



## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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*For the three months ended July 31, 2019*  
*(Expressed in Canadian dollars)*  
*(Unaudited)*



(formerly Golden Reign Resources Ltd.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian dollars

(Unaudited)

	Note	July 31, 2019	April 30, 2019
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 27,518,987	\$ 4,511,536
Receivables and refundable taxes	5	3,821,486	3,925,663
Inventories	6	13,427,108	14,788,177
Prepaid expenses, and other		244,536	205,872
<b>Total current assets</b>		<b>45,012,117</b>	<b>23,431,248</b>
<b>Exploration and evaluation assets</b>	7	157,782	268,866
<b>Mineral property, plant and equipment</b>	8	957,139	756,272
<b>TOTAL ASSETS</b>		<b>\$ 46,127,038</b>	<b>\$ 24,456,386</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	\$ 27,047,150	\$ 30,073,485
Provision for reclamation and rehabilitation	10	4,188,382	4,212,908
<b>Total current liabilities</b>		<b>31,235,532</b>	<b>34,286,393</b>
<b>Provision for reclamation and rehabilitation</b>	10	2,761,487	2,806,147
<b>Total liabilities</b>		<b>33,997,019</b>	<b>37,092,540</b>
<b>Shareholders' equity (deficit)</b>			
Share capital	12	85,190,776	58,393,099
Contributed surplus	12	7,596,353	7,611,399
Accumulated other comprehensive income		1,898,725	(11,102)
Deficit		(82,555,835)	(78,629,550)
<b>Total shareholders' equity (deficit)</b>		<b>12,130,019</b>	<b>(12,636,154)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 46,127,038</b>	<b>\$ 24,456,386</b>

**Events after the reporting period (Note 17)**

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



(formerly Golden Reign Resources Ltd.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian dollars

(Unaudited)

For the three months ended	July 31, 2019	July 31, 2018 <i>(Restated - Note 3)</i>
<b>Revenue</b>	\$ 8,230,097	\$ -
<b>Cost of sales</b>		
Production costs	(5,749,603)	-
Change in inventories	(969,866)	-
Depreciation, depletion and amortization	(27,575)	-
	<b>(6,747,044)</b>	-
<b>Gross profit</b>	<b>1,483,053</b>	-
<b>Exploration and evaluation expenses</b>	<b>(3,565,223)</b>	<b>(932,983)</b>
<b>General and administrative expenses</b>	<b>(969,417)</b>	<b>(454,134)</b>
<b>Other income (expense)</b>		
Accretion and interest expense	(16,363)	-
Foreign exchange loss	(1,292,282)	(11,879)
Interest income	433,947	9,704
<b>Loss for the period</b>	<b>(\$ 3,926,285)</b>	<b>(\$ 1,389,292)</b>
<b>Other comprehensive loss</b>		
Items subject to reclassification into statement of loss		
Foreign currency translation adjustment	1,909,827	2,565,487
<b>Other comprehensive loss for the period</b>	<b>1,909,827</b>	<b>2,565,487</b>
<b>Comprehensive loss for the period</b>	<b>(\$ 2,016,458)</b>	<b>\$ 1,176,195)</b>
Basic and diluted loss per common share	(\$ 0.01)	(\$ 0.01)
Weighted average common shares outstanding	357,613,085	192,062,511

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(formerly Golden Reign Resources Ltd.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Expressed in Canadian dollars

(Unaudited)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
<b>Balance at May 1, 2018</b>	<b>192,103,920</b>	<b>39,886,352</b>	<b>7,100,999</b>	<b>1,028,685</b>	<b>(42,818,656)</b>	<b>5,197,380</b>
Shares issued on exercise of warrants	67,000	14,740	-	-	-	14,740
Transfer of warrant value	-	9,500	(9,500)	-	-	-
Share-based compensation	-	-	7,600	-	-	7,600
Net loss	-	-	-	-	(1,389,292)	(1,389,292)
Other comprehensive gain	-	-	-	3,234,753	-	3,234,753
<b>Balance at July 31, 2018</b>	<b>192,170,920</b>	<b>\$ 39,910,592</b>	<b>\$ 7,099,099</b>	<b>\$ 4,263,438</b>	<b>(\$ 44,207,948)</b>	<b>\$ 7,065,181</b>
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)
Share-based compensation	-	-	512,300	-	-	512,300
Net loss	-	-	-	-	(34,421,602)	(34,421,602)
Other comprehensive loss	-	-	-	(4,274,540)	-	(4,274,540)
<b>Balance at April 30, 2019</b>	<b>313,404,306</b>	<b>\$ 58,393,099</b>	<b>\$ 7,611,399</b>	<b>(\$ 11,102)</b>	<b>(\$ 78,629,550)</b>	<b>(\$ 12,636,154)</b>
Shares issued on private placement	270,017,178	27,001,718	-	-	-	27,001,718
Share issue costs	-	(247,087)	-	-	-	(247,087)
Shares issued on exercise of options	280,000	28,000	-	-	-	28,000
Transfer of option value	-	15,046	(15,046)	-	-	-
Net loss	-	-	-	-	(3,926,285)	(3,926,285)
Other comprehensive gain	-	-	-	1,909,827	-	1,909,827
<b>Balance at July 31, 2019</b>	<b>583,701,484</b>	<b>\$ 85,190,776</b>	<b>\$ 7,596,353</b>	<b>\$ 1,898,725</b>	<b>(\$ 82,555,835)</b>	<b>\$ 12,130,019</b>

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



(formerly Golden Reign Resources Ltd.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Expressed in Canadian dollars

(Unaudited)

For the three months ended July 31,	2019	2018
		<i>(Restated - Note 3)</i>
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net loss for the period	(\$ 3,926,285)	(\$ 1,412,274)
Interest received	162,303	-
Non-cash items:		
Accretion expense	16,359	-
Change in ARO estimate	59,016	-
Depreciation, depletion and amortization	50,098	943
Unrealized foreign exchange loss	1,714,746	-
Share-based payments	-	7,600
	<b>(1,923,763)</b>	<b>(1,403,731)</b>
<b>Changes in non-cash working capital</b>		
Receivables and refundable taxes	(135,892)	(26,568)
Prepaid expenses, and other	(42,182)	(22,240)
Inventories	1,068,885	-
Accounts payable and accrued liabilities	(2,457,066)	195,623
Net cash used in operating activities	<b>(3,490,018)</b>	<b>(1,256,916)</b>
<b>Investing activities</b>		
Expenditures on mineral property, plant and equipment	(255,856)	-
Net cash used in investing activities	<b>(255,856)</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds on issue of shares, net of share issuance costs	26,754,631	-
Advances from Marlin prior to the acquisition	-	4,000,000
Proceeds on exercise of warrants	-	14,740
Proceeds on exercise of options	28,000	-
Net cash provided by financing activities	<b>26,782,631</b>	<b>4,014,740</b>
Effect of foreign exchange on cash and cash equivalents	(29,306)	118,986
<b>Change in cash and cash equivalents</b>	<b>23,007,451</b>	<b>2,876,810</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>4,511,536</b>	<b>1,072,150</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 27,518,987</b>	<b>\$ 3,948,960</b>

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



(formerly Golden Reign Resources Ltd.)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards issued by the International Accounting Standards Board (“IFRS”). Accordingly, they do not include all the information and notes to the consolidated financial statements required by IFRS for complete financial statements and should be read in conjunction with the Company’s most recent audited consolidated financial statements.

On September 30, 2019, the Company’s Board of Directors approved these condensed consolidated interim financial statements for issuance.

#### (b) Basis of presentation

The accounting policies used in the preparation of these financial statements are the same as those applied in the Company’s most recent audited consolidated annual financial statements for the year ended April 30, 2019. These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value.

#### (c) Use of judgements and estimates

The preparation of these condensed consolidated interim 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.



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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.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended April 30, 2019.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the changes described below, the accounting policies applied are consistent with those of the previous financial year.

#### **New accounting policy**

##### 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
  - 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



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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.

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 12 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.





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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 12 months of lease term.

There were no leases classified as finance leases at transition.

### **Changes in accounting policies and disclosures**

In the prior fiscal year, the Company changed its accounting policy for exploration and evaluation expenditures, as described below. The accounting policies adopted are consistent with those of the previous financial year.

#### Exploration and evaluation expenditures

During the prior 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.

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.



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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.

Impact on the consolidated statement of loss and comprehensive loss for the three months ended July 31, 2018 is as follows:

	<b>As previously reported</b>	<b>Adjustment</b>	<b>Restated</b>
Exploration and evaluation expenses	\$ -	\$ (932,983)	\$ (932,983)
Loss for the period	\$ (456,309)	\$ (932,983)	\$ (1,389,292)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	192,133,779		192,133,779

Impact on the consolidated statement of cash flow for the three months ended July 31, 2018 is as follows:

	<b>As previously reported</b>	<b>Adjustment</b>	<b>Restated</b>
Net cash used in operating activities	\$ (300,951)	\$ (955,965)	\$ (1,256,916)
Net cash used in investing activities	\$ (955,965)	\$ 955,965	\$ -

**4. 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



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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").

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.



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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 purchase price allocation is as follows:

<b>Net assets acquired</b>	
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
<b>Total identifiable net assets</b>	<b>\$14,040,993</b>
<b>Total consideration satisfied by:</b>	
Common shares issued	\$14,040,993
<b>Total consideration</b>	<b>\$14,040,993</b>
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.

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)
<b>Total loss on extinguishment</b>	<b>\$27,262,691</b>

5. RECEIVABLES AND REFUNDABLE TAXES

	July 31, 2019	April 30, 2019
Value added taxes (IVA)	\$ 3,743,973	\$ 3,788,071
Other	77,513	137,592
	\$ 3,821,486	\$ 3,925,663

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 4), \$328,700 of the value added taxes receivable is owing to Sailfish as at July 31, 2019 (April 30, 2019 - \$1,650,691). This amount is recorded in accounts payable and accrued liabilities.



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**6. INVENTORIES**

	July 31, 2019	April 30, 2019
Leachpad	\$ 11,093,986	\$ 12,450,344
Stockpile	-	567,057
Finished metal	1,255,301	567,366
Supplies and spare parts	1,077,821	1,203,410
	<b>\$ 13,427,108</b>	<b>\$ 14,788,177</b>

As at July 31, 2019 and April 30, 2019, inventories were recorded at cost.

**7. EXPLORATION AND EVALUATION ASSETS**

	San Albino	El Jicaro	Total
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	<b>\$ 107,790</b>	<b>\$ 161,076</b>	<b>\$ 268,866</b>
Transfer to Mineral property, plant and equipment	(12,668)	-	(12,668)
Foreign currency translation adjustment	(95,122)	(3,294)	(98,416)
Balance, July 31, 2019	<b>\$ -</b>	<b>\$ 157,782</b>	<b>\$ 157,782</b>

*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.



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*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.

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

	Construction in progress	Building	Equipment	Total
<b>Cost</b>				
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
Transfer from exploration and evaluation assets	12,668	-	-	12,668
Additions	-		255,856	255,856
Foreign currency translation adjustment	-	(3,411)	(30,559)	(33,970)
As at July 31, 2019	\$ 12,668	\$ 163,053	\$ 1,647,855	\$ 1,823,576
<b>Accumulated depreciation</b>				
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
Depreciation		3,770	46,327	50,097
Foreign currency translation adjustment		(2,622)	(13,788)	(16,410)
As at July 31, 2019	\$ -	\$ 127,255	\$ 739,182	\$ 866,437
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
Net book value at July 31, 2019	\$ 12,668	\$ 35,798	\$ 908,673	\$ 957,139



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### *San Albino Property, Nicaragua*

During the three months ended July 31, 2019, the Company's Board approved the development of the San Albino Property. The Company is not basing its development decision on a feasibility study of mineral reserves demonstrating economic and technical viability and does not intend to complete a prefeasibility or feasibility study prior to commencing production. Instead, management 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.

### *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) (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\$500; 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 or equal to US\$400. Each 0.5% NSR can be purchased by Marlin for US\$1,000,000.

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<b>July 31, 2019</b>	<b>April 30, 2019</b>
Trade payables	\$ 19,987,908	\$ 22,417,790
Due to Sailfish	328,700	1,650,691
Due to related parties	381,321	208,754
Mining concession taxes	6,349,221	5,796,250
	<b>\$ 27,047,150</b>	<b>\$ 30,073,485</b>

The full and final balance due to Sailfish was settled during August 2019.



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**10. RECLAMATION AND REHABILITATION OBLIGATIONS**

	July 31, 2019	April 30, 2018
Opening balance	\$ 7,019,055	\$ -
Acquired through business combination (Note 5)	-	6,975,886
Changes in estimate	59,011	(144,860)
Accretion expense	16,363	73,918
Foreign currency translation adjustment	(144,561)	114,111
Closing balance	\$ 6,949,868	\$ 7,019,055

As at July 31, 2019, the undiscounted estimate of cash outflows associated with reclamation activities for La Trinidad Mine is \$7,022,992 (April 30, 2019 - \$7,232,165). The provision was determined using a discount rate of 2.05% (April 30, 2019 – 2.33%). Reclamation activities are expected to commence in fiscal 2020. As at July 31, 2019, the reclamation and rehabilitation obligations of \$4,188,382 and \$2,761,486 (April 30, 2019 - \$4,212,908 and \$2,806,147) is included in current and non-current liabilities, respectively.

**11. 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 recovered 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 4), 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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**12. 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 \$27,017,178 and incurred share issuance costs of \$247,086.
  - (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 \$0.15 per share for gross proceeds of \$4,500,000.
  - (iii) 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 4).
- (c) 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 three months ended July 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	\$0.22	12,465,512	\$0.23
Granted	-	-	5,145,000	0.195
Exercised	(280,000)	0.10	-	-
Expired	(2,720,000)	0.15	(6,950,512)	0.23
<b>Ending balance</b>	<b>7,660,000</b>	<b>\$0.25</b>	<b>10,660,000</b>	<b>\$0.22</b>
Options exercisable	7,660,000	\$0.25	9,335,000	\$0.22



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Exercise price	Expiry date	Outstanding	Exercisable	Weighted average remaining contractual life
0.10	February 19, 2021	250,000	250,000	1.56 years
0.25	June 14, 2021	2,235,000	2,235,000	1.87 years
0.30	August 25, 2021	2,415,000	2,415,000	2.07 years
0.26	August 21, 2022	385,000	385,000	3.06 years
0.35	October 2, 2022	150,000	150,000	3.18 years
0.195	August 9, 2023	2,225,000	2,225,000	4.03 years
		7,660,000	7,660,000	2.64 years

During the three months ended July 31, 2019, the Company recorded share-based compensation of \$Nil (2018 - \$7,600), which was expensed as share-based compensation in the condensed consolidated interim statement of loss, with a corresponding increase in reserves-shares based.

13. 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 three months ended	July 31, 2019	July 31, 2018
Director fees	\$ 79,223	\$ -
Salaries, consulting and management fees	121,500	201,000
Total	\$ 200,723	\$ 201,000

As at July 31, 2019, \$40,274 (April 30, 2019 - \$76,773) 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 three months ended July 31, 2019, the Company expensed fees relating to consulting services of \$839,452 (2018 - \$Nil). Amounts payable to Tes-Oro as at July 31, 2019 were \$341,047 (April 30, 2019 - \$129,064).



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**14. 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	\$ 25,704	-	-

**15. 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).

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 three months ended July 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:



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### ***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.

### ***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.



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*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. As at July 31, 2019, a 5% change in the exchange rate between the U.S. dollar and the Canadian Dollar would result in a net impact of approximately \$748,000 and a 5% change in the exchange rate between the Mexican peso and the Canadian Dollar would result in a net impact of approximately \$624,000 in the consolidated statement of loss. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency rates.

**16. SEGMENTED INFORMATION**

As at July 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 July 31, 2019</b>				
Mineral property, plant and equipment	\$ -	\$ 512,645	\$ 444,494	\$ 957,139
Exploration and evaluation assets	\$ -	\$ -	\$ 157,782	\$ 157,782
<b>As at April 30, 2019</b>				
Mineral property, plant and equipment	\$ 1,238	\$ 554,213	\$ 200,821	\$ 756,272
Exploration and evaluation assets	\$ -	\$ -	\$ 268,866	\$ 268,866



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**17. EVENT AFTER THE REPORTING PERIOD**

- (a) 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.