



## RESTATED CONSOLIDATED FINANCIAL STATEMENTS

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*For the eight months ended December 31, 2019 and  
the year ended April 30, 2019  
(Expressed in United States dollars)*



## Independent auditor's report

To the Shareholders of Mako Mining Corp.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mako Mining Corp. and its subsidiaries (together, the Company) as at December 31, 2019, April 30, 2019, and May 1, 2018, and its financial performance and its cash flows for the eight months ended December 31, 2019 and the year ended April 30, 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019, April 30, 2019 and May 1, 2018;
- the consolidated statements of loss and comprehensive loss for the eight months ended December 31, 2019 and the year ended April 30, 2019;
- the consolidated statements of changes in shareholders' equity for the eight months ended December 31, 2019 and the year ended April 30, 2019;
- the consolidated statements of cash flows for the eight months ended December 31, 2019 and the year ended April 30, 2019; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Material uncertainty related to going concern**

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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### **Emphasis of matter - correction of errors**

We draw attention to Note 3 in the consolidated financial statements, which describes that the consolidated financial statements on which we originally reported on April 28, 2020 have been corrected and describes the matter that gave rise to the correction of the consolidated financial statements. Our opinion is not modified in respect of this matter.

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### **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



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## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dean Larocque.

**(Signed) "PricewaterhouseCoopers LLP"**

Chartered Professional Accountants

Vancouver, British Columbia  
November 26, 2020



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
Expressed in United States dollars

	Note	December 31, 2019	April 30, 2019	May 1, 2018
		<i>Restated - Note 3</i>	<i>Restated - Note 3</i>	
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents		4,253,102	3,361,048	835,268
Receivables and refundable taxes	7	1,404,568	2,924,579	11,962
Inventories	8	1,136,299	11,017,043	-
Prepaid expenses, and other		279,044	153,372	15,750
<b>Total current assets</b>		<b>7,073,013</b>	<b>17,456,042</b>	<b>862,980</b>
<b>Exploration and evaluation assets</b>	9	<b>765,000</b>	<b>129,635</b>	<b>4,500,926</b>
<b>Mineral property, plant and equipment</b>	10	<b>10,005,324</b>	<b>563,414</b>	<b>59,756</b>
<b>TOTAL ASSETS</b>		<b>17,843,337</b>	<b>18,149,091</b>	<b>5,423,662</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	11	8,783,714	20,743,438	248,819
Gold Stream Arrangement		-	-	1,125,775
Provision for reclamation and rehabilitation	12	1,412,917	3,138,574	-
<b>Total current liabilities</b>		<b>10,196,631</b>	<b>23,882,012</b>	<b>1,374,594</b>
<b>Accounts payable and accrued liabilities</b>	11	<b>869,762</b>	<b>-</b>	<b>-</b>
<b>Provision for reclamation and rehabilitation</b>	12	<b>722,653</b>	<b>2,090,551</b>	<b>-</b>
<b>Total liabilities</b>		<b>11,789,046</b>	<b>25,972,563</b>	<b>1,374,594</b>
<b>Shareholders' equity (deficit)</b>				
Share capital	13	70,294,651	50,077,920	36,055,299
Contributed surplus		7,672,820	6,947,876	6,560,387
Accumulated other comprehensive income (loss)		1,577,440	(633,026)	420,913
Deficit		(73,490,620)	(64,216,242)	(38,987,531)
<b>Total shareholders' equity (deficit)</b>		<b>6,054,291</b>	<b>(7,823,472)</b>	<b>4,049,068</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>17,843,337</b>	<b>18,149,091</b>	<b>5,423,662</b>

Approved by the Audit Committee of the Board of Directors on November 26, 2020

"John Hick", Audit Committee Chair

"Akiba Leisman", Director

Nature of operations and going concern (Note 1)

Events after the reporting period (Note 19)

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



CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
Expressed in United States dollars

	Note	For the eight months ended December 31, 2019	For the year ended April 30, 2019
		<i>Restated - Note 3</i>	<i>Restated - Note 3</i>
<b>Revenue</b>	\$	8,583,218	\$ 7,931,102
<b>Cost of sales</b>			
Production costs		(5,032,966)	(11,930,067)
Change in inventories		(945,657)	1,892,243
Writedown of inventories	8	(8,617,107)	-
Depreciation, depletion and amortization		(61,196)	(41,939)
		<b>(14,656,926)</b>	<b>(10,079,763)</b>
<b>Gross loss</b>		<b>(6,073,708)</b>	<b>(2,148,661)</b>
<b>Exploration and evaluation expenses</b>		<b>(4,177,925)</b>	<b>(3,541,044)</b>
<b>General and administrative expenses</b>		<b>(2,912,663)</b>	<b>(2,282,411)</b>
<b>Other income (expense)</b>			
Accretion and interest expense		(40,478)	(176,405)
Gain on settlement of accounts payable	11	4,753,730	-
Gain on change in provision for reclamation and rehabilitation	12	2,275,286	-
Gain on disposal of equipment		67,219	-
Extinguishment of gold stream arrangement	6	-	(20,641,335)
Transaction costs		-	(518,397)
Foreign exchange loss		(3,615,796)	3,459,907
Interest income		517,681	694,931
<b>Loss before income taxes</b>		<b>(9,206,654)</b>	<b>(25,153,415)</b>
Income tax expense	16	(67,724)	(75,296)
<b>Loss for the period</b>	\$	<b>(9,274,378)</b>	<b>\$ (25,228,711)</b>
<b>Other comprehensive income (loss)</b>			
Loss for the period		(9,274,378)	(25,228,711)
Items subject to reclassification into statement of loss			
Foreign currency translation adjustment		2,210,466	(1,053,939)
<b>Other comprehensive income (loss) for the period</b>		<b>2,210,466</b>	<b>(1,053,939)</b>
<b>Comprehensive loss for the period</b>	\$	<b>(7,063,912)</b>	<b>\$ (26,282,650)</b>
Basic and diluted loss per common share	\$	(0.02)	\$ (0.11)
Weighted average common shares outstanding		498,802,983	239,008,432

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



CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
Expressed in United States dollars

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit (Restated - Note 3)	Total
<b>Balance at May 1, 2017</b>	<b>191,995,896</b>	<b>\$ 36,025,652</b>	<b>\$ 6,420,268</b>	<b>\$ 1,980,443</b>	<b>\$ (35,917,567)</b>	<b>8,508,796</b>
Shares issued on exercise of warrants	21,718	6,163	(2,425)	-	-	3,738
Shares issued on exercise of options	86,306	23,696	(9,858)	-	-	13,838
Share issue costs	-	(212)	-	-	-	(212)
Share-based compensation	-	-	152,402	-	-	152,402
Net loss	-	-	-	-	(3,069,964)	(3,069,964)
Other comprehensive loss	-	-	-	(1,559,530)	-	(1,559,530)
<b>Balance at May 1, 2018</b>	<b>192,103,920</b>	<b>\$ 36,055,299</b>	<b>\$ 6,560,387</b>	<b>\$ 420,913</b>	<b>\$ (38,987,531)</b>	<b>4,049,068</b>
Shares issued on business combination	91,233,386	10,632,283	-	-	-	10,632,283
Shares issued on private placement	30,000,000	3,416,338	-	-	-	3,416,338
Share issue costs	-	(44,402)	-	-	-	(44,402)
Shares issued on exercise of warrants	67,000	11,190	-	-	-	11,190
Transfer of warrant value	-	7,212	(7,212)	-	-	-
Share-based compensation	-	-	394,701	-	-	394,701
Net loss	-	-	-	-	(25,228,711)	(25,228,711)
Other comprehensive loss	-	-	-	(1,053,939)	-	(1,053,939)
<b>Balance at April 30, 2019</b>	<b>313,404,306</b>	<b>\$ 50,077,920</b>	<b>\$ 6,947,876</b>	<b>\$ (633,026)</b>	<b>\$ (64,216,242)</b>	<b>(7,823,472)</b>
Shares issued on rights offering	270,017,178	20,384,809	-	-	-	20,384,809
Share issue costs	-	(200,574)	-	-	-	(200,574)
Shares issued on exercise of options	280,000	21,138	-	-	-	21,138
Transfer of option value	-	11,358	(11,358)	-	-	-
Share-based compensation	-	-	736,302	-	-	736,302
Net loss	-	-	-	-	(9,274,378)	(9,274,378)
Other comprehensive income	-	-	-	2,210,466	-	2,210,466
<b>Balance at December 31, 2019</b>	<b>583,701,484</b>	<b>\$ 70,294,651</b>	<b>\$ 7,672,820</b>	<b>\$ 1,577,440</b>	<b>\$ (73,490,620)</b>	<b>6,054,291</b>

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





CONSOLIDATED STATEMENTS OF CASH FLOWS  
Expressed in United States dollars

	Note	For the eight months ended December 31, 2019	For the year ended April 30, 2019
		<i>Restated - Note 3</i>	<i>Restated - Note3</i>
<b>Operating activities</b>			
Net loss for the period	\$	(9,274,378)	\$ (25,228,711)
Interest received		-	-
Non-cash items:			
Accretion expense	12	23,312	55,469
Change in provision for reclamation and rehabilitation	12	(2,275,286)	(108,704)
Depreciation, depletion and amortization		71,083	64,891
Extinguishment of gold stream arrangement	6	-	20,641,335
Gain on disposal of equipment		(67,219)	-
Gain on settlement of accounts payable	11	(4,753,730)	-
Interest expense		17,166	140,296
Share-based payments		657,041	394,701
Unrealized foreign exchange loss		2,127,969	(985,960)
Writedown of inventories	8	8,617,107	-
		(4,856,935)	(5,026,683)
Changes in non-cash working capital	19	(4,555,223)	(1,947,571)
<b>Net cash used in operating activities</b>		<b>(9,412,158)</b>	<b>(6,974,254)</b>
<b>Investing activities</b>			
Business acquisition, net of inflow of cash	6	-	3,314,805
Proceeds on sale of equipment		449,288	-
Purchase of exploration and evaluation asset		(645,000)	-
Expenditures on mineral property, plant and equipment		(9,806,072)	(112,820)
<b>Net cash used in investing activities</b>		<b>(10,001,784)</b>	<b>3,201,985</b>
<b>Financing activities</b>			
Proceeds on issue of shares, net of share issuance costs		20,184,235	3,371,936
Advances from Marlin prior to the acquisition		-	3,036,745
Proceeds on exercise of warrants		-	11,190
Proceeds on exercise of options		21,138	-
Interest paid on advances		-	(44,833)
<b>Net cash provided by financing activities</b>		<b>20,205,373</b>	<b>6,375,038</b>
Effect of foreign exchange on cash and cash equivalents		100,623	(76,989)
<b>Change in cash and cash equivalents</b>		<b>892,054</b>	<b>2,525,780</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>3,361,048</b>	<b>835,268</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$</b>	<b>4,253,102</b>	<b>\$ 3,361,048</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eight months ended December 31, 2019

Expressed in United States dollars

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Mako Mining Corp. (“Mako” or the “Company”) was incorporated on April 1, 2004 under the laws of the Yukon Territory and continued into British Columbia under the *British Columbia Corporations Act*. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol MKO. The address of the Company’s corporate office and principal place of business is Suite 2833 – 595 Burrard Street, Vancouver, BC, Canada.

On November 9, 2018, the Company completed the acquisition of Marlin Gold Mining Ltd. (the “Marlin Transaction”). Subsequent to the Marlin Transaction, the Company’s principal business activities are the production of gold in Mexico and the acquisition, exploration, and development of exploration and evaluation assets in Nicaragua. The Company’s primary exploration and evaluation asset in Nicaragua is the San Albino-Murra Property (“San Albino Property”), which is in the development stage.

#### Change of year end

During the eight months ended December 31, 2019, the Company approved a change in its year end from April 30 to December 31. The Company’s transition period is the eight months ended December 31, 2019. The comparative period is the twelve months ended April 30, 2019. The new financial year will align the Company with its peers and the statutory requirements of Nicaragua and Mexico.

#### Going concern

These consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations for the foreseeable future.

As at December 31, 2019, the Company had cash and cash equivalents of \$4,253,102 (April 30, 2019 - \$3,361,048), working capital deficit of \$3,123,618 (April 30, 2019 – \$6,425,970), and an accumulated deficit of \$73,490,620 (April 30, 2019 - \$64,216,242). The Company incurred a net loss of \$9,274,378 for the eight months ended December 31, 2019 (year ended April 30, 2019 –\$25,228,711) and had cash outflows from operating activities of \$9,412,158 (year ended April 30, 2019 - \$6,974,254). Subsequent to December 31, 2019, the Company secured a credit arrangement from its controlling shareholder for \$15,150,000 (Note 19 (a)).

Based on the Company’s construction, development and exploration activities in Nicaragua and its current level of spending for general corporate purposes, the Company will require additional funding within the next twelve months. The Company has historically raised funds through the sale of securities. The Company expects that it will continue to obtain funding through similar or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. This material uncertainty casts significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eight months ended December 31, 2019

Expressed in United States dollars

**2. BASIS OF PRESENTATION**

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

These consolidated financial statements were approved for issuance by the Board of Directors on November 26, 2020.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions, balances, revenues and expenses have been eliminated upon consolidation.

Subsidiaries are included in the consolidated financial statements from the date of acquisition or control until the date of disposition or control ceases. Control exists when the Company has exposure or rights to variable returns from its involvement with an entity, and the ability to affect those returns through its power over the entity.

The consolidated financial statements of the Company include the following subsidiaries:

<b>Subsidiary</b>	<b>Referred to as</b>	<b>Place of incorporation</b>	<b>Ownership interest</b>	<b>Principal activity</b>
Gold Belt, S.A.	“Gold Belt”	Nicaragua	100%	Holds mineral interest in Nicaragua.
Marlin Gold Mining Ltd.	“Marlin”	Canada	100%	Parent of Marlin Trading, Oro Gold and Prestadora. Control commenced on November 10, 2018.
Marlin Gold Trading Inc.	“Marlin Trading”	Barbados	100%	Commodity streaming company. Control commenced on November 10, 2018.
Nicoz Resources, S.A.	“Nicoz”	Nicaragua	100%	Holds mineral interest in Nicaragua
Oro Gold de Mexico, S.A. de C.V.	“Oro Gold”	Mexico	100%	Holds mineral interest in Mexico. Control commenced on November 10, 2018.
Prestadora de Servicios Zacatecas, S.A. de C.V.	“Prestadora”	Mexico	100%	Performs payroll functions in Mexico. Control commenced on November 10, 2018.
Mako US Corp.	“Mako US”	United States	100%	Incorporated on June 19, 2019, service company



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eight months ended December 31, 2019

Expressed in United States dollars

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### (d) Functional currency

The financial statements of each company within the consolidated group are measured using their functional currency which is the currency of the primary economic environment in which an entity operates. The Company's functional currency is the Canadian dollar and the functional currencies of its subsidiaries are:

- Marlin – Canadian dollar (“C\$”);
- Gold Belt, Nicoz, Oro Gold, Marlin Trading and Mako US – United States dollar (“US dollar”);
- Prestadora – Mexican peso.

### (e) Presentation currency

The Company has elected to change its presentation currency from the Canadian dollar to the US dollar effective from November 1, 2019. The change in presentation currency is a voluntary change which is accounted for retrospectively. The financial statements have been restated to US dollars using the procedures outlined below:

- Statement of Income (Loss) and Comprehensive Income (Loss) and Statement of Cash Flows have been translated into US dollars using average foreign currency rates prevailing for the relevant period.
- Assets and liabilities in the Statement of Financial Position have been translated into US dollars at the closing foreign currency rates on the relevant balance sheet dates.
- The equity section of the Statement of Financial Position has been translated into US dollars using historical rates.
- Earnings per share disclosures have also been restated to US dollars to reflect the change in presentation currency.

Foreign exchange differences that arise on the translation of monetary items that form part of the net investment in a foreign operation are recognised as currency translation differences, as part of other comprehensive income (loss) in the consolidated financial statements.

## 3. CORRECTION OF ERRORS

During the preparation of the condensed interim consolidated financial statements for the nine months ended September 30, 2020, management noted that an accrual for mining concession taxes in Mexico should have been reversed in the year ended April 30, 2019 and Mexican value added tax (“IVA”) receivable should have been adjusted, for recoverability, when calculating the gain on the settlement of the mining contractor accounts payable during the eight months ended December 31, 2019.

These consolidated financial statements now reflect the reversal of the accrual for mining concession taxes of \$1,661,005 which was inaccurately recorded during the year ended April 30, 2019 and the corrected gain on the settlement of the mining contractor accounts payable, recognized during the eight-months ended December 31, 2019, which was adjusted after deducting the IVA of \$737,012, which is no longer recoverable.

The correction of errors is made retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

There was no impact on the consolidated statement of financial position as at May 1, 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eight months ended December 31, 2019

Expressed in United States dollars

Impact on the consolidated statements of financial position as at April 30, 2019 is as follows:

	As previously reported	Adjustment	Restated
Accounts payable and accrued liabilities	22,404,443	(1,661,005)	20,743,438
Total liabilities	27,633,568	(1,661,005)	25,972,563
Deficit	(65,877,247)	1,661,005	(64,216,242)
Total shareholder's equity	(9,484,477)	1,661,005	(7,823,472)
Total liabilities and shareholder's equity	18,149,091	-	18,149,091

Impact on the consolidated statements of financial position as at December 31, 2019 is as follows:

	As previously reported	Adjustment	Restated
Receivables and refundable taxes	2,141,580	(737,012)	1,404,568
Total assets	18,580,349	(737,012)	17,843,337
Accounts payable and accrued liabilities	10,444,719	(1,661,005)	8,783,714
Total liabilities	13,450,051	(1,661,005)	11,789,046
Deficit	(74,414,613)	923,993	(73,490,620)
Total shareholder's equity	5,130,298	923,993	6,054,291
Total liabilities and shareholder's equity	18,580,349	(737,012)	17,843,337

Impact on consolidated statement of loss and comprehensive loss for the year ended April 30, 2019 is as follows:

	As previously reported	Adjustment	Restated
Exploration and evaluation expenses	(5,202,049)	1,661,005	(3,541,044)
Loss for the year	(26,889,716)	1,661,005	(25,228,711)
Comprehensive loss for the year	(27,943,655)	1,661,005	(26,282,650)
Basic and diluted loss per share	(0.11)	-	(0.11)

Impact on consolidated statement of loss and comprehensive loss for the eight months ended December 31, 2019, is as follows:

	As previously reported	Adjustment	Restated
Gain on settlement of accounts payable	5,490,742	(737,012)	4,753,730
Loss for the period	(8,537,366)	(737,012)	(9,274,378)
Comprehensive loss for the period	(6,326,900)	(737,012)	(7,063,912)
Basic and diluted loss per share	(0.02)	-	(0.02)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eight months ended December 31, 2019

Expressed in United States dollars

The impact on the consolidated statement of cash flows for the year ended April 30, 2019, is as follows:

	As previously reported	Adjustment	Restated
Net loss for the year	(26,889,716)	1,661,005	(25,228,711)
Non-cash items	20,202,028	-	20,202,028
Changes in non-cash working capital	(286,566)	(1,661,005)	(1,947,571)
Net cash used in operating activities	(6,974,254)	-	(6,974,254)

The impact on the consolidated statement of cash flows for the eight months ended December 31, 2019, is as follows:

	As previously reported	Adjustment	Restated
Net loss for the period	(8,537,366)	(737,012)	(9,274,378)
Non-cash items	3,680,431	737,012	4,417,443
Changes in non-cash working capital	(4,555,224)	-	(4,555,223)
Net cash used in operating activities	(9,412,159)	-	(9,412,158)

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Change in accounting policy and disclosures

The Company applied the accounting pronouncement IFRS 16 effective May 1, 2019, the nature and effect of which are described below. Other than this change, and the change in presentation currency (Note 2(e)), the accounting policies adopted are consistent with those disclosed in the audited consolidated financial statements for the year ended April 30, 2019.

##### IFRS 16 – Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive right, then the asset is not identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - The Company has the right to operate the asset; or



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- The Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered, or changed, on or after May 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

The Company recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.



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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise prices under a purchase price option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office space that have a lease term of twelve months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### Impact of transition to IFRS 16

The Company has applied IFRS 16 using the modified retrospective approach and, accordingly, the comparative information has not been restated and continues to be reported under IAS 17 and related interpretations.

On transition to IFRS 16, the Company elected to apply the new definition of a lease to all its contracts. The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than twelve months of lease term.

There were no leases classified as finance leases at transition.





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### Summary of significant accounting policies

#### (a) Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the consolidated statement of loss immediately. Transaction costs are expensed as incurred.

#### (b) Cash and cash equivalents

Cash and cash equivalents include cash, term deposits and short-term highly liquid investments with an original term to maturity of three months or less.

#### (c) Foreign currencies

##### *Transactions and balances*

Transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the financial reporting date while non-monetary assets and liabilities are translated at historical rates. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statement of loss.

##### *Parent and subsidiary companies*

The financial statements of entities that have a functional currency different from the presentation currency are translated into US dollars as follows:

- assets and liabilities are translated at the closing rate at the date of the statement of financial position; and
- income and expenses are translated at the average rate for the applicable period (as this is considered a reasonable approximation to actual rates).

All resulting changes are recognized in other comprehensive income as currency translation differences and taken into a separate component of equity. These differences are recognized in the consolidated statement of loss in the period in which the operation is disposed.

#### (d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments are initially recorded at fair value, adjusted for directly attributable transaction costs. The Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.



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### **Financial assets**

Financial assets are classified and measured at: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) and amortized cost. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. Measurement and classification of financial assets is dependent on the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset i.e. whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### *Financial assets at amortized cost (debt instruments)*

The Company measures financial assets at amortized cost if both of the following conditions: the financial asset is held with the objective to collect contractual cash flows; and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (“SPPI”). This is referred to as the SPPI test.

Financial assets at amortized cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified or impaired.

The Company’s financial assets at amortized cost include:

- cash equivalents; and
- receivables.

#### *Financial assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e. fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of loss.

An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at FVTPL in its entirety.

#### *Impairment*

An expected credit loss (“ECL”) impairment model applies which requires a loss allowance to be recognized based on ECLs. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original EIR, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.



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### **Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

#### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments.

Gains or losses on financial liabilities at FVTPL are recognized in the consolidated statement of loss.

#### *Loans and borrowings and payables*

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income. Gains and losses are recognized when the financial liability is derecognized.

The Company's financial liabilities at amortized cost include:

- accounts payable; and
- gold stream arrangement.

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive loss.

#### (e) Fair value measurement

The Company measures financial instruments at fair value at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or a cash generating unit at fair value less cost of disposal ("FVLCD").

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.



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### (f) Receivables

Trade receivables are amounts due from customers for the sale of bullion and gold dore in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently at amortized cost using the effective interest rate method.

### (g) Inventories

Inventories are valued at the lower of average cost and net realizable value ("NRV").

Ore in process inventory consists of stockpiled ore, ore on leach pads, crushed ore, and in-circuit material. Finished metal inventory consists of gold in doré awaiting refinement, or bullion.

Ore in process and finished metal costs consist of direct production costs including mining; crushing, leaching and processing; site administration costs; and allocated indirect costs, including depreciation and amortization of mineral property, plant and equipment. Inventory costs are charged to production costs on the basis of quantity of metal sold. The Company regularly evaluates and refines estimates used in determining the costs charged to production costs and costs absorbed into inventory carrying values based upon actual gold recoveries and operating plans. NRV is the estimated selling price, less the estimated costs of completion and selling expenses. Any write-downs of inventory to NRV are recorded as cost of sales in the consolidated statement of loss. If there is a subsequent increase in the value of inventories, the previous write-downs to NRV are reversed to the extent that the related inventory has not been sold.

Supplies and spare parts inventory consists of consumables used in operations, such as fuel, chemicals, reagents and spare parts, which are valued at the lower of average cost and NRV and, where appropriate, less a provision for obsolescence. Costs include acquisition, freight and other directly attributable costs. NRV is estimated based on replacement costs.

### (h) Exploration and evaluation expenditures

All exploration and evaluation expenditures are expensed, except for costs related to the acquisition of exploration and evaluation assets which are capitalized. When technical feasibility and commercial viability have been determined by management the subsequent costs incurred for the development of that project are capitalized as mining properties, plant and equipment, as appropriate.

Management reviews the capitalized costs on its exploration and evaluation assets to consider if there is an impairment to take into consideration from current exploration results and management's assessment of the exploration results and of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are tested for impairment and then reclassified to development assets within mineral property, plant and equipment.



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### (i) Mineral property, plant and equipment

#### *Mineral properties*

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges. Costs include:

- The fair value of mineral properties acquired;
- The carrying value, less impairments, of exploration and evaluation assets reclassified to development assets;
- Development costs on an area of interest once management has determined the property has achieved technical feasibility and commercial viability. Development expenditures include operating and site administration costs;
- Development costs on a property after commercial production is achieved are capitalized when it is probable that additional economic benefit will be derived from future operations.

Mining properties are depleted over the economic life of the property on a units-of-production basis based on mineral reserves and, where included in the mine plan, mineral resources.

#### *Plant and equipment*

Plant and equipment are carried at cost, less accumulated amortization and impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use along with the future cost of dismantling and removing the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs relating to any producing mineral interests are amortized on a unit-of-production basis over the estimated saleable ounces of gold. Costs incurred after the property is placed into production that increase production volume or extend the life of a mine are capitalized.

### (j) Impairment of non-current assets

At each reporting period, the Company assesses whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, or when the decision to proceed with the development of a particular project is taken based on its technical and commercial viability, the Company estimates the recoverable amount of the asset or group of assets and compares it against the carrying amount. The recoverable amount is the higher of the FVLCD and the asset's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of comprehensive loss for the period.

In calculating the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset.



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(k) Provision for reclamation and rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when the environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the dismantling, remediation and ongoing treatment and monitoring of a mine and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operation license conditions and, when applicable, the environment in which the mine operates. Discount rates using a pre-tax rate that reflects the time value of money and the risk associated with the liability are used to calculate the net present value. These costs are capitalized and then charged against the consolidated statement of loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating a finance expense in the consolidated statement of loss.

Decommissioning costs are also adjusted at each reporting date for changes in estimates. These may include revised expected cash flows, the timing of the cash flows and discount rate. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in the consolidated statement of loss. The operations of the Company have been, and may in the future be, affected by changes in environmental regulations, including those for site restoration costs.

(l) Revenue recognition

The Company's primary source of revenue is from the sale of gold doré or bullion. The Company does not sell on commercial terms that requires it to provide freight services after the date at which control of the product passes to the customer. As such, the Company's sole performance obligation relates to the delivery of these products to its customers, with each shipment representing a separate performance obligation.

The refiners who received doré from the Company, refine the materials on the Company's behalf. Control over the refined gold produced from doré is transferred to the customer upon delivery to the customer's bullion account. Refined metals are sold at spot prices and revenue is recognized on the trade settlement date.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when control has transferred, which is generally considered to occur when title passes to the customer. Once the title has passed to the customer, the significant risks and rewards of ownership have been transferred and the customer is able to direct the use of and obtain substantially all of the remaining benefits from the goods.

The Company began recognizing revenue following the Marlin Transaction. Previously, the Company had no revenue.



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### (m) Income tax

Income tax is recognized in net income (loss) for the period except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or equity, respectively.

Deferred tax is provided using the balance sheet method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Mining taxes and royalties are considered to have the characteristics of an income tax when they are imposed under government authority and the amount payable is calculated by reference to taxable income. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognized as current provisions and included in cost of sales.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed at each period end. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Outlined below are all of the areas which require management to make significant estimates and assumptions in determining carrying values.

### (a) Fair value of business acquisition

Judgment and estimates are used to determine the fair value of the assets and liabilities acquired resulting from a business acquisition. In the determination of the fair value of the assets and liabilities, management makes certain judgments and estimates regarding mineral resources, exploration potential, economic lives, and reclamation costs, among others.



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### (b) Estimated mineral resources

Mineral resources are estimates of the amount of metal that can be extracted from the Company's properties, considering both economic and legal factors. The Company estimates the quantity and/or grade of its mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires judgments to interpret the complex geological data. Calculating mineral resources is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, metallurgical recoveries, and production costs along with geological assumptions and judgments made in estimating the size, and grade of the ore body. Changes in the mineral resources may affect the Company's financial position in a number of ways, including:

- i. asset carrying values may be affected due to changes in estimated future cash flows;
- ii. prospective depreciation charges in the Company's consolidated statement of comprehensive loss may change when such charges are determined by the unit-of-production basis, or when the useful lives of assets change; and
- iii. provision for reclamation liabilities balances may be affected as the estimated timing of reclamation activities is adjusted for changes in the estimated mine life as determined by the available mineral resources.

### (c) Ore in process

The Company monitors the recovery of gold ounces from the leach pad on an ongoing basis and may refine its estimate of inventory valuation based on these results. Assumptions used in inventory valuation include tonnes mined, grams of gold per tonne, recovery rate based on the type of ore placed on the leach pad, assays of ore tonnes, solutions and gold on carbon, among others.

### (d) Deferred income taxes

The determination of income tax expense and deferred income tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretation of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred income taxes or the timing of tax payments.

### (e) Impairment of non-current assets

Management applies significant judgment in its assessment and evaluation of asset or cash generating units at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties, plant and equipment. External sources of information considered are changes in the Company's economic, legal and regulatory environment, which it does not control, but affect the recoverability of its mining assets. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Calculating the fair value less costs of disposal of cash generating units for impairment tests requires management to make estimates and assumptions with respect to future production levels, operating, capital and closure costs, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis.





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(f) Reclamation and remediation provisions

Reclamation and remediation provisions represent the present value of estimated future costs for the reclamation of the Company's mines and properties. These estimates include assumptions as to the cost of services, timing of the reclamation work to be performed, inflation rates, exchange rates and interest rates. The reclamation and closure estimates are more uncertain the further into the future the activities are to be performed.

The actual cost to reclaim a mine may vary from the estimated amounts because there are uncertainties in factors used to estimate the cost and potential changes in regulations or laws governing the reclamation of a mine. Management periodically reviews the reclamation requirements as new information becomes available and will assess the impact of new regulations and laws as they are enacted. Any changes to assumptions will result in an adjustment to the provision which affects the Company's liabilities and either its mineral property, plant and equipment or profit and loss.

(g) Capitalization of costs

Judgment is required in evaluating whether expenditures meet the criteria to be capitalized, including the probability that future economic benefits will be generated. Determination of probable future economic benefit is based on management's evaluation of the technical feasibility and commercial viability of the geological properties of a given ore body based on information obtained, including metallurgical testing, resource and reserve estimates and the economic assessment of whether the ore body can be mined economically.

(h) Functional currency determination

The functional currency is the currency of the primary economic environment in which the parent entity and each of its subsidiaries operate. Determination of functional currency may involve certain judgments to identify the primary economic environment. Management reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment.

## 6. BUSINESS ACQUISITION – MARLIN GOLD MINING LTD.

On August 3, 2018, the Company, Marlin and Sailfish Royalty Corp. ("Sailfish") entered into a definitive agreement whereby the Company acquired all of the issued and outstanding shares of Marlin.

Under the terms of the Marlin Transaction, Marlin undertook a corporate reorganization, pursuant to which it:

- (i) sold its Commonwealth silver and gold property in Cochise County, Arizona, to Wexford Capital LP or funds controlled by it ("Wexford"), Marlin's controlling shareholder, which extinguished all of Marlin's loans and any other debts and liabilities owing to Wexford;
- (ii) assigned to Sailfish its 1% net smelter royalty ("NSR") on the Parral 2 claims on the La Cigarra project owned by Kootenay Silver Inc. (the "La Cigarra Royalty") and its 1.5% NSR on the majority of the concessions at the El Compas project operated by Endeavour Silver Corp. (the "El Compas Royalty"), granted an option to Sailfish to purchase its Gavilanes property in Mexico, all as partial consideration for Sailfish agreeing to enter into the amendment to the existing gold stream on the San Albino Property;
- (iii) wound-up certain of its non-material subsidiaries that were not acquired by the Company under the Marlin Transaction; and



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- (iv) sold 17,155,191 common shares of the Company that were held by Marlin at a price of C\$0.1539 on a private placement basis, pursuant to which Wexford purchased 85% of these common shares and an aggregate of 993,464 were purchased by option holders of Marlin.

As a condition to closing the Marlin Transaction, the Company and its subsidiaries, Marlin and one of its subsidiaries, and Sailfish entered into a master agreement (the "Sailfish Master Agreement") whereby:

- (a) the parties agreed to restructure the existing gold stream on the San Albino Property (refer below);
- (b) Marlin will make cash payments to Sailfish in respect of any amounts recovered by Marlin in certain lawsuits Marlin has filed against the Mexican tax authority for the purpose of obtaining previously denied Mexican value added tax refunds, net of certain interest and inflation adjustments and applicable legal fees;
- (c) Sailfish extinguished the Company's liability of \$1,100,985 associated with the existing gold stream on the San Albino Property;
- (d) Sailfish's existing funding obligation of approximately \$13.9 million was eliminated; and
- (e) Marlin assigned to Sailfish its El Compas Royalty and La Cigarra Royalty and granted an option to Sailfish to purchase its Gavilanes property in Mexico.

Under the terms of the Sailfish Master Agreement, the Company, Marlin and Sailfish restructured the gold stream arrangement (the "Amended and Restated Gold Purchase Agreement") whereby the terms and conditions of the Amended and Restated Gold Purchase Agreement provide Sailfish with the right to purchase 4% of the mineral resources for 25% of the spot price of gold at the time of sale with respect to a certain area of interest on the San Albino concession (the "AOI").

In addition, the parties agreed to a new royalty agreement whereby the Company and its subsidiaries have granted Sailfish a 2% NSR royalty on production from the San Albino-Murra Mining Concession (exclusive of the AOI) and the El Jicaro Concession.

This right was valued using a discounted cash flow model. The cash flows were determined based on the life-of-mine ("LOM") projections, and incorporated estimates of forecast metal prices, estimates of recoverable Mineral Reserves and Mineral Resources and were discounted using an estimated weighted average cost of capital of a market participant, adjusted for specific risks.

On May 14, 2018, the Company and Marlin entered into an agreement whereby Marlin loaned the Company C\$4,000,000 (the "Bridge Loan"). The Bridge Loan had a term of one year and bore interest at 8% per annum. The Bridge Loan was included in the acquired working capital. Upon completion of the Marlin Transaction, the Bridge Loan became intercompany debt and was eliminated on consolidation.



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On November 9, 2018, the Marlin Transaction was completed and the Company acquired all the issued and outstanding common shares of Marlin in exchange for 91,233,386 common shares of the Company. The purchase price allocation was as follows:

<b>Net assets acquired</b>	
Working capital deficit	(\$1,912,230)
Mine asset and equipment	455,845
Provision for reclamation and rehabilitation	(5,282,361)
Rights to extinguish the gold stream arrangement	17,371,029
<b>Total identifiable net assets</b>	<b>\$10,632,283</b>
<b>Total consideration satisfied by:</b>	
Common shares issued	\$10,632,283
<b>Total consideration</b>	<b>\$10,632,283</b>
Cash balances acquired	(\$3,316,245)
Net cash inflow on the completion of the Marlin Transaction	\$3,316,245

Immediately upon completion of the acquisition, the Company exercised its rights to extinguish the gold stream arrangement and recorded a loss as detailed below:

Rights to extinguish from Marlin Transaction	\$17,371,029
Amended and Restated Gold Purchase Agreement	4,371,029
Carrying value of the previous Gold Stream Arrangement	(1,100,723)
<b>Total loss on extinguishment</b>	<b>\$20,641,335</b>

**7. RECEIVABLES AND REFUNDABLE TAXES**

	<b>December 31, 2019</b>	<b>April 30, 2019</b>	<b>May 1, 2018</b>
	(Restated - Note 3)		
Value added taxes (IVA)	\$ 1,328,716	\$ 2,822,074	\$ -
Other	75,852	102,505	11,962
	\$ 1,404,568	\$ 2,924,579	\$ 11,962

Value added taxes (IVA) are refundable from the Government of Mexico and represent 16% of qualifying expenditures.



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**8. INVENTORIES**

	December 31, 2019	April 30, 2019	May 1, 2018
Leachpad	\$ -	\$ 9,275,381	\$ -
Stockpile	-	422,452	-
Finished metal	557,750	422,682	-
Supplies and spare parts	578,549	896,528	-
	\$ 1,136,299	\$ 11,017,043	\$ -

As at December 31, 2019, finished metal inventory was recorded at cost. As at April 30, 2019, all inventories were recorded at cost. For the eight months ended December 31, 2019, the Company recognized write downs of \$8,617,107 in cost of sales related to the unrecovered ounces on the leachpad upon ceasing leaching operations.

**9. EXPLORATION AND EVALUATION ASSETS**

	Potrerillos	San Albino	El Jicaro	Total
Balance, May 1, 2018	\$ -	\$ 4,380,926	\$ 120,000	\$ 4,500,926
NSR granted as part of the Marlin Transaction	-	(4,371,291)	-	(4,371,291)
Balance, April 30, 2019	\$ -	\$ 9,635	\$ 120,000	\$ 129,635
Transfer to Mineral property, plant and equipment	-	(9,635)	-	(9,635)
Acquired during the period	645,000	-	-	645,000
Balance, December 31, 2019	\$ 645,000	\$ -	\$ 120,000	\$ 765,000

*Potrerillos Concession, Nicaragua*

On December 17, 2019, the Company purchased the Potrerillos Concession from Condor Gold Plc. The Potrerillos Concession is contiguous to and along strike from the Company's San Albino gold project.

The Potrerillos Concession is valid until December 2031 and may be renewed for an additional 25 years.

*San Albino Property, Nicaragua*

On May 7, 2012, the Company completed the terms of an 80% earn-in interest property agreement which was signed on June 26, 2009 with Nicoz, and on October 31, 2012 the Company acquired the remaining 20% interest in the San Albino Property. The San Albino Property license is valid until February 3, 2027 and may be renewed by the Company for another 25-year term.

The Company, as part of the Marlin Transaction, has provided Sailfish with the right to purchase 4% of the mineral resources at a discount on the spot price at the time of sale with respect to the San Albino Concession AOI. This has not been determined to be a financial liability, but a transfer of interest in the underlying asset and has therefore been recorded as a reduction in the carrying value of the San Albino Property. In addition, the parties agreed to a new royalty agreement whereby the Company and its subsidiaries granted Sailfish a 2% NSR royalty on production



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from the San Albino-Murra Mining Concession exclusive of the AOI. There is also an NSR of 3% payable to the Nicaraguan government pursuant to existing mining laws.

At the time of the transition from exploration and evaluation to property, plant and equipment, the Company completed an impairment test as required by IFRS 6. The impairment test compared the carrying amount of the San Albino Project to its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. The Company estimated the recoverable amount based on the fair value less costs of disposal using a discounted cash flow model with feasibility study economics. The significant assumptions that impact the resulting fair value include future gold prices, capital cost estimates, operating cost estimates, estimated resources and the discount rate. Upon completion of the impairment test, the Company concluded there was no impairment.

### *El Jicaro Concession, Nicaragua*

In January 2012, the Company paid \$120,000 to acquire a 100% interest in the El Jicaro Concession, which is contiguous to the San Albino Property. The El Jicaro Concession license is valid for a period of 25 years until September 28, 2033 and may be renewed for another 25-year term.

As part of the Marlin transaction, the Company granted Sailfish a 2% NSR royalty on production from the El Jicaro Concession. No value was attributed to the 2% NSR.



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**10. MINERAL PROPERTY, PLANT AND EQUIPMENT**

	Construction in progress	Building	Equipment	Total
<b>Cost</b>				
As at May 1, 2018	\$ -	\$ 124,009	\$ 493,071	\$ 617,080
Acquired through business combination	-	-	455,845	455,845
Additions	-	-	112,820	112,820
Foreign currency translation adjustment	-	-	(1,941)	(1,941)
As at April 30, 2019	\$ -	\$ 124,009	\$ 1,059,795	\$ 1,183,804
Transfer from exploration and evaluation assets	9,635	-	-	9,635
Additions	8,252,988	-	1,310,194	9,563,182
Disposals	-	-	(63,251)	(63,251)
Foreign currency translation adjustment	-	-	1,422	1,422
As at December 31, 2019	\$ 8,262,623	\$ 124,009	\$ 2,308,160	\$ 10,694,792
<b>Accumulated depreciation</b>				
As at May 1, 2018	\$ -	\$ 82,594	\$ 474,730	\$ 557,324
Depreciation	-	11,354	53,483	64,837
Foreign currency translation adjustment	-	-	(1,771)	(1,771)
As at April 30, 2019	\$ -	\$ 93,948	\$ 526,442	\$ 620,390
Disposals	-	-	(58,201)	(58,201)
Depreciation	-	7,569	118,289	125,858
Foreign currency translation adjustment	-	-	1,422	1,422
As at December 31, 2019	\$ -	\$ 101,517	\$ 587,951	\$ 689,468
Net book value at May 1, 2018	\$ -	\$ 41,415	\$ 18,341	\$ 59,756
Net book value at April 30, 2019	\$ -	\$ 30,061	\$ 533,353	\$ 563,414
Net book value as at December 31, 2019	\$ 8,262,623	\$ 22,492	\$ 1,720,209	\$ 10,005,324



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### *San Albino Property, Nicaragua*

During the eight months ended December 31, 2019, the Company's Board approved the development of the San Albino Property. The Company made the decision to develop the mine based on a preliminary economic assessment, combined with other factors. Effective the date of this decision, all capitalized exploration and evaluation costs associated with San Albino were transferred to construction in progress, a non-depreciable category of mineral property until it is ready for its intended use.

### *La Trinidad Mine, Mexico*

The La Trinidad mine property was acquired as part of the Marlin Transaction, with a nil value assigned to it. The area is located in Sinaloa, Mexico and is comprised of 9 concessions, subject to the following agreements:

#### *Don Paulino Agreement*

Included in the La Trinidad area concessions, Nancy, Santa Cesilia and La Poderosa, are subject to an option to purchase agreement originally dated February 9, 2006, (as amended). Pursuant to the Don Paulino Agreement, the Company has a 1.5% NSR payable. The NSR consideration will be 0.5% if the price per ounce of gold is less than \$400; 1% if the price is greater than \$400 but less than \$499.99; and 1.5% if the price is equal or greater than \$500. The NSR can be purchased by the Company for \$1,000,000.

#### *Camargo Agreement*

Certain concessions, including La Nueva Trinidad and Nancy, are subject to an option to purchase agreement originally dated June 24, 2005 (as amended). Pursuant to the Camargo Agreement, the Company is required to make NSR payments to Minera Camargo S.A. de C.V. ranging from 0.5% to 1.0%. The NSR consideration will be 0.5% if the price per ounce of gold is less than \$400 and 1% if the price is greater than or equal to \$400. Each 0.5% NSR can be purchased by Marlin for \$1,000,000.

#### *Letter of Intent with Goldplay Exploration Ltd. ("Goldplay")*

On December 17, 2019 the Company entered into a Letter of Intent ("LOI") with Goldplay pursuant to which Goldplay shall have the right to acquire 100% of the shares of Mako's wholly owned subsidiary Marlin. Marlin owns, amongst other assets, Oro Gold, a Mexican company that owns the La Trinidad mine.

Under the LOI, Goldplay was granted the exclusive right to acquire 100% of the Marlin shares until December 31, 2020. Goldplay is now moving forward with its legal, financial and technical due diligence review of Marlin, Oro Gold, La Trinidad and other assets owned by Marlin. Upon completion of due diligence, the parties expect to then negotiate the terms of a definitive agreement in relation to this acquisition.

The terms of the transaction are subject to negotiation and will include a nominal cash payment and the issuance of a small NSR royalty to Mako on the concessions currently owned by Oro Gold. Goldplay will assume all remaining tax liabilities of Oro Gold. Mako will be responsible for reclamation activities at La Trinidad and associated costs until it receives approval from the Mexican government that reclamation is complete. All proceeds from the lawsuit Mako, Marlin and Oro Gold have filed against their insurers and reinsurers related to damages from Hurricane Willa will be



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for the benefit of Mako, and Mako will be responsible for the costs of this litigation. The litigation is currently ongoing and it is unknown at this time whether the Company will be successful with its claim.

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2019 (Restated - Note 3)	April 30, 2019 (Restated - Note 3)	May 1, 2018
Trade payables	\$ 1,505,992	\$ 15,040,023	\$ 241,979
Trade payables - mining contractor	1,000,000	-	-
Due to Sailfish	-	1,229,748	-
Due to related parties	198,109	155,519	6,840
Mexico mining concession taxes	6,079,613	4,318,148	-
	8,783,714	20,743,438	248,819
<i>Non-current liability</i>			
Trade payables - mining contractor	869,762	-	-
	\$ 9,653,476	\$ 20,743,438	\$ 248,819

On October 7, 2019, the Company entered into a settlement agreement with the Company's mining contractor in Mexico. The Company had an outstanding liability of \$11,343,338 with the two parties agreeing to settle the balance of the liability for \$6,000,000, payable as follows:

- \$4,000,000 (paid) on the date of signing the settlement agreement
- \$1,000,000 on the first anniversary of the settlement agreement
- \$1,000,000 on the second anniversary of the settlement agreement

Management calculated the discounted value of the long-term portion of the liability using a rate of 8%, which is management's estimate of the weighted average cost of capital for the Company. The difference between the discounted value of \$852,596 and the carrying value of the liability was recognized as a gain on settlement of accounts payable in the statement of income (loss) and comprehensive income (loss). As at December 31, 2019, management has accreted the long-term portion of the liability and recognized interest expense of \$17,166.





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**12. RECLAMATION AND REHABILITATION OBLIGATIONS**

	December 31, 2019	April 30, 2019	May 1, 2018
Opening balance	\$ 5,229,125	\$ -	\$ -
Acquired through business combination	-	5,282,361	-
Cash outflows for reclamation and rehabilitation activities	(841,581)	-	-
Changes in estimate	(2,275,286)	(108,705)	-
Accretion expense	23,312	55,469	-
Closing balance	\$ 2,135,570	\$ 5,229,125	\$ -
Current portion	\$ 1,412,917	\$ 3,138,574	\$ -
Long-term portion	722,653	2,090,551	-
	\$ 2,135,570	\$ 5,229,125	\$ -

Reclamation activities commenced during the eight months ended December 31, 2019.

As at December 31, 2019, the undiscounted estimate of cash outflows associated with reclamation activities for La Trinidad Mine is \$2,160,963 (April 30, 2019 - \$5,387,890). The provision was determined using a discount rate of 1.59% (April 30, 2019 – 2.33%) and an inflation rate of 1.97% (April 30, 2019 – 1.99%). The Company intends to complete the reclamation activities by the middle of 2022.

**13. SHARE CAPITAL**

(a) Authorized - Unlimited number of common shares, without par value.

(b) Issued

- (i) On July 23, 2019, the Company completed a rights offering whereby the Company issued 270,017,178 common shares of the Company for gross proceeds of C\$27,017,178 and incurred share issuance costs of C\$265,488.
- (ii) On March 8, 2019, the Company completed a non-brokered private placement issuing 30,000,000 common shares of the Company at a price of C\$0.15 per share for gross proceeds of C\$4,500,000.
- (iii) On November 9, 2018, the Company issued 91,233,386 common shares at a fair value of C\$0.1539 per common share, for a total of C\$14,040,993, in exchange for all the common shares of Marlin.



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(c) Share purchase warrants

Share purchase warrant transactions for the eight months ended December 31, 2019 and for the year ended April 30, 2019 are summarized below:

	For the eight months ended December 31, 2019		For the year ended April 30, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Opening balance	-	C\$ -	650,091	C\$ 0.22
Exercised	-	-	(67,000)	0.22
Expired	-	-	(583,091)	0.22
<b>Ending balance</b>	-	-	-	-
Warrants exercisable	-	-	-	-

(d) Share options

The Company has a share option plan, under which the Board of Directors is authorized to grant options to employees, directors, officers and consultants, enabling them to acquire up to 10% of the issued and outstanding share capital of the Company. The exercise price of each option is based at minimum on the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of five years. Options granted to investor relations consultants are subject to vesting provisions, as established by regulatory authorities, over a twelve-month period, with no more than ¼ vesting during any three-month period. Vesting provisions for other options are determined by the Company's Board of Directors.

	For the eight months ended December 31, 2019		For the year ended April 30, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	10,660,000	C\$0.22	12,465,512	C\$0.23
Granted	42,500,000	0.26	5,145,000	0.195
Exercised <sup>(1)</sup>	(280,000)	0.10	-	-
Expired	(2,720,000)	0.15	(6,950,512)	0.23
<b>Ending balance</b>	<b>50,160,000</b>	<b>C\$0.25</b>	<b>10,660,000</b>	<b>C\$0.22</b>
Options exercisable	18,285,000	C\$0.20	9,335,000	C\$0.22

(1) The weighted average share price at the date of exercise was C\$0.11

During the eight months ended December 31, the Company granted 42,500,000 stock options to its officers and directors. The stock options have a term of five years and vest as to 25% immediately upon grant and as to 25% on each of the three anniversaries of the grant date. The stock options have increasingly higher exercise prices as of each vesting date, ranging from C\$0.1625 to C\$0.35 per common share. The fair value of these options was calculated as \$1,505,229 (C\$1,994,880) using the Black-Scholes model. The Company recorded share-based payments of \$735,912 for the eight months ended December 31, 2019 of which \$656,693 is included in general



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and administrative expenses in net income (loss) and \$79,219 is included in construction in progress in mineral property (Note 9).

<b>Exercise Price</b>	<b>Expiry date</b>	<b>Outstanding</b>	<b>Exercisable</b>	<b>Weighted average remaining contractual life</b>
0.10	February 19, 2021	250,000	250,000	1.14 years
0.25	June 14, 2021	2,235,000	2,235,000	1.45 years
0.30	August 25, 2021	2,415,000	2,415,000	1.65 years
0.26	August 21, 2022	385,000	385,000	2.64 years
0.35	October 2, 2022	150,000	150,000	2.76 years
0.195	August 9, 2023	2,225,000	2,225,000	3.61 years
0.165 – 0.3500	August 8, 2024	42,500,000	10,625,000	4.61 years
		50,160,000	18,285,000	4.24 years

The fair value of stock options are estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>For the eight months ended December 31, 2019</b>	<b>For the year ended April 30, 2019</b>
Risk-free interest rate	1.51%	1.77 - 2.26%
Expected dividend yield	-	-
Expected stock price volatility	66.02%	70.10 – 75.64%
Expected life in years	5 years	5 years
Weighted average fair value	\$0.05	\$0.12 - \$0.22



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**14. RELATED PARTY TRANSACTIONS**

(a) Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company, and comprise the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, VP Corporate Development, VP Exploration and Directors.

	<b>For the eight months ended December 31, 2019</b>		<b>For the year ended April 30, 2019</b>		
Director fees	\$	94,245	\$	60,145	
Salaries, consulting and management fees		395,381		736,742	
Share-based compensation		662,321		183,723	
<b>Total</b>	<b>\$</b>	<b>1,151,947</b>	<b>\$</b>	<b>980,610</b>	
		<b>December 31, 2019</b>		<b>April 30, 2019</b>	
Amount included in accounts payable	\$	64,032	\$	57,195	

(b) Tes-Oro Mining Group, LLC ("Tes-Oro")

Tes-Oro is a private company controlled by the Company's Chief Operating Officer. Tes-Oro is a full-service engineering, procurement and construction management firm working exclusively with the Company. During the eight months ended December 31, 2019, the Company expensed fees relating to consulting services of \$1,774,199. During the year ended April 30, 2019, the Company expensed fees relating to consulting services of \$522,795. Amounts payable to Tes-Oro as at December 31, 2019 were \$134,077 (April 30, 2019 - \$96,151).

(c) RDLGEO Consulting, Inc ("RDLGEO")

RDLGEO is a private company controlled by a director of the Company that provides geological technical advice services. During the year ended April 30, 2019, the Company incurred fees relating to consulting services of \$21,597. There were no amounts payable to RDLGEO as at December 31, 2019 and as at April 30, 2019.

(d) Sailfish Royalty Corp

Sailfish is listed on the TSX-V and has directors in common with the Company and as of July 22, 2019 has a common majority shareholder. In August 2019, the Company made the final payment of \$250,000 to Sailfish. As at December 31, 2019, \$Nil (April 30, 2019 - \$1,229,748) is owing to Sailfish.



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**15. INCOME TAX EXPENSE AND DEFERRED TAXES**

- (a) The provision for income taxes differs from the expected amount calculated using the Canadian federal and provincial statutory income tax rates is as follows:

	<b>For the eight months ended December 31, 2019</b>		<b>For the year ended April 30, 2019</b>	
Loss for the year before income tax	\$	(9,206,654)	\$	(25,153,415)
Canadian statutory tax rate		27.0%		27.0%
Computed expected tax recovery		(2,485,797)		(6,791,422)
Change in deferred tax assets not recognized		964,986		2,230,518
Effect of change and difference in tax rates		(225,506)		(849,415)
Foreign exchange		(60,973)		(866,555)
Permanent differences		311,676		6,336,941
True up of prior year tax provision		(509,483)		-
Expiry of non-capital losses		1,894,034		-
Other		178,787		15,228
	\$	67,724	\$	75,296
Current income tax expense	\$	67,724	\$	75,296
Deferred income tax expense		-		-
Total income tax expense	\$	67,724	\$	75,296

There was an income tax rate increase in the province of British Columbia from 11% to 12% effective January 1, 2018 due to legislative changes.

- (b) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate future taxable income. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	<b>December 31, Expiry date 2019 range</b>		<b>April 30, 2019 Expiry date range</b>	
Exploration and evaluation assets	\$	47,960,000	No expiry date	\$ 49,086,000 No expiry date
Mineral property, plant and equipment		2,825,000	No expiry date	1,446,000 No expiry date
Inventories		-	No expiry date	561,000 No expiry date
Share issue costs		324,000	2020-2024	245,000 2039-2043
Non-capital losses available for future years		45,553,000	2029-2040	44,412,000 2019-2039
Provision for reclamation and rehabilitation		2,136,000	No expiry date	5,404,000 No expiry date
Other		4,844,000	No expiry date	7,856,000 No expiry date
<b>Unrecognized deductible temporary differences</b>	<b>\$</b>	<b>103,642,000</b>		<b>\$ 109,010,000</b>



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The Company's unused non-capital losses expire as follows:

Year of Expiry	Non-capital losses				
	Canada	Nicaragua	Mexico	Barbadian	United States
2020	\$ -	\$ -	\$ 435,000	\$ -	\$ -
2021	-	-	568,000	-	-
2022	-	-	211,000	-	-
2023	-	-	-	-	-
2024	-	-	2,974,000	-	-
2025	-	-	21,894,000	-	-
2026	-	-	1,579,000	-	-
2027	-	-	-	-	-
2028	-	-	3,384,000	-	-
2029	-	-	11,950,000	-	-
2030	-	-	-	-	-
2031	-	-	-	-	-
2032	-	-	-	-	-
2033	-	-	-	-	-
2034	-	-	-	-	-
2035	-	-	-	-	-
2036	-	-	-	-	-
2037	-	-	-	-	-
2038	-	-	-	-	-
2039	213,000	-	-	-	-
2040	1,999,000	-	-	-	-
No expiry	-	-	-	-	346,000
<b>Total</b>	<b>\$ 2,212,000</b>	<b>\$ -</b>	<b>\$ 42,995,000</b>	<b>\$ -</b>	<b>\$ 346,000</b>

Tax attributes are subject to review and potential adjustments by the tax authorities.

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

(a) Carrying amount versus fair value

Financial Instruments measured at fair value are classified into one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and



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Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash and cash equivalents, receivables and accounts payable. The carrying values of cash, receivables and accounts payables approximate fair value because of the short-term nature of these instruments or capacity of prompt liquidation.

The Company does not have any financial instruments that are measured using level 3 inputs.

During the eight months ended December 31, 2019 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

(b) Risk management objectives and policies

The Company's principal financial liabilities are accounts payable. The main purpose of these financial instruments is to manage short-term cash flow. The Company's principal financial assets comprise cash and cash equivalents and receivables that arise directly from its operations.

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The Company manages risks to minimize potential losses. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

***Credit risk***

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk with respect to its cash and cash equivalents and receivables. The Company's maximum exposure to credit risk is the amount disclosed in the consolidated statements of financial position.

Credit risk associated with cash and cash equivalents is minimized by placing the majority of these instruments with major financial institutions with strong investment-grade ratings as determined by a primary ratings agency.

Credit risk associated with trade receivables is managed by dealing with reputable international metals trading companies. The Company assesses and monitors risk by performing an aging analysis of its trade receivables.

***Liquidity risk (Note 1)***

Liquidity risk represents the risk that the Company will be unable to meet its obligations associated with its financial liabilities. The Company manages liquidity risk by preparing an annual budget for approval by the Board of Directors and preparing cash flow and liquidity forecasts on a regular basis. The Company maintains credit facilities and endeavours to maintain sufficient cash balances to meet its liquidity requirements at any point in time.



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### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risk: price risk, interest rate risk and currency risk.

#### *Price risk*

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices.

The Company is exposed to the risk of fluctuations in prevailing market commodity prices for gold which it sells into global markets. The market price of gold is a key driver of the Company's capacity to generate cash flow. The Company is an unhedged producer to provide its shareholders with exposure to the changes in the market price of gold.

#### *Interest rate risk*

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is considered insignificant due to the low interest rates in the current economic environment and short-term nature of its holdings and as such the Company does not take any actions to manage interest rate risk.

#### *Currency risk*

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Company's currency risk primarily arises from financial instruments denominated in US dollars that are held by Mako, as the functional currency of the Company is Canadian dollars. Conversely for the Company's subsidiaries whose functional currency is not the US dollar, currency risk primarily arises from financial instruments denominated in foreign currencies that are held at the subsidiary company level. The Company does not consider the currency risk to be material to the future operations of the Company and, as such, does not have a hedging program or any other programs to manage currency risk.

## **17. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital to an acceptable risk (Note 1).

The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, its expected funding requirements,





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and risk characteristics of the underlying assets. The Company's funding requirements are based on cash forecasts. In order to maintain or adjust the capital structure, the Company may issue new shares, debt and/or consider strategic alliances. Management reviews its capital management approach on a regular basis. The Company is not subject to any externally imposed capital requirements.

**18. SEGMENTED INFORMATION**

As at December 31, 2019, the Company has one business segment, the production of gold and exploration of resources. The Company's principal product is gold doré with the refined gold bullion sold in the London spot market by the subsidiary in Barbados. The gold doré is produced at the La Trinidad Mine in Mexico.

All of the Company's significant non-current assets are distributed by geographic locations as follows:

	Canada	Mexico	Nicaragua	Total
<b>As at December 31, 2019</b>				
Mineral property, plant and equipment	\$ -	\$ 229,639	\$ 9,775,685	\$ 10,005,324
Exploration and evaluation assets	-	-	765,000	765,000
<b>As at April 30, 2019</b>				
Mineral property, plant and equipment	922	412,883	149,609	563,414
Exploration and evaluation assets	-	-	129,635	129,635
<b>As at May 1, 2018</b>				
Mineral property, plant and equipment	3,902	-	55,854	59,756
Exploration and evaluation assets	-	-	4,500,926	4,500,926

**19. SUPPLEMENTARY CASH FLOW INFORMATION**

Changes in non-cash working capital comprise the following:

	For the eight months ended December 31, 2019	For the year ended April 30, 2019
	<i>Restated - Note 3</i>	<i>Restated - Note 3</i>
Receivables and refundable taxes	\$ 1,522,508	\$ 1,679,448
Inventories	1,263,637	(1,697,077)
Prepaid expenses, and other	(123,742)	388,205
Accounts payable and accrued liabilities	(6,376,045)	(2,318,147)
Provision for reclamation and rehabilitation - current liability	(841,581)	-
	<b>\$ (4,555,223)</b>	<b>\$ (1,947,571)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 20. EVENTS AFTER THE REPORTING PERIOD

(a) Term loan

On February 20, 2020, the Company entered into a \$15,150,000 unsecured term loan facility (the "Term Loan") from Wexford Catalyst Trading Limited, Wexford Spectrum Trading Limited and Debello Trading Limited (collectively, the "Lenders"), each private investment funds managed by the Company's controlling shareholder, Wexford Capital LP ("Term Loan Agreement"). The Term Loan matures in August 2022 and may be prepaid at any time, in whole or in part, at par plus accrued but unpaid interest, without penalty or premium. The Term Loan bears interest at the rate of 8.0% per annum until the first anniversary of the closing date, increasing to 10% per annum thereafter, which interest is payable semi-annually on June 30<sup>th</sup> and December 31<sup>st</sup> each year, with the first interest payment due on December 31, 2020. The Term Loan will be made available in up to three drawdowns on dates to be selected by the Company within twelve months of the closing date. Each drawdown will be for a maximum of \$5,000,000 (except that the first drawdown may be for a maximum of up to \$5,150,000).

To the extent a drawdown is less than \$5,000,000, the balance of the commitment under that drawdown tranche will be permanently cancelled and any portion of the commitment that is not advanced within twelve months following the closing date will be permanently cancelled. The Company has agreed to pay a non-refundable up-front fee of \$150,000 to the Lenders, pro rata in accordance with their respective commitments, on the closing of the Loan. In addition, if the Loan is not repaid in full on or prior to the first anniversary of the closing date, then the Company must pay to the Lenders, on a pro rata basis in accordance with their respective commitments, cash bonus interest on the first anniversary of the closing date and on each successive anniversary in an amount equal to the cash equivalent of 500 ounces of gold calculated based on the average Gold Fixing Price in the London Bullion Market during the most recently completed calendar month at the time the payment is made, in accordance with the applicable formula set out in the Term Loan Agreement. On February 20, 2020 and on April 1, 2020, the Company had drawn down \$5,150,000 and \$5,000,000, respectively.

- (b) Since early March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). We continue to operate our business and move our property development forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on our future production, cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on our business, results of operations, financial position and cash flows in 2020. We are continuously monitoring the situation in Nicaragua, which could impact the timing of completion of the San Albino Mine.