventional crushing, grinding, and flotation circuit that generates a concentrate to be fed to an autoclave facility commonly used for refractory gold ores in this region.

Operations highlights for the first nine months of 2021 included:

- Safety performance continued to improve with a 0.41 trailing 12-month total reportable incident frequency rate ("TRIFR") at the end of the third quarter of 2021, the lowest TRIFR achieved in the last 10 years at Hycroft. This represents an approximate 82% reduction in TRIFR compared with 2.30 at the end of 2020.
- Production in the third quarter of 2021 of 14,831 ounces of gold and 91,437 ounces of silver represented a 240% and 295% increase in ounces produced, respectively, compared with the corresponding quarter in 2020. As of the end of the third quarter, gold and silver production are approximately 91% and 75% of the mid-point of full-year 2021 guidance.
- Sales in the third quarter of 2021 were 16,354 ounces of gold (average realized price of $1,781 per ounce) and 105,478 ounces of silver (average realized price of $24.15 per ounce), contributing to a $19.4 million increase in revenue compared with third quarter of 2020.
- Despite the higher production and sales compared to the respective 2020 periods, we have consistently generated year-to-date losses and used cash in operating activities as a result of operating a pre-commercial scale direct leaching ROM operation with high relative operating costs due to insufficient recoveries resulting from lower grades mined combined with escalating prices of consumables and reagents. The $42.0 million reduction in cash since the beginning of the year was primarily due to cash used for operating activities of $27.1 million and cash used for investing activities of $11.9 million.
- On September 3, 2021, Hycroft announced drill results from the higher-grade Vortex Zone highlighted by 51.8 meters of 2.47 g/t gold and 25.5 g/t silver, some of the highest gold grades encountered at the Hycroft Mine.
- Metallurgical drilling continued through the third quarter of 2021 with 55 holes drilled to date totaling 51,166 feet. This drill program, as previously disclosed, is to complete the necessary variability and metallurgical work on geologic domains that were not sufficiently tested in the past but represent a significant portion of the estimated life-of-mine production.

Recent Developments

Going concern

As discussed in *Note 2 - Summary of Significant Accounting Policies* to the Notes to the Financial Statements, events and conditions exist that, when considered individually or in the aggregate, raise substantial doubt about our ability to continue as a going concern because without additional funding we may be unable to meet our obligations as they become due within one year after the date that the financial statements for the period ended September 30, 2021 were issued. Although we completed the Recapitalization Transaction during the 2020 second quarter and completed the underwritten public offering on October 6, 2020, for estimated proceeds net of discount and equity issuance costs of $83.1 million, using our internal forecasts and cash flow projection models, we currently project we will likely require additional cash from financing activities in six to nine months from the date of this Quarterly Report on Form 10-Q to meet our operating and investing requirements and future obligations as they become due.

Our ability to continue as a going concern is contingent upon securing additional funding for working capital, capital and project expenditures, satisfying debt covenants required under the Sprott Credit Agreement, and other corporate expenses so that we can continue to develop the Hycroft Mine by conducting targeted exploration and completing the necessary technical studies to determine the likely timeline to bring the sulfides into commercial scale operation. Historically, we have been dependent on various forms of debt and equity financing to fund our business. While we monitor and evaluate opportunities on an ongoing basis to appropriately fund the Company and address our going concern, currently we do not have any agreements or understandings to issue any securities, including any securities under the $500 million universal shelf that was filed in July 2021.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States with new variants of the virus. Efforts implemented by local and national governments, as well as businesses, including temporary closures, have had adverse impacts on local, national and global economies. We have implemented health and safety policies and protocols for employees, contractors, and visitors that follow guidelines published by the Center for Disease Control (CDC) and the Mine Safety and Health Administration (MSHA). During the first nine months of 2021, and the fourth quarter of 2020, our operations were limited by COVID-19 related absences, however the impact while negative, did not materially and adversely affect our operations. The extent of the impact of COVID-19 on our operational and financial performance going forward will depend on certain developments, including but not limited to the duration and continued spread of the outbreak and strand mutations, the availability and use of vaccines, the development of therapeutic drugs and treatments, and the direct and indirect impacts on our employees, vendors, and customers, all of which are uncertain and cannot be fully anticipated or predicted. Since the Hycroft Mine represents the entirety of our operations, any further COVID-19 outbreaks at the mine site or any governmental restrictions implemented to combat the pandemic could result in a partial or an entire shutdown of the Hycroft Mine itself, which would adversely impact our financial position, operating results, and cash flows.

During the third quarter of 2021, the site continued to manage COVID-19 control restrictions in accordance with state, national, and CDC guidelines and will continue to monitor and follow those guidelines going forward.

To date, COVID-19 related absences have limited our operations from time-to-time, but did not materially disrupt our operations. Additionally, we have not experienced any material disruptions to our supply chain because of COVID-19. However, we can provide no assurance that our operations will not be materially adversely affected by the COVID-19 pandemic in the future that could result from any worsening of the pandemic, the effect of mutating strains, additional outbreaks of the pandemic, actions taken to contain the pandemic’s spread or treat its impact, continued availability of vaccines, and their distribution, acceptance and efficacy, and governmental, business and individual actions taken in response to the pandemic including government-imposed regulations regarding, among other things, COVID-19 testing, vaccine mandates and related workplace restrictions.

Technical and operations review summary

The new leadership team established at the mine in late 2020 launched an extensive and detailed review of the Hycroft Mine and took immediate steps to rectify operational shortcomings, significantly reduce costs, and put in place an operating team aligned with the Company's long-term strategy to establish the Hycroft Mine as a safety-focused, long-life, low-cost gold and silver producer. Incident and near miss reporting improved as expected as the team initiated numerous campaigns to recognize, report and eliminate safety hazards. To date, the team has made significant strides at the Hycroft Mine through elevating the safety performance with a marked decrease in the twelve-month trailing TRIFR, improving the culture at Hycroft, and establishing operational improvements, including managing the leach pad operations with no write-off of leach pad ounces since the second quarter of 2020, and increasing operational efficiencies to reduce costs by idling high-cost equipment. In addition, a review of consumable consumption has resulted in lower costs by reducing consumption and utilizing vendors with lower unit costs. We have also continued to reduce our reliance on contractors which tend to be higher cost and less efficient.

In the fourth quarter of 2020, we formed a technical team to support the new leadership team in ongoing data analysis, developing processing models for future larger-scale sulfide leach operations and reviewing data and results from the pre-commercial leach pads. The technical team is comprised of Hycroft's technical team and industry leading consultants with expertise in metallurgy, open pit mining and heap leach processing, heap leach stacking and modeling and other process technologies, and the team also has access to a leading research and development laboratory. The mine site's process team and leadership in conjunction with the industry leading consultants focused its efforts on identifying and investigating opportunities for improvements in operating parameters in the sulfide heap oxidation and leach process and additional processing alternatives resulting in work plans as described in the following *2021 Outlook* section.

2021 Outlook

Our current operating plan is to: (i) operate safely as we cease pre-commercial scale open pit mining and continue to process heap leach inventory until it is no longer economic in order to conserve cash; (ii) complete the variability drilling and advance the associated metallurgical test work; (iii) conduct targeted exploration drilling; and (iv) advance the Acid POX technical study for sulfide ore. Based on the findings and results of that study, we plan to file a new technical report prior to or concurrent with our 2021 Annual Report on Form 10-K, that will include associated mineral reserves and mineral resources after which we plan to be in a position to provide an update in the second quarter of 2022 on the path forward for our commercial scale sulfide operations.

Technical Activities

During the first nine months of 2021, we continued to work alongside our industry leading consultants to provide additional and expanded information on the ore body and investigate opportunities for improvements in operating parameters for commercial scale operations at the Hycroft Mine. This information is critical in understanding the mineralogical properties of the deposit and ultimately the most economic processing technology for the various ore domains. Accordingly, we developed an approximate $10 million program for drilling and additional metallurgical and mineralogical studies in 2021 and early 2022. The program is expected to be completed in the first quarter of 2022, and the metallurgical test work portion of the program in the second quarter of 2022. As of September 30, 2021, we have spent $5.6 million under the program.

Ongoing and future technical work for the Hycroft Mine will be primarily focused on the PFS and technical report for the Acid POX milling for processing sulfide ore and completing the variability and metallurgical test work. We also plan to evaluate exploration opportunities targeting higher ore grades and expect to continue to advance the Novel Process as time and resources permit.

- *Exploration* – We have identified exploration drilling opportunities to follow up on higher grade areas that would benefit from expanded drilling in order to convert inferred blocks to measured or indicated blocks, and areas that are prospective for higher grade material. We have plans to opportunistically and cost effectively drill these areas as we have drilling capacity with the drill rigs that were contracted to complete the variability drilling program.
- *Mill sulfide processing options* – While our technical team has continued to progress and develop an understanding of the requirements for implementing the Novel Process on a commercial scale, we recently received a completed peer reviewed report from one of our independent technical consultants stating that, for reasons outlined below as well as increased commodity costs, it does not appear that the proprietary two-stage oxidation and leaching process as detailed in the 2019 Technical Report, will be economic as designed at current metal prices or those metal prices used in the 2019 Technical Report. Based on scoping level economic analyses on multiple processing options completed by our technical team, together with independent engineering firms and consultants and on the currently contemplated designs and operating parameters of the alternative sulfide milling processes being studied, we completed pit optimization runs comparing the alternative processes. The comparison indicates that using an Acid POX process is significantly more economic than the alternatives. Accordingly, we are focusing our efforts and resources solely on the pre-feasibility level technical study for milling and processing using an Acid POX process. We plan to file a new technical report that will include associated mineral reserves and mineral resources, as discussed in *2021 Outlook* above.
- *Two-stage sulfide heap oxidation and leach process* – As a result of challenges to consistently achieve targeted oxidation and recoveries from the Novel Process, our new technical and operating team, together with our industry leading metallurgical consultants, initiated detailed reviews of the technical information and prior work. We also had fresh samples of material from our Brimstone deposit metallurgically tested and launched a $10.0 million expanded variability drilling and metallurgical test program in late Q1 2021. While the variability metallurgical test work is on-going, the information to date supports our view that milling is likely the preferred method of processing sulfide ores at the Hycroft Mine. Additionally, while the chemistry of the two-stage sulfide oxidation and leach process has been confirmed, the commercial scale application of the process as currently understood will be economically challenged due to:
    - *Higher operating costs* - In the field work on the pre-commercial test pads, higher levels of soda ash were being applied to oxidize the transitional ore, and we were challenged to achieve the targeted oxidation levels consistently and repeatedly across the ore body. The test work has confirmed soda ash consumption is now estimated to be significantly in excess of what was estimated in the 2019 Technical Report. Moreover, the cost of soda ash and other reagents has increased substantially since 2019, which will negatively impact operating costs.
    - *Higher capital costs* - We identified a number of critical areas that had not been previously addressed and as a result, due to the implementation of on/off pads to avoid comingling solutions on the heap, the addition of a materials handling system, an agglomeration circuit and forced air injection pumping, capital costs are expected to be materially higher. Additionally, working capital is projected to be higher due to slower oxidation rates for some ores.
    - *Lower recoveries on some ores* - After reviewing all the column tests and considering additional factors in measuring oxidation and recovery rates, we were not able to consistently replicate a strong correlation between oxidation rates and gold recoveries. We believe that more test work is required before implementing this process in a commercial setting.

- *Finer crush size will be required* - The results from the Brimstone samples demonstrated that heavy silicification caused the gold in pyrite to be surrounded in gangue material which precluded oxidation and leach solutions from accessing and liberating the precious metals in pyrite at a ½ inch crush size. We believe that a milling operation is needed to achieve the finer grind size required to liberate the pyrite and allow solution contact.

We believe that more test and development work is required to demonstrate that this Novel Process can be applied successfully on a commercial scale and the analysis to date indicates the process may not be amenable to all ore domains at the Hycroft Mine. For the near term, we plan to complete the following test work which is important and will benefit all processing methods for the Hycroft Mine:

- *Column test work* - Column tests are being performed on sulfide ores mined during the nine months ended September 30, 2021 . These column tests will provide additional information for the Novel Process.

- *Variability test work* - The variability test work that is underway is necessary for all commercial scale sulfide processing options. The test work includes a suite of laboratory tests designed to:
    - understand the metallurgical characteristics of each geologic domain and their amenability to various processing technologies;
    - understand the metallurgical characteristics of sulfide material below the water table;
    - understand the role other minerals may play in the overall oxidation process;
    - determine amenability to oxidation in each geologic domain; and
    - establish a relationship between oxidation levels and gold recoveries across each geologic domain.

Hycroft Mine

Operations

The following table provides a summary of operating results for the Hycroft Mine:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Ore mined - sulfide stockpile	*(ktons)*	402	—	1,424	—
Ore mined - crusher feed	*(ktons)*	—	1,542	—	2,507
Ore mined - ROM	*(ktons)*	1,633	488	6,654	501
Total ore mined	*(ktons)*	2,035	2,030	8,078	3,008
Waste mined	*(ktons)*	1,559	1,345	4,516	1,437
Total mined	*(ktons)*	3,594	3,375	12,594	4,445
Waste tons to ore tons strip ratio	*(#)*	0.77	0.66	0.56	0.48
Ore grade mined - gold	*(oz/ton)*	0.015	0.015	0.014	0.014
Ore grade mined - silver	*(oz/ton)*	0.590	0.284	0.409	0.205
Production - gold	*(oz)*	14,831	4,357	45,532	12,342
Production - silver	*(oz)*	91,437	23,164	320,812	73,717
Ounces sold - gold	*(oz)*	16,354	6,056	43,244	16,854
Ounces sold - silver	*(oz)*	105,478	27,251	352,480	97,954
Average realized sales price - gold	*($/oz)*	$ 1,781	$ 1,919	$ 1,794	$ 1,735
Average realized sales price - silver	*($/oz)*	$ 24.15	$ 24.51	$ 25.94	$ 18.55

As shown above, tons mined, ounces produced, ounces sold and average realized prices increased during the nine months ended September 30, 2021, compared with the same period of the prior year due to higher tons mined in 2021. The average price decreased during the three months ended September 30, 2021 consistent with the decrease in the spot price of gold compared with the same period of the prior year. The crusher did not operate during the first nine months of 2021, as planned, as all mined ore was routed to the leach pad as ROM and sulfide ore encountered was stockpiled.

Production and sales in the first nine months of 2021 increased over the comparable 2020 period due to increased quantities of ROM ounces placed in the fourth quarter of 2020 and the first quarter of 2021. The recovered ounces produced in the first nine months of 2021 resulted from continued leach production of those existing inventory ounces, additional ounces placed under leach, higher leach solution flows to the pad, and improved recovery performance from the Brimstone plant.

Results of Operations

Revenues

Gold revenue

The table below summarizes gold sales, ounces sold and average realized prices for the following periods (dollars in thousands, except per ounce amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Gold revenue	$ 29,129	$ 11,623	$ 77,570	$ 29,234
Gold ounces sold	16,354	6,056	43,244	16,854
Average realized price (per ounce)	$ 1,781	$ 1,919	$ 1,794	$ 1,735

During the three and nine months ended September 30, 2021, gold revenue was $29.1 million and $77.6 million, respectively, compared to $11.6 million and $29.2 million for the comparable periods of 2020. The significant increase in revenue during the 2021 periods was attributable to the mine having more ore under leach as mining and processing operations increased beginning in the second quarter of 2020, resulting in higher production-related inventory balances and gold revenue during the three and nine months ended September 30, 2021. Gold revenue was also adversely affected during the three and nine months ended September 30, 2020 due to lower gold ounces available for sale as a result of write-downs of recoverable gold ounces on the leach pads (see *Note 4 - Inventories* to the Notes to the Financial Statements).

Silver revenue

The table below summarizes silver sales, ounces sold and average realized prices for the following periods (dollars in thousands, except per ounce amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Silver revenue	$ 2,547	$ 668	$ 9,143	$ 1,817
Silver ounces sold	105,478	27,251	352,480	97,954
Average realized price (per ounce)	$ 24.15	$ 24.51	$ 25.94	$ 18.55

During the three and nine months ended September 30, 2021, silver revenue was $2.5 million and $9.1 million, respectively, compared to $0.7 million and $1.8 million for the comparable periods of 2020. Similar to gold revenue, the increase in silver revenue during the third quarter of 2021 was attributable to the mine having more ore under leach as compared to the same 2020 period. During the nine-month period, we also benefited from favorable silver prices, which were over $7 per ounce higher compared to the same period of 2020. Silver revenue was also adversely affected during the three and nine months ended September 30, 2020 due to lower silver ounces available for sale as a result of write-downs of recoverable ounces on the leach pads.

<u>*Total cost of sales*</u>

Total cost of sales consists of *Production costs*, *Depreciation and amortization, Mine site period costs*, and *Write-down of production inventories*. The table below summarizes total cost of sales for the following periods (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Production costs	$ 30,616	$ 10,865	$ 77,927	$ 27,286
Depreciation and amortization	1,577	675	4,191	1,999
Mine site period costs	11,467	14,230	24,445	34,292
Write-down of production inventories	—	—	—	17,924
Total cost of sales	$ 43,660	$ 25,770	$ 106,563	$ 81,501

Production costs

For the three and nine months ended September 30, 2021, we recognized $30.6 million and $77.9 million, respectively, in *Production costs*, or $1,872 and $1,802, respectively, per ounce of gold sold, compared to $10.9 million and $27.3 million respectively, or $1,794 and $1,619 per ounce of gold, sold during the same period of 2020. The increase in *Production costs* was primarily due to a respective increase in the sales volumes of gold and silver of 10,298 and 26,390 ounces sold, respectively, at a higher average inventory cost per ounce during the three and nine months ended September 30, 2021 compared to the same periods of 2020. As discussed in the below *Mine site period costs* section, throughout 2020 and the nine months ended September 30, 2021, a high operating cost structure at current levels of production has resulted in *Mine site period costs* to adjust ending inventory values of gold that approximate the net realizable value per ounce of gold (after considering future costs to complete and sell) as determined in accordance with our accounting policies. Accordingly, production costs per ounce of gold sold has been partially limited by the impact of recognizing *Mine site period costs,* which lowers the carrying value of production-related inventories. Reductions in the spot price of gold at the reporting periods as compared to prior reporting periods can result in additional *Mine site period costs.*

Depreciation and amortization

Depreciation and amortization was $1.6 million and $4.2 million, or $96 and $97 per ounce of gold sold for the three and nine months ended September 30, 2021, respectively, compared to $0.7 million and $2.0 million, or $111 and $119 per ounce of gold sold, during the same periods of 2020. The decrease in total depreciation and amortization costs per ounce of gold sold was largely due to an increase of 10,298 and 26,390 gold ounces sold during the three and nine months ended September 30, 2021 compared to the same periods of 2020.

Mine site period costs

During the three and nine months ended September 30, 2021, inclusive of depreciation and amortization, we recorded $11.5 million and $24.4 million, respectively, of *Mine site period costs* for costs that were in excess of the net realizable value per ounce of gold inventories, compared to $14.2 million and $34.3 million during the same periods of 2020. Such period costs are generally the result of recurring or significant downtime or delays, unusually high levels of repairs, inefficient operations, overuse of processing reagents, inefficient cost-volume structures, or other unusual costs and activities, and cannot be recorded to production-related inventories based on the threshold established by the calculation of the estimated net realizable value per ounce of gold.

Write-down of production inventories

We did not record any production-related inventory write-downs during the three and nine months ended September 30, 2021. As discussed in *Note 4 - Inventories* to the Notes to the Financial Statements, based on metallurgical balancing results, during the three and nine months ended September 30, 2020, we determined that 6,512 and 10,492 ounces of gold that had been placed on the leach pads were no longer recoverable and recognized $Nil and $17.9 million, respectively, of *Write-down of production inventories* on the consolidated statements of operations, which included production costs of $10.2 million and $16.7 million, and capitalized depreciation and amortization costs of $0.8 million and $1.2 million, respectively.

General and administrative

General and administrative totaled $3.3 million and $12.3 million during the three and nine months ended September 30, 2021, respectively, compared to $5.7 million and $18.1 million during the same periods of 2020. The decrease of $2.4 million during the three months ended September 30, 2021 was primarily due to decreases in: (i) salary and compensation costs of $2.1 million due to severance costs for our former CEO and CFO recorded during the third quarter of 2020; and (ii) legal, professional, and consulting fees associated with general corporate matters and obligations as a public company of $0.5 million. Such decreases were offset by an increase in insurance related costs of $0.2 million.

The decrease of $5.8 million during the nine months ended September 30, 2021 was primarily due to decreases in: (i) salary and compensation costs of $5.7 million; (ii) insurance costs of $1.6 million; and (iii) employer and property related taxes of $0.7 million, partially offset by increases in: (i) legal, professional, and consulting fees associated with general corporate matters and obligations as a public company of $1.3 million; and (ii) director compensation for the members of our committees created upon becoming a public company of $0.7 million.

Projects and development

During the three and nine months ended September 30, 2021, *Projects and development* costs totaled $2.3 million and $3.9 million and were related to the following activities: (i) analyzing established feasibility studies; (ii) conducting geological studies; (iii) oversight and project management; and (iv) exploration drilling, engineering, and metallurgical activities. We did not incur any such costs during the three and nine months ended September 30, 2020.

Accretion

We recorded $0.1 million and $0.3 million of *Accretion* during both the three and nine months ended September 30, 2021 and 2020, which related to our *Asset retirement obligation* and future reclamation costs. Refer to *Note 12 - Asset Retirement Obligation* to the Notes to the Financial Statements for further detail.

Interest expense, net of capitalized interest

As discussed and detailed in *Note 9 - Debt, Net* to the Notes to the Financial Statements, *Interest expense, net of capitalized interest* totaled $5.5 million and $15.2 million during the three and nine months ended September 30, 2021, respectively, compared to $4.3 million and $39.3 million during the same periods in 2020. The decrease of $1.1 million and $24.2 million during the three and nine months ended September 30, 2021 was a result of completing the Recapitalization Transaction on May 29, 2020, which caused the exchange or conversion of the majority of Seller's $627.8 million outstanding indebtedness to equity, thus resulting in post-Recapitalization Transaction indebtedness totaling $159.8 million for the Sprott Credit Agreement and Subordinated Notes.

Fair value adjustments to warrants

During the three and nine months ended September 30, 2021, the *Fair value adjustments to warrants* resulted in a non-cash gain of $0.8 million and $11.0 million, respectively, as the market trading values of our publicly listed warrants decreased, which was primarily due to a decrease in the underlying trading price of our common shares. We did not incur any such warrant adjustment during the three and nine months ended September 30, 2020. Refer to *Note 11 - Warrants* to the Notes to the Consolidated Financial Statements for further detail.

Write-off of deposit

During the third quarter of 2021, the Company determined that additional equipment was no longer expected to be purchased under the current mine plan. Accordingly, a full reserve was applied against the $0.9 million deposit previously paid by the Company to an equipment supplier. Refer to *Note 5 - Prepaids and Other, Net* to the Notes to the Consolidated Financial Statements for further detail.

Interest income

Interest income totaled approximately $Nil during both of the three and nine months ended September 30, 2021, respectively, compared with $9,000 and $0.2 million during the same periods in 2020. During the quarter ended September 30, 2021 the Company replaced certain surety bonds with new surety bonds with lower cash collateral requirements, in which none of the accounts holding the cash collateral earns interest income, resulting in no *Interest income* for the three and nine months ended September 30, 2021.

Income taxes

During the three and nine months ended September 30, 2021, we recognized an income tax benefit of $0.1 million which was the result of a discrete item related to estimated tax payments made during prior periods which will be refunded. There was no income tax benefit or expense, net, recognized during the three and nine months ended September 30, 2020. We have not recorded any future income tax benefits for net losses generated after the completion of the Recapitalization Transaction, due to a full valuation allowance recorded against our net operating loss carryforward earned after the Recapitalization Transaction. For additional details, refer to *Note 15 - Income Taxes* to the Notes to the Financial Statements.

Net loss

For the reasons discussed above, we recorded a net loss of $23.2 million and $41.3 million for the three and nine months ended September 30, 2021, respectively, which included a gain from *Fair value adjustments to warrants* of $0.8 million and $11.0 million, compared to net losses of $32.3 million and $117.6 million for the three and nine months ended September 30, 2020.

Liquidity and Capital Resources

General

The Company's unrestricted cash position at September 30, 2021 was $19.8 million as compared with $56.4 million at December 31, 2020. While the Company plans to continue processing gold and silver ore on the leach pads after ceasing mining operations for the pre-commercial scale ROM operation and partially offset the cash that is projected to be used in operations and investing activities, we do not expect to generate net positive cash for the foreseeable future. Accordingly, we will be dependent on our unrestricted cash and other sources of cash to fund our business. We are actively evaluating alternatives to raise additional capital necessary to fund future development and ongoing working capital needs while exploring other strategic initiatives to enhance stockholder value.

To avoid potential non-compliance with our first lien loan, the Company has received a waiver for six months to permit it to cease active mining operations, and, in alignment with our current forecasts, reduce the minimum unrestricted cash balance to $9 million. Depending on our ability to obtain additional cash and the timing of any such cash, we may need to obtain additional waivers from our first lien lender in 2022 to comply with our debt covenants. While our first lien lender has indicated a willingness to work with the Company, we cannot provide any assurance that we will be able to timely obtain cash or receive waivers from debt covenants that will allow us to avoid a default under our credit agreements and to continue operating.

On May 29, 2020, we completed the Recapitalization Transaction that provided cash available for use of $68.9 million. As part of the Recapitalization Transaction, Seller's indebtedness existing prior to the Recapitalization Transaction was either repaid, exchanged for indebtedness of the Company, exchanged for shares of our common stock or converted into shares of Seller common stock, and our post-Recapitalization Transaction indebtedness included amounts drawn under the Sprott Credit Agreement and the assumption of the newly issued Subordinated Notes. Additionally, on October 6, 2020, the Company issued 9,583,334 units in an underwritten public offering at an offering price to of $9.00 per unit (the "Public Offering"), with each unit consisting of one share of our common stock and one warrant to purchase one share of our common stock at an exercise price of $10.50 per share, for total proceeds net of discount and equity issuance costs of $83.1 million. Prior to the closing of the Recapitalization Transaction, our primary source of liquidity was proceeds received from the issuance of related-party debt instruments, which were used to finance the 2019 restart of mining operations at the Hycroft Mine and all working capital and capital expenditures thereafter.

Our future liquidity and capital resources management strategy entails a disciplined approach to monitor the timing and amount of any drilling, metallurgical and mineralogical studies and operational tonnage ramp-up or ramp-down of the Hycroft Mine while attempting to remain in a position that allows us to respond to changes in our business environment, such as a decrease in metal prices or lower than forecasted future cash flows, and changes in other factors beyond our control. As discussed in the *Going concern* subsection of the *Recent Developments* section of this MD&A, using estimates of future production levels and costs, operational metrics, and planned capital, project, drilling, and development costs, at current metal spot prices, we do not expect the Hycroft Mine to report positive net operating cash flows during the 12 months following the issuance date of this report. We have undertaken efforts aimed at managing our liquidity and preserving our capital resources by, among other things: (i) monitoring metal prices and the impacts (near-term and future) they have on our business and cash flows; (ii) adopting a plan to cease open pit mining operations to reduce net cash outflows while continuing to process leach pad inventory until such time as it is no longer economic; (iii) reducing the size of our workforce to reflect the cessation of mining operations; (iv) controlling our working capital and managing discretionary spending; (v) reviewing contractor usage and rental agreements for more economic options, including termination of certain agreements in accordance with their terms; (vi) decreasing restricted cash balances that collateralize bonds; and (vii) planning the timing and amounts of capital expenditures and drilling, metallurgical and mineralogical study costs at the Hycroft Mine and deferring such items that are not expected to benefit our near term operating plans. We are also undertaking additional efforts to: (i) monetize non-core assets and excess supplies inventories; (ii) return excess rental and leased equipment; (iii) sell certain uninstalled grinding mills that are not expected to be needed for a future milling operation; (iv) evaluate selling other uninstalled grinding mills if the proceeds contribute to enhancing a future milling operation; and (v) work with existing debt holders to adjust debt service requirements. In addition, as of October 6, 2021, we entered into an agreement with Randy Buffington, our former Chairman, President and Chief Executive Officer to terminate $0.7 million in aggregate future cash payments in exchange for the termination of the remainder of his restrictive covenant of non-competition and issuance of up to 275,000 shares of HYMC common stock.

We are actively evaluating alternatives to raise additional capital necessary to fund future development and ongoing working capital needs and exploring other strategic initiatives to enhance stockholder value.

Cash and liquidity

We have placed substantially all of our cash in operating accounts with a well-capitalized financial institution, thereby ensuring balances remain readily available. Due to the nature of our operations and the composition of our current assets, our *Cash*, *Accounts receivable*, and metal inventories represent substantially all of our liquid assets on hand. Additionally, we are provided with additional liquidity as ounces are recovered from the *Ore on leach pads*, processed into finished goods, and sold at prevailing spot prices to our customers.

The following table summarizes our projected sources of future liquidity, as recorded within our financial statements (dollars in thousands):

	September 30, 2021	December 31, 2020
Cash	$ 19,753	$ 56,363
Accounts receivable	347	426
Metal inventories[(1)]	9,243	6,418
Ore on leach pads[(2)]	29,588	38,041
Total projected sources of future liquidity	$ 58,931	$ 101,248

(1) Metal inventories contained approximately 5,383 recoverable ounces of gold that are expected to be sold within the next 12 months. Assuming a gold selling price of $1,743 per ounce (the September 30, 2021 P.M. fix) and excluding any proceeds from silver sales, the sale of all gold ounces estimated to be recovered from our metal inventories would provide us with $9.4 million of revenue. *See Note 4 - Inventories* to the Notes to the Financial Statements for additional information.

(2) The current portion of *Ore on leach pads* contained approximately 17,454 ounces of gold that are expected to be processed into finished goods and then sold within the next 12 months. Assuming a gold selling price of $1,743 per ounce (the September 30, 2021 P.M. fix) and excluding any proceeds from silver sales, the sale of all gold ounces estimated to be recovered from our ore on leach pads would provide us with $30.4 million of revenue. We also have ore on leach pads that is not expected to be processed into finished goods within the next 12 months of $6.3 million; accordingly, we exclude this inventory from our projected sources of future liquidity. *See Note 4 - Inventories* to the Notes to the Financial Statements for additional information.

Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

The following table summarizes our sources and uses of cash for the following periods (dollars in thousands):

	Nine Months Ended September 30,	
	2021	2020
Net loss	$ (41,328)	$ (117,608)
Net non-cash adjustments	10,710	68,973
Net change in operating assets and liabilities	3,568	(36,577)
Net cash used in operating activities	(27,050)	(85,212)
Net cash used in investing activities	(11,908)	(19,237)
Net cash (used in) provided by financing activities	(3,036)	106,641
Net (decrease) increase in cash	(41,994)	2,192
Cash and restricted cash, beginning of period	96,040	48,967
Cash and restricted cash, end of period	$ 54,046	$ 51,159

Cash used in operating activities

During the nine months ended September 30, 2021, we used $27.1 million of cash in operating activities primarily attributable to a net loss of $41.3 million, the cash impact of which was equal to $30.6 million, and $3.6 million used for working capital, which included $5.4 million used to increase production-related inventories. The largest non-cash items included in net income during the nine months ended September 30, 2021 included a $11.0 million gain from *Fair value adjustments to warrants* and *Non-cash portion of interest expense* of $13.0 million.

For the nine months ended September 30, 2020, we used $85.2 million of cash for operating activities primarily attributable to a net loss of $117.6 million, the cash impact of which was equal to $48.6 million, and $36.6 million used for working capital, including the operational ramp up following the 2019 restart of the Hycroft Mine using a net $39.8 million to increase production-related inventory balances. Cash outflows during the nine months ended September 30, 2020 were partially offset by certain non-cash expenses included in *Net loss*, including $34.7 million of non-cash interest expense and a $17.9 million *Write-down of production inventories*.

Cash used in investing activities

For the nine months ended September 30, 2021 and 2020, we used $11.9 million and $19.2 million, respectively, in investing activities. For the nine months ended September 30, 2021, expenditures included (i) $3.7 million for purchased equipment and refurbishments; (ii) $5.6 million related to metallurgical and mineralogical studies; and (iii) $2.5 million spent for the leach pad expansion project (which excludes $0.7 million of capitalized interest) to complete construction to the appropriate point in which we believe there would be minimal risk of adverse impacts to the leach pad. For the nine months ended September 30, 2020, the majority of the capital expenditures related to construction of new leach pad space.

Cash (used in) provided by financing activities

During the nine months ended September 30, 2021 we repaid $3.0 million of the Additional Interest and principal which is classified as debt under the terms of our Sprott Credit Agreement. Cash provided by financing activities was $106.6 million for the nine months ended September 30, 2020, which included proceeds from financing instruments consummated in connection with the Recapitalization Transaction of $254.8 million, offset by principal payments on debt of $132.4 million and payments for legal and consulting fees related to the Recapitalization Transaction of $15.8 million.

Future capital and cash requirements

The following table provides our gross contractual cash obligations as of September 30, 2021, which are grouped in the same manner as they were classified in the cash flows in order to provide a better understanding of the nature of the obligations and to provide a basis for comparison to historical information. We believe the following provides the most meaningful presentation of near-term obligations expected to be satisfied using current and available sources of liquidity (dollars in thousands):

	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Operating activities:					
Net smelter royalty[(1)]	$ 403,121	$ 1,766	$ 23,609	$ 25,806	$ 351,940
Remediation and reclamation expenditures[(2)]	62,032	—	—	—	62,032
Interest payments[(3)]	13,582	6,004	7,575	3	—
Operating lease requirements[(4)]	8,185	2,616	5,569	—	—
Crofoot royalty[(5)]	4,630	120	480	480	3,550
Consignment inventory[(6)]	833	833	—	—	—
Financing activities:					
Repayments of debt principal[(7)]	211,584	11,392	62,235	137,957	—
Additional interest payments[(8)]	8,249	2,200	6,049	—	—
Total	$ 712,216	$ 24,931	$ 105,517	$ 164,246	$ 417,522

(1) Under the Sprott Royalty Agreement, we are required to pay a perpetual royalty equal to 1.5% of the Net Smelter Returns from our Hycroft Mine, payable monthly that also includes an additional amount for withholding taxes payable by Sprott. Amounts presented above incorporate estimates of our current life-of-mine plan, and are based on consensus pricing for gold and silver. See *Note 10 - Deferred Gain on Sale of Royalty* to the Notes to the Financial Statements for additional information.

(2) Mining operations are subject to extensive environmental regulations in the jurisdictions in which they are conducted and we are required, upon cessation of operations, to reclaim and remediate the lands that our operations have disturbed. The estimated undiscounted cash outflows of these remediation and reclamation obligations are reflected here. In the above presentation, no offset has been applied for the $59.3 million of our reclamation bonds or for the $34.3 million of cash collateral for those bonds included in *Restricted Cash*.

(3) Under the Sprott Credit Agreement, we are required to pay interest beginning in the 13th month after the initial advance on May 29, 2020 to Sprott Private Resource Lending II (Collector), LP.

(4) As noted below in the *Off-balance sheet arrangements* section of this MD&A, we have operating leases for mine equipment and office space.

(5) We are required to pay a 4% net profits royalty, including advance royalty payments of $120,000 in any year where mining occurs on the Crofoot claims and an additional $120,000 if tons mined from the Crofoot claim blocks exceed 5.0 million tons. See *Note 20 - Commitments and Contingencies*. Amounts shown represent our current estimates of cash payment timing using consensus pricing for gold and silver.

(6) As noted below in the *Off-balance sheet arrangements* section of this MD&A, and as discussed in *Note 5 - Prepaids and Other, Net* to the Notes to the Financial Statements, we have future purchase obligation for consignment inventory.

(7) Repayments of principal on debt consists of amounts due under the Sprott Credit Agreement, the Subordinated Notes and notes payable for equipment purchases. Included in the repayment of the Subordinated Notes principal is interest that has been capitalized as payable in-kind on a quarterly basis, and on a monthly basis for the Sprott Credit Agreement for the first 12 months after the initial advance.

(8) Additional interest payments consist of repayments of additional interest under the Sprott Credit Agreement, commencing February 28, 2021 (with the first cash payment due three months after such date) and ending on the maturity date.

Debt covenants

Our debt agreements contain representations and warranties, events of default, restrictions and limitations, reporting requirements, and covenants that are customary for agreements of these types.

The Sprott Credit Agreement contains covenants that, among other things, restrict or limit the ability of the Company to enter into encumbrances (other than Permitted Encumbrances), incur indebtedness (other than Permitted Indebtedness), dispose of its assets (other than Permitted Disposals), pay dividends, and purchase or redeem shares, as such terms are defined in the Sprott Credit Agreement. The Sprott Credit Agreement requires the Company to ensure that, at all times, both its Working Capital and Unrestricted Cash are at least $10.0 million, as such terms are defined in the Sprott Credit Agreement, and that at least every six months we demonstrate our ability to repay and meet all present and future obligations as they become due with a financial Model that uses consensus gold prices discounted by 5.0%, as such terms are defined in the Sprott Credit Agreement. The Subordinated Notes (as defined herein) include customary events of default, including those relating to a failure to pay principal or interest, a breach of a covenant, representation or warranty, a cross-default to other indebtedness, and non-compliance with security documents. As of September 30, 2021, the Company was in compliance with all covenants under its debt agreements.

On November 9, 2021, we entered into a waiver (the “Waiver”) with Sprott Private Resource Lending II (Collector), LP (the “Lender”) of certain provisions of the Sprott Credit Agreement. Pursuant to the Waiver, the Lender has: (i) permitted the Company to cease active mining operations; and (ii) to reduce the amount of unrestricted cash required to be maintained by the Company from not less than $10.0 million to not less than $9.0 million for the period ending May 10, 2022.

Off-balance sheet arrangements

As of September 30, 2021, our off-balance sheet arrangements consisted of operating lease agreements, a net profit royalty arrangement, a net smelter royalty arrangement (see *Note 20 - Commitments and Contingencies* to the Notes to the Financial Statements), and a future purchase obligation for consignment inventory (see *Note 5 - Prepaids and Other, Net* to the Notes to the Financial Statements).

Subsequent Events

Waiver and amendment of certain compensatory arrangements

On October 6, 2021, the Company entered in a Waiver and Amendment to the Transition and Succession Agreement and Consulting Agreement with Randy Buffington, the former Chairman of the Board, President and Chief Executive Officer of the Company. The Waiver and Amendment amends the Transition and Succession Agreement and the Consulting Agreement between the Company and Mr. Buffington, dated July 1, 2020. The Waiver and Amendment terminated the remaining unpaid cash payments to Mr. Buffington pursuant to the Transition and Succession Agreement and Consulting Agreement in the aggregate amount of $0.7 million, in exchange for the issuance of an aggregate of up to 275,000 shares of the Company's common stock, of which 137,500 was issued on October 8, 2021, and the remaining shares to be issued on June 30, 2022.

Waiver of certain Sprott Credit Agreement provisions

On November 9, 2021, the Company entered into a waiver (the “Waiver”) with Sprott Private Resource Lending II (Collector), LP (the “Lender”) of certain provisions of the Sprott Credit Agreement. Pursuant to the Waiver, the Lender has: (i) permitted the Company to cease active mining operations; and (ii) to reduce the amount of unrestricted cash required to be maintained by the Company from not less than $10.0 million to not less than $9.0 million for the period ending May 10, 2022.

Appointment of New Chairman to Board of Directors

On November 9, 2021, David Kirsch notified the Company’s board of directors of his resignation as a director and Chairman of the board of directors, effective immediately. Mr. Kirsch’s decision was not the result of any dispute or disagreement with the Company on any matter relating to the Company’s operations, policies or practices. On November 9, 2021, the Company's board of directors appointed its independent lead director, Eugene Davis, to replace Mr. Kirsch as Chairman of the board of directors.

Retirement of Executive Officer

Mr. Jack Henris has announced his retirement effective as of the end of 2021 and will remain available to assist with the finalization of the Acid POX PFS and other technical work.

Accounting Developments

For a discussion of any recently issued and/or recently adopted accounting pronouncements, see *Note 2 - Summary of Significant Accounting Policies* to the Notes to the Financial Statements.

Critical Accounting Estimates

This MD&A is based on our Condensed Financial Statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these statements requires us to make assumptions, estimates, and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. For information on the most critical accounting estimates used to prepare the Condensed Financial Statements, see the Critical Accounting Estimates section included in Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2020, as amended on May 14, 2021.

The following new critical accounting estimate was adopted during the nine months ended September 30, 2021, see *Note 2 - Summary of Significant Accounting Policies* to the Notes to the Financial Statements for additional information.

Fair value of warrant liability

Estimate Required:

We account for the 5-Year Private Warrants to purchase shares of our common stock that are not indexed to our own stock as liabilities at fair value on the balance sheet. The warrants are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as a component of *Other (expense) income*, net on the statement of operations. We will continue to adjust the liability for changes in fair value of the 5-Year Private Warrants until the earlier of the (i) exercise or expiration of the 5-Year Private Warrants or (ii) the transfer of any 5-Year Private Warrants to any person who is not a permitted transferee, at which time the applicable warrant liability will be extinguished and will be reclassified to additional paid-in capital. We use the closing market price to estimate the fair value of our 5-Year Public Warrants and our Public Offering Warrants. The terms of the 5-Year Private Warrants are substantially identical to the 5-Year Public Warrants except the 5-Year Private Warrants, while held by the SPAC sponsor and/or SPAC underwriter and their permitted transferees, are precluded from mandatory redemption and are entitled to exercise on a "cashless basis" at the holder's election. Accordingly, we use a Black-Scholes model with an appropriate estimate of volatility considering volatility of the 5-Year Public Warrants and using a Monte Carlo simulation model to incorporate the redemption and cashless exercise features in the 5-Year Private Warrants. Significant judgment is required in determining the expected volatility of our common stock. Due to the limited history of trading of our common stock, we determined expected volatility based on a peer group of publicly traded companies. Increases (decreases) in the assumptions result in a directionally similar impact to the fair value of the Warrant liability.

Impact of Change in Estimate:

A $0.01 increase or decrease in the fair value estimate per 5-Year Private Warrant would result in an increase or decrease to *Warrant liabilities* of $0.1 million with the offset in *Fair value adjustment to warrants*.

Cautionary Statement Regarding Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995 (the "PSLRA") or in releases made by the SEC, all as may be amended from time to time. All statements, other than statements of historical fact, included herein or incorporated by reference, that address activities, events or developments that we expect or anticipate will or may occur in the future, are forward-looking statements, including but not limited to such things as:

The words "estimate", "plan", "anticipate", "expect", "intend", "believe", "project", "target", "budget", "may", "can", "will", "would", "could", "should", "seeks", or "scheduled to", or other similar words, or negatives of these terms or other variations of these terms or comparable language or any discussion of strategy or intentions identify forward-looking statements. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefit of the "safe harbor" provisions of such laws. These statements involve known and unknown risks, uncertainties, assumptions, and other factors that may cause our actual results, performance or achievements to be materially different from any results, performance, or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based on current expectations. Important factors that could cause actual results, performance, or achievements to differ materially from those in the forward-looking statements include, but are not limited to:

Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results, performance or achievements may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report on Form 10-Q. In addition, even if our results, performance, or achievements are consistent with the forward-looking statements contained in this Quarterly Report on Form 10-Q, those results, performance or achievements may not be indicative of results, performance or achievements in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements that we make in this Quarterly Report on Form 10-Q speak only as of the date of those statements, and we undertake no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Please see “Risk Factors” set forth in our Annual Report on Form 10-K for the year ended December 31, 2020, as amended May 14, 2021, and in this Quarterly Report on Form 10-Q, for more information about these and other risks. These risks may include the following and the occurrence of one or more of the events or circumstances alone or in combination with other events or circumstances, may have a material adverse effect on our business, cash flows, financial condition and results of operations. Important factors and risks that could cause actual results to differ materially from those in the forward-looking statements include, among others:

Industry-related risks including:

- Fluctuations in the price of gold and silver;
- Uncertainties concerning estimates of mineral reserves and mineral resources;
- Uncertainties relating to the COVID-19 pandemic;
- The intense competition within the mining industry;
- The inherently hazardous nature of mining activities, including environmental risks;
- Our insurance may not be adequate to cover all risks associated with our business, or cover the replacement costs of our assets or may not be available for some risks;
- Potential effects on our operations of U.S. federal and state governmental regulations, including environmental regulation and permitting requirements;
- Cost of compliance with current and future government regulations;
- Uncertainties relating to obtaining or retaining approvals and permits from governmental regulatory authorities;
- Potential challenges to title in our mineral properties;
- Risks associated with legislation in Nevada that could significantly increase the costs or taxation of our operations; and
- Changes to the climate and regulations and pending legislation regarding climate change.

Business-related risks including:

- Risks related to our liquidity and going concern considerations;
- Risks related to our ability to raise capital on favorable terms or at all;
- Risks related to the proprietary two-stage heap oxidation and leach process at the Hycroft Mine and estimates of production.
- Our ability to achieve our estimated production and sales rates and stay within our estimated operating and production costs and capital expenditure projections;
- Risks related to the decline of our gold and silver production;

- Our ability to successfully eliminate or meaningfully reduce processing and mining constraints; the results of our planned 2021 technical efforts and how the data resulting from such efforts could adversely impact processing technologies applied to our ore, future operations and profitability;
- Risks related to delays in completing the Acid POX PFS and providing updated information on our mining process and mineral reserves and mineral resources;
- Risks related to our reliance on one mine with a new process;
- Risks related to our limited experience with a largely untested process of oxidizing and heap leaching sulfide ore.
- Uncertainties and risks related to our reliance on contractors and consultants;
- Availability and cost of equipment, supplies, energy, or commodities;
- The commercial success of, and risks relating to, our development activities;
- Risks related to slope stability;
- Risks related to our substantial indebtedness, including cross acceleration and our ability to generate sufficient cash to service our indebtedness;
- Uncertainties resulting from the possible incurrence of operation and net losses in the future;
- Uncertainties related to our ability to replace and expand our ore mineral reserves;
- The costs related to our land reclamation requirements;
- The loss of key personnel or our failure to attract and retain personnel;
- Risks related to technology systems and security breaches;
- Any failure to remediate any possible litigation as a result of a material weakness in our internal controls over financial reporting; and
- Risks that our principal stockholders will be able to exert significant influence over matters submitted to stockholders for approval.

Risks related to our common stock and warrants, including:

- Volatility in the price of our common stock and warrants;
- Potential declines in the value of our common stock and warrants due to substantial future sales of our common stock and/or warrants;
- Risks that the warrants may expire worthless;
- The valuation of our 5-Year Private Warrants could increase the volatility in our net income (loss).
- Anti–takeover provisions could make a third party acquisition of us difficult; and
- Risks related to limited access to our financial information, as we have elected to take advantage of the disclosure requirement exemptions granted to emerging growth companies and smaller reporting companies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As the Company qualifies as smaller reporting company under Item 10(f) of Regulation S-K, quantitative and qualitative disclosures about market risk are not required, and such are omitted from this filing.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published consolidated financial statements. Internal control over financial reporting is promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Therefore, even effective internal control over financial reporting can only provide reasonable assurance with respect to the financial statement preparation and presentation.

Hycroft Mining Holding Corporation management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as required by Rules 13a-15(b) and 15d-15(b) under the Exchange Act as of September 30, 2021. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us, including our consolidated subsidiaries, in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure and is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission's rules and forms.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of September 30, 2021 to provide such reasonable assurance, solely as a result of a material weakness identified related to the misapplication of GAAP in accounting for our 5-Year Private Warrants.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility exists that a material misstatement of our annual or interim financial statements could not be prevented or detected on a timely basis. We identified a material weakness in our controls over the accounting for complex financial instruments. Our controls to evaluate the accounting for complex financial instruments, such as our 5-Year Private Warrants, did not operate effectively to appropriately apply the provisions of ASC 815-40. This material weakness resulted in the failure to prevent a material error in our accounting for the 5-Year Private Warrants and the resulting restatement of our previously issued financial statements.

In response to this material weakness, the Company's management has expended, and will continue to expend, a substantial amount of effort and resources for the remediation and improvement of our internal control over financial reporting. While we have processes to properly identify and evaluate the appropriate accounting technical pronouncements and other literature for all significant or unusual transactions, we are improving these processes to ensure that the nuances of such transactions are effectively evaluated in the context of the increasingly complex accounting standards. Our plans at this time include acquiring enhanced access to accounting literature, research materials and documents and increased communication among our personnel and third-party professionals with whom we consult regarding the application of complex accounting transactions. Our remediation plan can only be accomplished over time and will be continually reviewed to determine that it is achieving its objectives. We can offer no assurance that these initiatives will ultimately have the intended effects.

Notwithstanding this material weakness, management has concluded that our financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in accordance with U.S. generally accepted accounting principles.

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must consider the benefits of controls relative to their costs. Inherent limitations within a control system include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. While the design of any system of controls is to provide reasonable assurance of the effectiveness of disclosure controls, such design is also based in part upon certain assumptions about the likelihood of future events, and such assumptions, while reasonable, may not take into account all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be prevented or detected.

Part II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time we are involved in various legal actions related to our business, some of which are class action lawsuits. We do not believe, based on currently available information, that contingencies related to any pending or threatened legal matter will have a material adverse effect on our financial statements, although a contingency could be material to our results of operations or cash flows for a particular period depending on our results of operations and cash flows for such period. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 1A. RISK FACTORS

Although the Company qualifies as a smaller reporting company under Item 10(f) of Regulation S-K and risk factors are not required to be included in a quarterly report, we are supplementing the risk factors previously disclosed in the 2020 Form 10-K/A with the following risk factor:

If the Acid POX PFS is not completed and the related technical report is not filed with the SEC prior to or concurrent with our 2021 Annual Report on Form 10-K, we would be unable to provide updated information or report any mineral reserves and mineral resources as of December 31, 2021 in the 2021 Annual Report on Form 10-K as filed by its due date, which could negatively impact our ability to obtain additional financing.

A delay in completing the Acid POX PFS and providing updated information on our mining process and mineral reserves and mineral resources could negatively impact our ability to obtain additional financing. Further, a delay in the new technical report being completed could delay our ability to provide an update in the second quarter of 2022 on the path forward for our commercial scale sulfide operations and we would not be able to report mineral reserves or mineral resources in accordance with the requirements of the Modernization of Property Disclosures for Mining Registrants.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On October 6, 2021, the Company agreed to issue an aggregate of up to 275,000 shares of the Company's common stock as consideration for entering into a Waiver and Amendment to the Transition and Succession Agreement with Randy Buffington, the former Chairman of the Board, President and Chief Executive Officer of the Company. The Waiver and Amendment terminated the remaining unpaid cash payments to Mr. Buffington pursuant to the Transition and Succession Agreement and Consulting Agreement in the aggregate amount of $0.7 million, in exchange for the issuance. On October 8, 2021, 137,500 shares of common stock with a grant date fair value of $0.2 million were issued to Randy Buffington, with the remaining 137,500 shares of common stock to be issued on June 30, 2022.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Safety and health is our highest priority, which is why we have a mandatory mine safety and health program that includes employee and contractor training, risk management, workplace inspection, emergency response, accident investigation, and program auditing. We consider this program to be essential at all levels to ensure that our employees, contractors, and visitors are always in an environment that is safe and healthy.

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.

ITEM 5. OTHER INFORMATION

(a) None.

(b) Not applicable.

Table of Contents

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit Number	Description
10.1	Waiver And Amendment To Transition And Succession Agreement And Consulting Agreement dated as of October 6, 2021 between Hycroft Mining Holding Corporation and Randy Buffington (Incorporated by reference to Exhibit 10.1. to the Registrant's Form 8-K, filed with the SEC on October 7, 2021)
10.2	Waiver, dated November 9, 2021, between Hycroft Mining Holding Corporation and Sprott Private Resource Lending II (Collector), LP. (Incorporated by reference to Exhibit 10.1. to the Registrant's Form 8-K, filed with the SEC on November 10, 2021)
Rule 13a-14(a)/15d-14(a) Certifications.	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended*
Section 1350 Certifications.	
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
Mine Safety Disclosure Exhibits.	
95.1	Mine Safety Disclosures*
Interactive Data File.	
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

,

*Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HYCROFT MINING HOLDING CORPORATION
(Registrant)

Date: November 12, 2021	By: /s/ Diane R. Garrett
	Diane R. Garrett President, Chief Executive Officer, and Director *(Principal Executive Officer)*
Date: November 12, 2021	By: /s/ Stanton Rideout
	Stanton Rideout Executive Vice President and Chief Financial Officer *(Principal Financial and Accounting Officer)*