



(formerly Golden Reign Resources Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended April 30, 2019
(Expressed in Canadian dollars)*



Independent auditor's report

To the Shareholders of Mako Mining Corp. (formerly Golden Reign Resources Ltd.)

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mako Mining Corp. (formerly Golden Reign Resources Ltd.) and its subsidiaries (together, the Company) as at April 30, 2019 and 2018 and May 1, 2017, and its financial performance and its cash flows for the years ended April 30, 2019 and 2018 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 April 30, 2019 and 2018 and May 1, 2017;
- the consolidated statements of loss and other comprehensive loss for the years ended April 30, 2019 and 2018;
- the consolidated statements of changes in equity for the years ended April 30, 2019 and 2018;
- the consolidated statements of cash flows for the years ended April 30, 2019 and 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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.

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.

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
August 28, 2019



(formerly Golden Reign Resources Ltd.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian dollars

	Note	April 30, 2019	April 30, 2018 (Restated - Note 3)	May 1, 2017 (Restated - Note 3)
ASSETS				
Current				
Cash and cash equivalents		\$ 4,511,536	\$ 1,072,150	\$ 4,737,796
Receivables and refundable taxes	6	3,925,663	15,354	28,544
Inventories	7	14,788,177	-	-
Prepaid expenses, and other		205,872	20,216	7,858
Total current assets		23,431,248	1,107,720	4,774,198
Exploration and evaluation assets	8	268,866	5,777,388	6,149,165
Mineral property, plant and equipment	9	756,272	76,703	104,166
TOTAL ASSETS		\$ 24,456,386	\$ 6,961,811	\$ 11,027,529
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	10	\$ 30,073,485	\$ 319,386	\$ 402,197
Provision for reclamation and rehabilitation	11	4,212,908	-	-
Gold Stream Arrangement	12	-	1,445,045	1,536,073
Total current liabilities		34,286,393	1,764,431	1,938,270
Provision for reclamation and rehabilitation	11	2,806,147	-	-
Total liabilities		37,092,540	1,764,431	1,938,270
Shareholders' equity (deficit)				
Share capital	13	58,393,099	39,886,352	39,848,458
Contributed surplus	13	7,611,399	7,100,999	6,921,899
Accumulated other comprehensive income		(11,102)	1,028,685	1,221,144
Deficit		(78,629,550)	(42,818,656)	(38,902,242)
Total shareholders' equity (deficit)		(12,636,154)	5,197,380	9,089,259
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 24,456,386	\$ 6,961,811	\$ 11,027,529

Events after the reporting period (Note 20)

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



(formerly Golden Reign Resources Ltd.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian dollars

For the year ended	Note	April 30, 2019	April 30, 2018 (Restated - Note 3)
Revenue		\$ 10,568,987	\$ -
Cost of sales			
Production costs		(15,898,000)	-
Change in inventories		2,521,603	-
Depreciation, depletion and amortization		(55,888)	-
		(13,432,285)	-
Gross loss		(2,863,298)	-
Exploration and evaluation expenses		(7,196,233)	(3,145,110)
General and administrative expenses		(3,016,649)	(766,989)
Other income (expense)			
Accretion and interest expense		(231,565)	-
Extinguishment of gold stream arrangement	5 & 12	(27,262,691)	-
Transaction costs	5	(682,832)	-
Foreign exchange gain (loss)		4,617,131	(26,341)
Interest income		925,582	22,026
Loss before income taxes		(35,710,555)	(3,916,414)
Income tax expense		(100,339)	-
Loss for the year		(\$ 35,810,894)	(\$ 3,916,414)
Other comprehensive loss			
Loss for the year		(35,810,894)	(3,916,414)
Items subject to reclassification into statement of loss			-
Foreign currency translation adjustment		(1,039,787)	(192,459)
Other comprehensive loss for the year		(1,039,787)	(192,459)
Comprehensive loss for the year		(\$ 36,850,681)	(\$ 4,108,873)
Basic and diluted loss per common share		(\$ 0.15)	(\$ 0.02)
Weighted average common shares outstanding		239,008,432	192,062,511

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



(formerly Golden Reign Resources Ltd.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Expressed in Canadian dollars

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance at May 1, 2017 (as previously reported)	191,995,896	\$ 39,848,458	\$ 6,921,899	\$ 7,941,948	(\$ 13,241,137)	\$ 41,471,168
Change in accounting policy		-	-	(6,720,804)	(25,661,105)	(32,381,909)
Balance at May 1, 2017 (restated - note 3)	191,995,896	39,848,458	6,921,899	1,221,144	(38,902,242)	9,089,259
Shares issued on exercise of warrants	21,718	7,878	(3,100)	-	-	4,778
Shares issued on exercise of options	86,306	30,287	(12,600)	-	-	17,687
Share issue costs	-	(271)	-	-	-	(271)
Share-based compensation	-	-	194,800	-	-	194,800
Net loss	-	-	-	-	(3,916,414)	(3,916,414)
Other comprehensive gain	-	-	-	(192,459)	-	(192,459)
Balance at April 30, 2018	192,103,920	\$ 39,886,352	\$ 7,100,999	\$ 1,028,685	(\$ 42,818,656)	\$ 5,197,380
Balance at May 1, 2018 (as previously reported)	192,103,920	\$ 39,886,352	\$ 7,100,999	\$ 5,727,657	(\$ 14,012,441)	\$ 38,702,567
Change in accounting policy		-	-	(4,698,972)	(28,806,215)	(33,505,187)
Balance at May 1, 2018 (restated - note 3)	192,103,920	39,886,352	7,100,999	1,028,685	(42,818,656)	5,197,380
Shares issued on business combination	91,233,386	14,040,993	-	-	-	14,040,993
Shares issued on private placement	30,000,000	4,500,000	-	-	-	4,500,000
Share issue costs	-	(58,486)	-	-	-	(58,486)
Shares issued on exercise of warrants	67,000	14,740	-	-	-	14,740
Transfer of warrant value	-	9,500	(9,500)	-	-	-
Share-based compensation	-	-	519,900	-	-	519,900
Net loss	-	-	-	-	(35,810,894)	(35,810,894)
Other comprehensive gain	-	-	-	(1,039,787)	-	(1,039,787)
Balance at April 30, 2019	313,404,306	\$ 58,393,099	\$ 7,611,399	(\$ 11,102)	(\$ 78,629,550)	\$ 12,636,154

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



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CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian dollars

For the year ended April 30,	2019	2018 (Restated - Note 3)
Cash provided by (used for):		
Operating activities		
Net loss for the year	(\$ 35,810,894)	(\$ 3,916,414)
Non-cash items:		
Accretion expense	28,111	-
Change in ARO estimate	(99,053)	-
Depreciation, depletion and amortization	86,135	8,988
Extinguishment of gold stream arrangement	27,262,691	-
Interest expense	184,799	-
Unrealized foreign exchange gain	(1,005,510)	-
Share-based payments	519,900	104,700
	(8,833,821)	(3,802,726)
Changes in non-cash working capital		
Receivables and refundable taxes	2,238,480	13,190
Prepaid expenses, and other	517,606	375
Inventories	(2,261,525)	-
Accounts payable and accrued liabilities	(884,475)	64,172
Net cash used in operating activities	(9,223,735)	(3,724,989)
Investing activities		
Business acquisition, net inflow of cash	4,377,531	-
Expenditures on mineral property, plant and equipment	(148,607)	(7,714)
Net cash provided by (used in) investing activities	4,228,924	(7,714)
Financing activities		
Proceeds on issue of shares, net of share issuance costs	4,441,514	(271)
Advances from Marlin prior to the acquisition	4,000,000	-
Proceeds on exercise of warrants	14,740	4,778
Proceeds on exercise of options	-	17,687
Interest paid on advances	(59,054)	-
Net cash provided by financing activities	8,397,200	22,194
Effect of foreign exchange on cash and cash equivalents	36,997	44,863
Change in cash and cash equivalents	3,439,386	(3,665,646)
Cash and cash equivalents, beginning of year	1,072,150	4,737,796
Cash and cash equivalents, end of year	\$ 4,511,536	\$ 1,072,150

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



(formerly Golden Reign Resources Ltd.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Expressed in Canadian dollars

1. NATURE OF OPERATIONS

Mako Mining Corp. ("Mako" or the "Company"), formerly Golden Reign Resources Ltd., 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 an advanced exploration stage.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

These consolidated financial statements were approved for issuance by the Board of Directors on August 28, 2019.

(b) Basis of measurement

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.



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

Subsidiary	Referred to as	Place of incorporation	Ownership interest	Principal activity
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.

(d) Functional and presentation 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;
- Gold Belt, Nicoz and Oro Gold and Marlin Trading – US dollar;
- Prestadora – Mexican peso.

The presentation currency of the Company is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The Company applied the accounting pronouncements IFRS 9 effective May 1, 2018, the nature and effect of which are described below. In addition, in the current fiscal year, the Company changed its accounting policy for exploration and evaluation expenditures, as described below. Furthermore, the Company has adopted additional accounting policies following the Marlin Transaction, see (f), (h), (j) and (k) described below. Other than these changes, the accounting policies adopted are consistent with those of the previous financial year.

IFRS 9, Financial Instruments – Classification and Measurement

IFRS 9 is a standard on financial instruments which replaces IAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. Previously, in accordance with IAS 39, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. Investments in equity instruments are required to be measured by default at FVTPL (but there is an irrevocable option for each equity instrument to present



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fair value changes in other comprehensive income). Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated statement of loss, unless this creates an accounting mismatch.

IFRS 9 allows for an exemption from restating prior periods in respect of the standard's classification and measurement requirements. The Company has chosen to apply this exemption upon initial adoption. However, it was determined that the adoption of IFRS 9 has no impact on the comparative year's consolidated financial statements. There was no impact on hedging as the Company does not apply hedge accounting.

The Company completed a detailed assessment of its financial assets and liabilities as at May 1, 2018. The adoption of IFRS 9 had no quantitative impact on the Company's financial instruments; however, it has an impact on the classification of the Company's financial instruments compared to the old standard as follows:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Cash equivalents	Loans and receivable	Amortized cost
Receivables	Loans and receivable	Amortized cost
Financial liabilities		
Accounts payable	Amortized cost	Amortized cost
Gold stream arrangement	Amortized cost	Amortized cost

Exploration and evaluation expenditures

During the current fiscal year, the Company changed its accounting policy in respect of exploration and evaluation expenditures. The new accounting policy requires all exploration and evaluation expenditures be expensed, except for costs related to the acquisition of exploration and evaluation assets which are capitalized, as permitted under IFRS 6, *Exploration for and Evaluation of Mineral Resources*.

Once the Company has determined that the development potential of the mineral property is economically viable and technically feasible the exploration and evaluation asset is reclassified to mineral properties within mineral properties, plant and equipment. The establishment of a mineral property being technically feasible and commercially viable is assessed based on a combination of factors, such as but not limited to:

- The extent to which mineral resources have been identified through significant exploration activities;
- Optimization studies and further technical evaluation to mitigate project risks have been carried out;
- The status of environmental permits; and
- The status of mining leases or permits.



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In addition, commercial viability is deemed to be achieved when the Company determines that the project will provide a satisfactory return relative to its perceived risks.

Previously, all expenditures were capitalized as exploration and evaluation assets on the Company's statement of financial position. Management considers this accounting policy to provide more reliable and relevant information and believes that showing exploration and evaluation expenditures separately on the statement of loss and comprehensive loss and in the operating activities section of the statement of cash flows more accurately reflects the Company's activities during the periods presented. The change in accounting policy has been applied retrospectively.

As required by IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company included the restated statement of financial position as of May 1, 2017.

Impact on the consolidated statement of financial position as at May 1, 2017 is as follows:

	As previously reported	Adjustment	Restated
Exploration and evaluation assets	\$ 38,531,074	\$ (32,381,909)	\$ 6,149,165
Accumulated other comprehensive income	\$ 7,941,948	\$ (6,720,804)	\$ 1,221,144
Deficit	\$ (13,241,137)	\$ (25,661,105)	\$ (38,902,242)

Impact on the consolidated statement of financial position as at April 30, 2018 is as follows:

	As previously reported	Adjustment	Restated
Exploration and evaluation assets	\$ 39,282,575	\$ (33,505,187)	\$ 5,777,388
Accumulated other comprehensive income	\$ 5,727,657	\$ (4,698,972)	\$ 1,028,685
Deficit	\$ (14,012,441)	\$ (28,806,215)	\$ (42,818,656)

Impact on the consolidated statement of loss and comprehensive loss for the year ended April 30, 2018 is as follows:

	As previously reported	Adjustment	Restated
Exploration and evaluation expenses	\$ -	\$ (3,145,110)	\$ 3,145,110
Loss for the year	\$ (771,304)	\$ (3,145,110)	\$ 3,916,414
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	\$ (0.01)	\$ (0.02)	\$ (0.00)

Impact on the consolidated statement of cash flow for the year ended April 30, 2018 is as follows:

	As previously reported	Adjustment	Restated
Net cash used in operating activities	\$ (866,845)	\$ (2,858,144)	\$ (3,724,989)
Net cash (used in) / provided from investing activities	\$ (2,865,858)	\$ 2,858,144	\$ 7,714



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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) 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 Canadian 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.

(c) 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.

Financial assets

Financial assets are classified and measured at: FVTPL, 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



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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.

(d) 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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(e) 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.

(f) 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.

(g) 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 and 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.



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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.

(h) 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.

(i) 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.



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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.

(j) 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.

(k) 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.



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

(I) 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.

New accounting standards issued but not yet effective

IFRS 16, *Leases* ("IFRS 16"), was issued in January 2016 by the IASB. According to the new standard, all leases will be on the statement of financial position of lessees, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019. The Company expects IFRS 16 will result in the recognition of additional assets and liabilities in the statement of financial position and a corresponding increase in depreciation, depletion and amortization and finance expenses and a decrease in production costs in the statement of income (loss). The Company also expects cash flows from operating activities to increase under IFRS 16 as lease payments will be recorded as financing outflows in the statement of cash flows. The Company has identified and collected data relating to existing agreements and has reviewed this information to identify which agreements are in scope for IFRS 16. Based on the review performed to date, the Company believes that the adoption of IFRS 16 will not have a material impact on the amounts recognized in the consolidated financial statements.

4. 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



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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.

(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



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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.

(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



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economic environment. Management reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

5. 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
- (iv) sold 17,155,191 common shares of the Company that were held by Marlin at a price of \$0.1539 on a private placement basis, pursuant to which Wexford purchased 85% of such the Company common shares and an aggregate of 993,464 of such the Company common shares 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 \$1,450,217 associated with the existing gold stream on the San Albino Property;
- (d) Sailfish’s existing funding obligation of approximately US\$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.

Restructured Gold Stream Arrangement

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”).



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

The Marlin Transaction completed on November 9, 2018.

On May 14, 2018, the Company and Marlin entered into an agreement whereby Marlin loaned the Company \$4,000,000 (the "Bridge Loan"). The Bridge Loan has a term of one year and bears 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.

On November 9, 2018, the Company acquired all the issued and outstanding common shares of Marlin in exchange for 91,234,552 common shares of the Company. The preliminary purchase price allocation is as follows:

Net assets acquired	
Working capital deficit	(\$2,525,281)
Mine asset and equipment	601,989
Provision for reclamation and rehabilitation	(6,975,886)
Rights to extinguish the gold stream arrangement	22,940,171
Total identifiable net assets	\$14,040,993
Total consideration satisfied by:	
Common shares issued	\$14,040,993
Total consideration	\$14,040,993
Cash balances acquired	(\$4,377,531)
Net cash inflow on the completion of the Marlin Transaction	\$4,377,531

The fair value of the working capital includes cash of \$4,377,531, inventories of \$12,307,948, receivables of \$6,060,060, Bridge Loan receivable of \$4,196,384, prepaids and other of \$654,096 and accounts payable of \$30,121,310.



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Immediately upon completion of the acquisition, the Company exercised its rights to extinguish the gold stream arrangement and recorded a loss of \$27,262,691, which is detailed below:

Rights to extinguish from Marlin Transaction	\$22,940,171
Amended and Restated Gold Purchase Agreement (Note 8)	\$5,772,727
Carrying value of the previous Gold Stream Arrangement	(\$1,450,217)
Total loss on extinguishment	\$27,262,691

6. RECEIVABLES AND REFUNDABLE TAXES

	April 30, 2019	April 30, 2018	May 1, 2017
Value added taxes (IVA)	\$ 3,788,071	\$ -	\$ -
Other	137,592	15,354	28,544
	\$ 3,925,663	\$ 15,354	\$ 28,544

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

Under the terms of the Sailfish Master Agreement (Note 5), \$1,650,691 of the value added taxes receivable is owing to Sailfish as at April 30, 2019. This amount is recorded in accounts payable and accrued liabilities.

7. INVENTORIES

	April 30, 2019	April 30, 2018	May 1, 2017
Leachpad	\$ 12,450,344	\$ -	\$ -
Stockpile	567,057	-	-
Finished metal	567,366	-	-
Supplies and spare parts	1,203,410	-	-
	\$ 14,788,177	\$ -	\$ -

As at April 30, 2019, inventories were recorded at cost.



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8. EXPLORATION AND EVALUATION ASSETS

	San Albino	El Jicaro	Total
Balance May 1, 2017 (Restated - Note 3)	\$ 5,985,221	\$ 163,944	\$ 6,149,165
Foreign currency translation adjustment	(361,865)	(9,912)	(371,777)
Balance April 30, 2018 - (Restated - Note 3)	5,623,356	154,032	5,777,388
NSR granted as part of the Marlin Transaction	(5,772,727)	-	(5,772,727)
Foreign currency translation adjustment	257,161	7,044	264,205
Balance, April 30, 2019	\$ 107,790	\$ 161,076	\$ 268,866

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 by making cash payments of US\$1,100,000, incurring aggregate exploration expenditures of US\$5,000,000 and issuing 6,100,000 common shares at a value of \$2,813,770.

Under the terms of the Sailfish Master Agreement, the Company 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 have granted Sailfish a 2% NSR royalty on production 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.

The San Albino Property license is valid until February 3, 2027 and may be renewed for another 25-year term.

El Jicaro Concession, Nicaragua

In January 2012, the Company paid \$119,472 (USD\$120,000) to acquire a 100% interest in the El Jicaro Concession, which is contiguous to the San Albino Property.

Under the terms of the Sailfish Master Agreement, the Company granted Sailfish a 2% NSR royalty on production from the El Jicaro Concession. No value was attributed to the 2% NSR as part of the Marlin Transaction.

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.



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9. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Building	Equipment	Total
Cost			
As at May 1, 2017	\$ 169,421	\$ 664,888	\$ 834,309
Additions	-	4,772	4,772
Foreign currency translation adjustment	(10,243)	(36,754)	(46,997)
As at April 30, 2018	159,178	632,906	792,084
Acquired through business combination (Note 3)	-	601,989	601,989
Additions	-	151,439	151,439
Foreign currency translation adjustment	7,286	36,224	43,510
As at April 30, 2019	\$ 166,464	\$ 1,422,558	\$ 1,589,022
Accumulated depreciation			
As at May 1, 2017	\$ 97,327	\$ 632,816	\$ 730,143
Depreciation	14,575	12,209	26,784
Foreign currency translation adjustment	(5,885)	(35,661)	(41,546)
As at April 30, 2018	106,017	609,364	715,381
Depreciation	15,241	71,792	87,033
Foreign currency translation adjustment	4,849	25,487	30,336
As at April 30, 2019	\$ 126,107	\$ 706,643	\$ 832,750
Net book value at May 1, 2017	\$ 72,094	\$ 32,072	\$ 104,166
Net book value at April 30, 2018	\$ 53,161	\$ 23,542	\$ 76,703
Net book value at April 30, 2019	\$ 40,357	\$ 715,915	\$ 756,272

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) (the "Don Paulino Agreement"). 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 US\$400; 1% if the price is greater than US\$400 but less than US\$499.99; and 1.5% if the price is equal or greater than US\$500. The NSR can be purchased by the Company for US\$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) (the "Camargo Agreement"). 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 US\$400 and 1% if the price is greater than US\$400. Each 0.5% NSR can be purchased by Marlin for US\$1,000,000.



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10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2019	April 30, 2018	May 1, 2017
Trade payables	\$ 22,417,790	\$ 310,606	\$ 399,504
Due to Sailfish	1,650,691	-	-
Due to related parties	208,754	8,780	2,693
Mining concession taxes	5,796,250	-	-
	<u>\$ 30,073,485</u>	<u>\$ 319,386</u>	<u>\$ 402,197</u>

11. RECLAMATION AND REHABILITATION OBLIGATIONS

	April 30, 2019	April 30, 2018	May 1, 2017
Opening balance	\$ -	\$ -	\$ -
Acquired through business combination (Note 5)	6,975,886	-	-
Changes in estimate	(144,860)	-	-
Accretion expense	73,918	-	-
Foreign currency translation adjustment	114,111	-	-
Closing balance	<u>\$ 7,019,055</u>	<u>\$ -</u>	<u>\$ -</u>

As at April 30, 2019, the undiscounted estimate of cash outflows associated with reclamation activities for La Trinidad Mine is \$7,232,165. The provision was determined using a discount rate of 2.33%. Reclamation activities are expected to commence in fiscal 2020. As at April 30, 2019, the reclamation and rehabilitation obligations of \$4,212,908 and \$2,806,147 is included in current and non-current liabilities, respectively.

12. GOLD STREAM ARRANGEMENT

In July 2014, the Company completed an agreement with Sailfish for a US\$15.0 million gold stream arrangement at its San Albino Gold Deposit and surrounding area. Under the arrangement, Sailfish was entitled to purchase 40% of the gold production from the San Albino Gold deposit at US\$700 per troy ounce, subject to a 1% per year cost escalation beginning three years from commercial production, until Sailfish recovers US\$19,600,000. The Company was required to make minimum monthly payments of US\$282,800 per month, either in gold production or in cash, when commercial production commenced. Thereafter, Sailfish was entitled to purchase 20% of gold production at US\$700 per troy ounce, subject to a 1% per year cost escalation beginning three years from commercial production plus 50% of the price differential above US\$1,200 per troy ounce, subject to certain adjustments. Prior to commercial production, Sailfish was entitled to receive an 8% semi-annual coupon payment on the outstanding balance due from the Company.

During the year ended April 30, 2016, the Company received an initial draw down of \$705,652 (US\$536,536) to be used for engineering work during the pre-development phase.

Under the terms of the Sailfish Master Agreement (Note 5), Sailfish extinguished the Company's liability of \$1,450,217 associated with the existing gold stream on the San Albino Property and Sailfish's existing funding obligation of approximately US\$13.9 million was eliminated.



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The Company has recorded the following:

Balance, May 1, 2017 (principal & interest)	\$1,536,073
Add:	
Interest payable on drawdowns	110,779
Effect of changes in foreign exchange rates	(90,662)
Less:	
Semi-annual interest payments made on drawdowns	(111,145)
Balance, April 30, 2018 (principal & interest)	\$1,445,045
Add:	
Interest payable on drawdowns	28,744
Effect of changes in foreign exchange rates	35,482
Less:	
Semi-annual interest payments made on drawdowns	(59,054)
Balance, November 9, 2018	\$1,450,217
Extinguishment of gold stream arrangement (Note 5)	(1,450,217)
Balance, April 30, 2019	\$ -

13. SHARE CAPITAL

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

(b) Issued

- (i) 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 \$0.15 per share for gross proceeds of \$4,500,000.
- (ii) On November 9, 2018, the Company issued 91,233,386 common shares at a fair value of \$0.1539 per common share, for a total of \$14,040,993, in exchange for all the common shares of Marlin (refer to Note 5).

(c) Share purchase warrants

Share purchase warrant transactions for the year ended April 30, 2019 and 2018 are summarized below:

For the year ended April 30,	2019		2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Opening balance	650,091	\$ 0.22	671,809	\$ 0.22
Exercised	(67,000)	0.22	(21,718)	0.22
Expired	(583,091)	0.22		
Ending balance	-	-	650,091	\$ 0.22
Warrants exercisable	-	-	650,091	\$ 0.22



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(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 year ended April 30,	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	12,465,512	\$0.23	12,025,000	\$0.23
Granted	5,145,000	0.195	1,631,818	0.25
Exercised	-	-	(86,306)	0.20
Expired	(6,950,512)	0.23	(1,105,000)	0.25
Ending balance	10,660,000	\$0.22	12,465,512	\$0.23
Options exercisable	9,335,000	\$0.22	11,765,512	\$0.24

Exercise price	Expiry date	Outstanding	Exercisable	Weighted average remaining contractual life
0.10	February 19, 2021	1,750,000	1,125,000	1.81 years
0.25	June 14, 2021	2,235,000	2,235,000	2.13 years
0.30	August 25, 2021	2,415,000	2,415,000	2.32 years
0.26	August 21, 2022	385,000	385,000	3.31 years
0.35	October 2, 2022	150,000	150,000	3.43 years
0.195	August 9, 2023	3,725,000	3,025,000	4.28 years
		10,660,000	9,335,000	2.93 years

The fair value of share options granted was estimated on the measurement date using the Black-Scholes option-pricing model and is amortized over the vesting period of the underlying options. The assumptions used to calculate the fair value were as follows:

For the year ended April 30,	2019	2018
Risk-free interest rate	1.77 – 2.26%	1.51 – 1.77%
Expected life of options	5 years	5 years
Expected volatility	70.10 – 75.64%	75.29 – 75.64%
Weighted average fair value per option	\$0.12 – 0.22	\$ 0.24 – 0.32



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During the year ended April 30, 2019, the Company recorded share-based compensation of \$519,900 (2018 - \$194,800) which was expensed to operations; with \$277,300 included in general and administrative expenses and \$242,600 included in exploration and evaluation expenses.

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 Exploration and Directors. The compensation to key management was as follows:

For the year ended April 30,	2019	2018
Director fees	\$ 79,223	\$ -
Salaries, consulting and management fees	970,436	583,200
Share-based compensation	242,000	88,500
Total	\$ 1,291,659	\$ 671,700

As at April 30, 2019, \$76,773 (April 30, 2018 - \$8,780; May 1, 2017 - \$2,693) is owing to key management and is included in accounts payables and accrued liabilities.

(b) Other related party transactions

- (i) Tes-Oro Mining Group, LLC ("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 year ended April 30, 2019, the Company expensed fees relating to consulting services of \$688,625 (2018 - \$Nil). Amounts payable to Tes-Oro as at April 30, 2019 were \$129,064 (2018 - \$Nil).
- (ii) RDLGEO Consulting, Inc ("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 \$28,448 (2018 - \$Nil). There were no amounts payable to RDLGEO as at April 30, 2019 (2018 - \$Nil).

15. COMMITMENTS

The Company has entered into an operating lease agreement for its corporate head office premises. The approximate timing of payment is as follows:

	< 1 year	2 – 5 years	> 5 years
Operating leases	\$ 41,126	-	-



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16. 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:

For the year ended April 30,	2019	2018 (Restated - Note 3)
Loss for the year before income tax	(\$ 35,710,555)	(\$ 3,916,414)
Canadian statutory tax rate	27.0%	26.0%
Computed expected tax recovery	(\$ 9,641,850)	(\$ 1,018,268)
Change in deferred tax assets not recognized	3,583,683	1,078,268
Effect of change and difference in tax rates	(1,136,262)	(87,000)
Foreign exchange	(1,159,190)	-
Permanent differences	8,476,929	-
Other	(22,971)	27,000
	\$ 100,339	\$ -
Disclosed as follows:		
Current income tax expense	100,339	-
Deferred income tax expenses (recovery)	-	-
Total deferred income tax expense (recovery)	\$ 100,339	\$ -

There has been 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:

	2019	Expiry date range	2018 (Restated - Note 3)	Expiry date range
Exploration and evaluation assets	\$ 63,752,000	No expiry date	\$ 31,166,000	No expiry date
Mineral property, plant and equipment	1,878,000	No expiry date	65,000	No expiry date
Inventories	728,000	No expiry date	-	
Share issue costs	319,000	2039-2043	306,000	2034-2039
Allowable capital losses	-		620,000	No expiry date
Non-capital losses available for future years	85,819,000	2019-2039	8,324,000	2019-2037
Provision for reclamation and rehabilitation	7,019,000	No expiry date	-	No expiry date
Other	10,203,000	No expiry date	2,160,000	No expiry date
Unrecognized deductible temporary differences	\$169,718,000		\$ 42,641,000	



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

Year of Expiry	Non-Capital Losses			
	Canada	Nicaragua	Mexico	Barbadian
2019	\$ -	\$ -	\$ 567,000	\$ -
2020	-	-	903,000	-
2021	-	-	757,000	-
2022	-	-	282,000	-
2023	-	-	-	-
2024	-	-	3,963,000	-
2025	-	-	29,175,000	-
2026	-	-	2,103,000	-
2027	-	-	-	-
2028	-	-	4,509,000	-
2029	245,000	-	8,703,000	-
2030	400,000	-	-	-
2031	570,000	-	-	-
2032	705,000	-	-	-
2033	955,000	-	-	-
2034	1,799,000	-	-	-
2035	9,166,000	-	-	-
2036	14,504,000	-	-	-
2037	786,000	-	-	-
2038	6,713,000	-	-	-
2039	2,237,000	-	-	-
Total	\$ 38,080,000	\$ -	\$ 50,962,000	\$ -

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

17. 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

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



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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 year ended April 30, 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

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 Canadian 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.

18. 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.

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.

19. SEGMENTED INFORMATION

As at April 30, 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
As at April 30, 2019				
Mineral property, plant and equipment	\$ 1,238	\$ 554,213	\$ 200,821	\$ 756,272
Exploration and evaluation assets	-	-	268,866	268,866
As at April 30, 2018				
Mineral property, plant and equipment	5,008	-	71,695	76,703
Exploration and evaluation assets	-	-	5,777,388	5,777,388
As at May 1, 2017				
Mineral property, plant and equipment	13,996	-	90,170	104,166
Exploration and evaluation assets	-	-	6,149,165	6,149,165

20. EVENTS AFTER THE REPORTING PERIOD

- 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 \$27,017,178 and incurred share issuance costs of \$231,039.
- On August 8, 2019, 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 \$0.1625 to \$0.35 per common share.