



## CONSOLIDATED FINANCIAL STATEMENTS

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*For the year ended December 31, 2021 and 2020  
(Expressed in United States dollars)*





**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
Expressed in thousands of United States dollars

As at	Note	December 31, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 1,944	\$ 2,633
Receivables		38	149
Inventories	6	6,864	375
Gold stream derivative asset	7	284	-
Prepaid expenses, and other		801	209
<b>Total current assets</b>		<b>9,931</b>	<b>3,366</b>
<b>Advances and other prepaid expenses</b>		<b>251</b>	<b>-</b>
<b>Gold stream derivative asset</b>	<b>7</b>	<b>263</b>	<b>-</b>
<b>Exploration and evaluation assets</b>	<b>8</b>	<b>765</b>	<b>765</b>
<b>Mineral property, plant and equipment</b>	<b>9</b>	<b>42,912</b>	<b>45,298</b>
<b>TOTAL ASSETS</b>		<b>\$ 54,122</b>	<b>\$ 49,429</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 4,984	\$ 5,132
Mexico mining concession taxes	10	-	8,878
Term loan	11	3,981	1,719
Provision for reclamation and rehabilitation	12	1,043	806
<b>Total current liabilities</b>		<b>10,008</b>	<b>16,535</b>
<b>Accrued liabilities</b>	<b>10</b>	<b>368</b>	<b>-</b>
<b>Provision for reclamation and rehabilitation</b>	<b>12</b>	<b>1,245</b>	<b>834</b>
<b>Term loans</b>	<b>11</b>	<b>17,383</b>	<b>15,150</b>
<b>Total liabilities</b>		<b>29,004</b>	<b>32,519</b>
<b>Shareholders' equity</b>			
Share capital	13	88,259	87,262
Contributed surplus	13	11,603	11,634
Accumulated other comprehensive income		1,751	3,634
Deficit		(76,495)	(85,620)
<b>Total shareholders' equity</b>		<b>25,118</b>	<b>16,910</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 54,122</b>	<b>\$ 49,429</b>

Approved by the Audit Committee of the Board of Directors on April 14, 2022

"John Hick", Audit Committee Chair

"Akiba Leisman", Director

Events after the reporting period (Note 21)

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



**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**  
Expressed in thousands of United States dollars, except per share amounts

For the year ended	Note	December 31, 2021	December 31, 2020
<b>Revenue</b>	\$	30,678	\$ 1,398
<b>Production services revenue</b>	7 & 14(d)(ii)	256	-
		30,934	1,398
<b>Cost of sales</b>			
Production costs		(13,794)	(21)
Change in inventories		-	(558)
Depreciation, depletion and amortization		(5,620)	(91)
		(19,414)	(670)
<b>Gross profit</b>		11,520	728
<b>Exploration and evaluation expenses</b>		(5,687)	(5,227)
<b>General and administrative expenses</b>	20	(6,332)	(5,320)
<b>Other income (expense)</b>			
Accretion and interest expense		(1,297)	(104)
Change in provision for reclamation and rehabilitation	12	(311)	(1,066)
Change in fair value of derivative liability	11(c)	(89)	-
Gain on disposal of equipment		-	907
Loss on disposal of supplies and spare parts		-	(21)
Provision for obsolete supplies and spare parts		-	(475)
Gain on gold stream derivative asset	7	670	-
Gain on disposal of subsidiaries	5	12,009	-
Foreign exchange gain (loss)		(834)	(1,576)
Financing costs	11(c)	(156)	-
Interest income		133	73
<b>Income (loss) before income taxes</b>		9,626	(12,081)
Income tax expense	15	(501)	(48)
<b>Income (loss) for the year</b>	\$	<b>9,125</b>	<b>\$ (12,129)</b>
<b>Other comprehensive (loss) income</b>			
Income (loss) for the year		9,125	(12,129)
Items subject to reclassification into statement of loss:			
Reclassification of foreign currency translation upon disposal of subsidiaries	5	(2,013)	-
Foreign currency translation adjustment		130	2,057
<b>Other comprehensive income (loss) for the year</b>		(1,883)	2,057
<b>Comprehensive income (loss) for the year</b>	\$	<b>7,242</b>	<b>\$ (10,072)</b>
Basic and diluted income (loss) per common share	\$	0.01	\$ (0.02)
Weighted average common shares outstanding (thousands)		658,057	616,941

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



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

	Number of shares (000s)	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
<b>Balance at December 31, 2019</b>	583,701	\$ 70,295	\$ 7,673	\$ 1,577	\$ (73,491)	\$ 6,054
Shares issued on units private placement	71,000	17,453	-	-	-	17,453
Share issue costs	-	(885)	-	-	-	(885)
Shares issued on exercise of options	1,430	399	(167)	-	-	232
Fair value of warrants	-	-	3,494	-	-	3,494
Share-based compensation	-	-	634	-	-	634
Net loss	-	-	-	-	(12,129)	(12,129)
Other comprehensive income	-	-	-	2,057	-	2,057
<b>Balance at December 31, 2020</b>	<b>656,131</b>	<b>\$ 87,262</b>	<b>\$ 11,634</b>	<b>\$ 3,634</b>	<b>\$ (85,620)</b>	<b>\$ 16,910</b>
Shares issued on exercise of options	3,178	621	-	-	-	621
Transfer of option value	-	376	(376)	-	-	-
Share-based compensation	-	-	345	-	-	345
Net income	-	-	-	-	9,125	9,125
Other comprehensive loss	-	-	-	(1,883)	-	(1,883)
<b>Balance at December 31, 2021</b>	<b>659,309</b>	<b>\$ 88,259</b>	<b>\$ 11,603</b>	<b>\$ 1,751</b>	<b>\$ (76,495)</b>	<b>\$ 25,118</b>

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



**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Expressed in thousands of United States dollars

For the year ended	Note	December 31, 2021	December 31, 2020
<b>Operating activities</b>			
Net income (loss) for the year	\$	9,125	\$ (12,129)
Non-cash items:			
Accretion expense		19	21
Depreciation, depletion and amortization		5,630	106
Change in provision for reclamation and rehabilitation		311	1,066
Gain on disposal of equipment		-	(861)
Loss on disposal of supplies and spare parts		-	21
Provision for obsolete supplies and spare parts		-	475
Financing costs		(143)	-
Change in fair value of derivative liability		(89)	-
Gain on Gold Stream Derivative Asset		(547)	-
Gain on disposal of subsidiaries		(12,009)	-
Interest expense		926	72
Share-based payments		340	624
Unrealized foreign exchange loss		490	869
	\$	4,053	\$ (9,736)
Changes in non-cash working capital	19	(3,916)	609
Net cash provided by (used in) operating activities		137	(9,127)
<b>Investing activities</b>			
Cash proceeds received, net of cash given up on disposal of subsidiaries		(13)	-
Proceeds on sale of equipment		-	1,137
Expenditures on mineral property, plant and equipment		(8,413)	(29,967)
Pre-production sales proceeds		4,562	-
Net cash used in investing activities	\$	(3,864)	\$ (28,830)
<b>Financing activities</b>			
Proceeds on issue of shares, net of share issuance costs		-	20,062
Drawdown on term loans		14,001	15,000
Repayment of term loans		(11,507)	-
Proceeds on exercise of options		621	233
Net cash provided by financing activities	\$	3,115	\$ 35,295
Effect of foreign exchange on cash and cash equivalents		(77)	1,042
<b>Change in cash and cash equivalents</b>		(689)	(1,620)
<b>Cash and cash equivalents, beginning of year</b>		2,633	4,253
<b>Cash and cash equivalents, end of year</b>	\$	1,944	\$ 2,633

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

All tabular amounts are in thousands of United States dollars unless otherwise stated

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### 1. NATURE OF OPERATIONS

Mako Mining Corp. (“Mako” or the “Company”) was incorporated on April 1, 2004 under the laws of the Yukon Territory and continued into British Columbia under the British Columbia Corporations Act. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol MKO. The address of the Company’s corporate office and principal place of business is Suite 700 – 838 West Hastings Street, Vancouver, BC, V6C 0A6, Canada.

Mako is a gold mining and exploration company. The Company’s primary asset is the San Albino mine, an open pit mine located in Nicaragua, which commenced commercial production on July 1, 2021. In addition to its mining operation, Mako continues to explore its other concessions in Nicaragua.

On March 31, 2021, the Company completed the sale of Mako’s wholly-owned subsidiary, Marlin Gold Mining Ltd. (“Marlin”) to GR Silver Mining Ltd (“GR Silver”). Refer to Note 5.

### 2. BASIS OF PRESENTATION

#### (a) Statement of compliance

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

These consolidated financial statements were approved for issuance by the Board of Directors on April 14, 2022.

#### (b) Basis of presentation

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

#### (c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All 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 until 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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, exploration activities.
Marlin Gold Mining Ltd.	"Marlin"	Canada	100%	Parent of Marlin Trading, Oro Gold and Prestadora. Disposed on March 31, 2021
Marlin Gold Trading Inc.	"Marlin Trading"	Barbados	100%	Commodity streaming company. Disposed on March 31, 2021
Nicoz Resources, S.A.	"Nicoz"	Nicaragua	100%	Holds mineral interest in Nicaragua, San Albino mine and exploration activities.
Oro Gold de Mexico, S.A. de C.V.	"Oro Gold"	Mexico	100%	Holds mineral interest in Mexico, La Trinidad mine. Disposed on March 31, 2021
Prestadora de Servicios Zacatecas, S.A. de C.V.	"Prestadora"	Mexico	100%	Performs payroll functions in Mexico. In process of being dissolved.
Mako US Corp.	"Mako US"	United States	100%	Incorporated on June 19, 2019, service company

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### New accounting policy and disclosures

##### *New accounting standards not yet adopted*

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16): The amendments prohibit an entity from deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This amendment is effective for the Company's annual reporting period beginning January 1, 2022, with early adoption permitted. The Company has assessed the impact of the adoption of this amendment.

- The statement of income for the year ended December 31, 2021, will be restated to include pre-commercial production revenue, production costs and depletion previously disclosed as a reduction in mineral property, plant and equipment.
- The statement of financial position as at December 31, 2021, will be restated to remove the pre-commercial production revenue, production costs and depletion previously disclosed as a reduction in mineral property, plant and equipment.
- The statement of cash flows for the year ended December 31, 2021, will be restated to disclose the net cash flows from the pre-commercial production revenue, production costs and depletion previously disclosed as investing activities as operating activities.

None of the remaining standards and amendments to standards and interpretations which have been issued but are not yet effective are expected to have a significant effect on the consolidated financial statements of the Company.

#### Summary of significant accounting policies

##### (a) Cash and cash equivalents

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





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### (b) 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 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 income and comprehensive income immediately. Transaction costs are expensed as incurred.

### (c) 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 functional currency of the parent company, Mako, is the Canadian dollar and the functional currencies of its subsidiaries are:

- Marlin (disposed on March 31, 2021) – Canadian dollar (“C\$”);
- Mako US, Gold Belt, Nicoz, Oro Gold (disposed on March 31, 2021) and Marlin Trading (disposed on March 31, 2021)– United States dollar (“US dollar”); and
- Prestadora – Mexican peso.

The presentation currency of these consolidated financial statements is the US dollar.

#### *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 income and comprehensive income.

#### *Parent and subsidiary companies*

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

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

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 of.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (d) Inventories

Inventories are valued at the lower of average cost and net realizable value ("NRV"). NRV is the estimated selling price, less the estimated costs of completion and selling expenses. For supplies and spare parts NRV is estimated based on replacement costs. Any write-downs of inventory to NRV are recorded as cost of sales in the consolidated statement of income or 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.

Inventory includes work in progress inventory in the form of stockpiled ore and ore in-circuit inventory, finished goods inventory, and supplies and spare parts.

- Stockpiled ore represents unprocessed ore that has been mined and is available for future processing. Stockpiled ore is measured by estimating the number of tonnes through physical surveys and contained ounces through grade reconciliation via the ore control process.
- Ore in-circuit inventory represents material that is currently being processed to extract the contained gold into a saleable form, typically unrefined doré. The amount of gold in-circuit is determined by assay values and by measure of the various gold bearing materials in the recovery process.
- Finished metal inventory consists of gold in doré awaiting refinement, or bullion.
- Supplies and spare parts inventory consists of consumables used in operations, such as fuel, chemicals, reagents and spare parts.

Cost of work in progress inventory and finished goods includes all direct costs incurred in production 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 the 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. Cost of supplies and spare parts inventory include acquisition, freight and other directly attributable costs.

### (e) 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.

Management reviews the capitalized costs on its exploration and evaluation assets to consider if there is an impairment to take into consideration arising 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 the statement of income. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

All tabular amounts are in thousands of United States dollars unless otherwise stated

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(f) 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 recoverable ounces from the estimated proven and probable reserves and a portion of measured and indicated resources that are reasonably expected to be converted to proven and probable reserves

Capitalization of costs incurred ceases when the mining property is capable of commencement of mining operations in the manner intended by management. Costs incurred prior to this point, including depreciation of related plant and equipment, are capitalized. The Company applies judgment in its assessment of when a mine is capable of operating in the manner intended by management which takes account of the design of the mine and the nature of the initial commissioning phase of the mine. Costs incurred after the property is placed into production that increase production volume or extend the life of a mine are capitalized.

*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 plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

(g) 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 fair value less costs of disposal 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 income for the period.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

All tabular amounts are in thousands of United States dollars unless otherwise stated

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### (h) 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 income.

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 income. 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.

### (i) Share-based payments awards

The grant date fair value of the estimated number of share-based payments awarded to employees, officers and directors that will eventually vest, is recognized as share-based compensation expense over the vesting period of the stock options with a corresponding increase to equity. The grant date fair value of each stock option is estimated on the date of the grant using the Black-Scholes option-pricing model and is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest and adjusts the amount of recorded compensation expense accordingly. The impact of the revision of the original estimates, if any, is recognized in the statement of operations or capitalized in mining properties such that the accumulated expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

For transactions with non-employees, the fair value of equity settled awards is measured at the fair value of the goods or services received, at the date the goods or services are received by the Company. In cases where the fair value of goods or services received cannot be reliably estimated, the Company estimates the fair value of the awards at the date of grant.

### (j) Revenue recognition

The Company's primary source of revenue is from the sale of gold. The refiners who received doré from the Company, refine the materials on the Company's behalf.

Refined metals are sold at spot prices and revenue is recognized on the trade settlement date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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. Revenue from the sale of silver is accounted for as a by-product and is recorded as a credit to production costs.

### (k) Borrowing costs

Borrowing costs are expensed as incurred except where they are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use are capitalized as part of the cost of the asset. Capitalization of borrowing costs begin when there are borrowings and activities commence to prepare an asset for its intended use. Capitalization of borrowing costs ends when substantially all activity necessary to prepare a qualifying asset for its intended use are complete. Borrowing costs directly attributable to the construction of the San Albino Property have been capitalized within construction in progress costs.

### (l) 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.

### (m) Financial instruments

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



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### Financial assets

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

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

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

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

The Company's financial assets at amortized cost include: cash equivalents; and receivables.

#### *Financial assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e. that 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 income.

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.

The Company's financial assets at FVTPL include: gold stream derivative.

#### *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 is reversed through the statement of income 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.

### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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### *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 income.

The Company's financial liabilities at FVTPL include: derivative liability.

### *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
- term loan

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.

### (n) Fair value measurement

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.

## 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

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

### (a) Commercial production

The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as “commercial production”) is a matter of significant judgement. In making this determination, management will consider several factors, including:

- when the mine is substantially complete and ready for its intended use;
- the mine has the ability to sustain ongoing production at a steady or increasing level;
- the mine has reached a level of predetermined percentage of design capacity;
- mineral recoveries are at or near the expected production level, and;
- a reasonable period of testing of the mine plant and equipment has been completed.

On July 1, 2021, these conditions were met at the San Albino mine and the Company declared commercial production.

### (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:

- asset carrying values may be affected due to changes in estimated future cash flows;
- 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
- 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) Deferred income taxes

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





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (d) 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.

### (e) 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, foreign 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 statement of income.

### (f) 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.

### (g) Functional currency determination

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

### **COVID-19 Estimation Uncertainty - Update**

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are anticipated to be far reaching. To date there has been volatility in



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stock, commodity and foreign exchange markets and the global movement of people and some goods has become restricted. While the Company continues to operate its business there is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on future production, future cash flows in 2022, estimates regarding deferred income taxes and valuation allowances and on global financial markets. The impact of COVID-19 on the global economic environment, and the local jurisdictions in which the Company operates, could result in changes to the way the Company runs its mine. These changes could result in revenues or costs being different from the Company's expectations. This impact could be material. The impact of COVID-19 on the Company has been the delay in the commencement of production, supply chain issues that have made supplies and spare parts have caused shortages and the enhancement of health and safety protocols.

The Company continues its enhanced COVID-19 health and safety protocols, including social distancing, mask wearing, and preventative communication campaigns, while working closely with local communities, the respective health authorities, employees and contractors to minimize the spread of COVID-19.

### 5. DISPOSAL OF SUBSIDIARIES

On March 31, 2021, Mako completed the transaction whereby GR Silver acquired 100% of the shares in the Company's wholly-owned subsidiary, Marlin ("GR Silver Transaction"). Marlin (incorporated in Canada) is the parent company of Oro Gold (incorporated in Mexico), which owns the La Trinidad mine in Sinaloa, Mexico; and Marlin Trading (incorporated in Barbados) (collectively, the "Marlin Group"). Mako will continue to be responsible for all necessary reclamation obligations until it receives an acknowledgement from SEMARNAT (the Mexican environmental authority) that Oro Gold's closure plan is complete (refer to note 12) and the final installment of the settlement agreement entered into in October 2019 with the Company's mining contractor in Mexico (refer to note 10; paid on September 29, 2021). In consideration for the sale of the common shares of Marlin to GR Silver, Mako received C\$50,000 in cash, a 1% NSR on all concessions currently owned by Oro Gold and the assumption of liability by GR Silver of approximately US\$9.5 million in unpaid concession taxes. GR Silver was also granted the right to purchase the NSR at any time upon making a one-time payment of US\$2,000,000.

	\$
Cash consideration (C\$50,000), received	39,649
Carrying value of the Marlin Group net liabilities disposed on March 31, 2021:	
Cash	(12,639)
Receivable and prepaids	(34,655)
Accounts payable and accrued liabilities	10,069,184
	10,061,539
Out of pocket expenses	(74,108)
Reclassification of cumulative translation adjustment from AOCI upon disposal of subsidiaries	2,021,976
Gain on disposal of subsidiaries	12,009,407



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**6. INVENTORIES**

As at	December 31, 2021	December 31, 2020
Ore in-circuit	\$ 4,190	\$ -
Stockpiled ore	1,567	-
Finished metal	164	-
Supplies and spare parts	943	375
	\$ 6,864	\$ 375

As at December 31, 2021, stockpiled ore, ore in-circuit and finished metal were recorded at cost.

**7. GOLD STREAM DERIVATIVE ASSET**

The gain on the gold stream derivative asset of \$670,106 arises from the amended gold stream agreement the Company entered into with Sailfish Royalty Corp (“Sailfish”) (also refer to note 14 (d)) in November 2018 whereby the Company received \$1,096,051 (the “Gold Stream Advance”) which was recorded as a credit to the mineral property. At that time, it was determined to be a disposition of mineral interest. In return for the Gold Stream Advance, the Company is required to deliver 4% of gold production to Sailfish and is to receive a payment at 25% of the market price of the gold delivered. Effectively the Company sold 4% of the property and is being paid for services relating to the processes required to obtain the finished metal. As the price of gold is not closely related to the price of the services being provided, the contract to provide these services contains an embedded derivative that requires separation from the host contract.

The contract to deliver to Sailfish its 4% of gold production, in return for 25% of the market value of the gold delivered, contains an embedded derivative that was previously of minimal value. This derivative consists of a "swap" of the variable payment based on the price of gold for the fixed price implied by the contract. As at December 31, 2021 this derivative was determined to be an asset of \$547,468 based on current spot and future gold prices, and projected deliveries under the contract of which \$284,126 is disclosed as a current asset and \$263,342 as non-current asset in the statement of financial position.

During 2021, the Company went into commercial production at the San Albino mine, delivering a total of 845 ounces of gold to Sailfish, pursuant to this agreement, in exchange for \$378,439 and resulting in a fair value movement on the derivative of \$670,106 for the year ended December 31, 2021.

**8. EXPLORATION AND EVALUATION ASSETS**

The following exploration and evaluation assets (acquisition costs) are located in Nicaragua:

	Potrerillos	El Jicaro	Total
Balance, December 31, 2020 and 2021	\$ 645	\$ 120	\$ 765



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For the year ended December 31, 2021

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### 9. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mine Asset	Construction in progress	Land	Building	Equipment	Total
<b>Cost</b>						
As at December 31, 2019	\$ -	\$ 7,775	\$ 1,452	\$ 124	\$ 1,365	\$ 10,716
Additions	-	35,055	429	-	124	35,608
Disposals	-	-	-	-	(302)	(302)
Foreign currency translation adjustment	-	179	-	-	-	179
<b>As at December 31, 2020</b>	<b>\$ -</b>	<b>\$ 43,009</b>	<b>\$ 1,881</b>	<b>\$ 124</b>	<b>\$ 1,187</b>	<b>\$ 46,201</b>
Additions	130	7,291	1,202	40	475	9,138
Pre-production proceeds	-	(4,563)	-	-	-	(4,563)
Disposals	-	-	-	-	-	-
Foreign currency translation adjustment	(30)	(15)	-	-	-	(45)
Transfer to mine asset	45,722	(45,722)	-	-	-	-
<b>As at December 31, 2021</b>	<b>\$ 45,822</b>	<b>\$ -</b>	<b>\$ 3,083</b>	<b>\$ 164</b>	<b>\$ 1,662</b>	<b>\$ 50,731</b>
<b>Accumulated depreciation</b>						
As at December 31, 2019	\$ -	\$ -	\$ -	\$ 102	\$ 609	\$ 711
Disposals	-	-	-	-	(73)	(73)
Depreciation	-	-	-	12	253	265
<b>As at December 31, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 114</b>	<b>\$ 789</b>	<b>\$ 903</b>
Disposals	-	-	-	-	-	-
Depreciation	6,594	-	-	10	312	6,916
<b>As at December 31, 2021</b>	<b>\$ 6,594</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 124</b>	<b>\$ 1,101</b>	<b>\$ 7,819</b>
Net book value as at December 31, 2020	\$ -	\$ 43,009	\$ 1,881	\$ 10	\$ 398	\$ 45,298
Net book value as at December 31, 2021	\$ 39,228	\$ -	\$ 3,083	\$ 40	\$ 561	\$ 42,912

#### San Albino Property, Nicaragua

Prior to the San Albino mine reaching commercial production on July 1, 2021, the Company sold 2,481 ounces of gold and recorded pre-production sales proceeds of \$4,562,494.

#### La Trinidad Mine, Mexico

On March 31, 2021, the Company completed the sale of Mako's wholly-owned subsidiary, Marlin to GR Silver. GR Silver acquired 100% of the common shares of Marlin from the Company. Marlin owns, amongst other assets, Oro Gold, a Mexican company that owns the La Trinidad mine.



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### 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2021		December 31, 2020	
Accounts payable and accrued liabilities	\$	4,399	\$	4,116
Sailfish Loan payment accrual (Note 11 (c))		366	\$	-
Trade payables - Mexican mining contractor		-		942
Due to related parties (Note 14)		219		74
		4,984		5,132
Mexico mining concession taxes		-		8,878
	\$	4,984	\$	14,010
<i>Non-current liability</i>				
Accrued liabilities		368		-
	\$	5,352	\$	14,010

On September 29, 2021, the Company made the final installment payment of \$1,000,000 to the mining contractor in Mexico.

#### Severance Obligation

Accounts payable and accrued liabilities include severance obligation for employees at the Company's operations in Nicaragua of \$ 205,548 (2020 - \$138,945). The severance is computed based on the years of service at the average salary of the last six months of employment. Employees that work less than ten years have a maximum benefit of five months salaries. In some cases, those with more than ten consecutive years of service can receive an additional severance benefit of ten to twenty months salary when leaving the Company. The calculation is in line with labor regulations in Nicaragua.

### 11. TERM LOANS

As at	December 31, 2021		December 31, 2020	
Wexford Loan (Note 11 (a))				
Accrued Interest	\$	3,735	\$	906
Cash Bonus Interest		-		813
	\$	3,735	\$	1,719
Principal		15,150		15,150
Principal repayments made		(4,285)		-
Total Wexford loan	\$	14,600	\$	16,869
Sailfish Loan (Note 11 (c))		6,764		-
Total Term Loans	\$	21,364	\$	16,869
<i>Disclosed as follows:</i>				
Current liabilities	\$	3,981	\$	1,719
Non-current liabilities		17,383		15,150
	\$	21,364	\$	16,869



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### (a) Wexford Loan

On February 20, 2020, the Company entered into a \$15,150,000 unsecured loan facility (the “Wexford Loan”) from Wexford Catalyst Trading Limited, Wexford Spectrum Trading Limited and DeBello Trading Limited (collectively, the “Lenders”), each private investment funds managed by the Company’s controlling shareholder, Wexford Capital LP (“Wexford Loan Agreement”). The Wexford Loan matures on August 20, 2022 (“Maturity Date”). The Wexford Loan may also be prepaid at any time, in whole or in part, at par plus accrued but unpaid interest, without penalty or premium (“Obligations Termination Date”). The Wexford Loan bears interest at the rate of 8.0% per annum until the first anniversary of the closing date, increasing to 10% per annum thereafter, which interest is payable semi-annually on June 30th and December 31st each year. The Company paid a non-refundable up-front fee of \$150,000 to the Lenders on the closing of the Wexford Loan.

As at December 31, 2020 and 2021, the Wexford Loan was fully drawn.

On December 31, 2020, the Company received a waiver from the Lenders on the requirement to make the first interest payment on December 31, 2020 (“First Waiver and Extension”), subject to the following conditions:

- i. the first interest payment date shall be June 30, 2021;
- ii. all accrued and unpaid interest on the outstanding principal amount of the Wexford Loan as of December 31, 2020 shall accrue interest from and after December 31, 2020 at the applicable interest rate; and
- iii. all accrued and unpaid interest on the outstanding principal amount of the Wexford Loan as of December 31, 2020, together with interest thereon as set out in paragraph (b) above, shall be due and payable on June 30, 2021.

If the Wexford Loan is not repaid in full on or prior to the first anniversary of the closing date, then the Company must pay to the Lenders cash bonus interest on the first anniversary of the closing date and on each successive anniversary in an amount equal to the cash equivalent of 500 ounces of gold calculated based on the average Gold Fixing Price in the London Bullion Market during the most recently completed calendar month at the time the payment is made, in accordance with the applicable formula set out in the Wexford Loan Agreement (“Cash Bonus Interest”). The applicable formula set out in the Wexford Loan Agreement is the principal amount less any principal repayments divided by the total loan facility multiplied by the price of gold based on the closing London Bullion Market monthly average.

On February 20, 2021, the Company received a second waiver from the Lenders on the requirement to make the Cash Bonus Interest on February 20, 2021, subject to the following conditions:

- i. the Cash Bonus Interest amount shall be due and payable on the earlier of June 30, 2021 and the date on which the Wexford Loan is repaid in full by the Company to the Lenders (such earlier date, the “Deferred Payment Date”);
- ii. the Company shall pay to the Lenders, additional cash bonus interest on the Deferred Payment Date in an amount equal to the price of 178.75 ounces of gold calculated based on the average Gold Fixing Price in the London Bullion Market during the most recently completed calendar month at the time the payment is made; and
- iii. if the Obligations Termination Date does not occur on or before February 20, 2022, then the cash bonus interest payment that will become due and payable on February 20, 2022 will be calculated in accordance with the applicable formula set out in the Wexford Loan Agreement, except that, for



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purposes of this payment only, the amount will be the cash equivalent of 321.25 ounces of gold rather than 500 ounces of gold.

On June 30, 2021, the Company received a third waiver from the Lenders to defer the accrued interest of \$1,659,312 and the cash bonus interest of \$1,264,756, a total of \$2,924,068 ("Further Deferred Payment Amount"), subject to the following conditions:

- i. the Company shall make a voluntary prepayment of a portion of the outstanding Wexford Loan in an aggregate principal amount equal to the Further Deferred Payment Amounts on or before July 30, 2021;
- ii. the Further Deferred Payment Amount shall be due and payable on the earlier of the Maturity Date and the date that demand therefor is made by the Lender; and
- iii. the Further Deferred Payment Amount shall accrue interest from and after June 30, 2021 at the applicable interest rate, which accrued interest shall, to the extent unpaid, be compounded monthly on the last banking day of each calendar month, and, unless sooner paid by the Company, shall become due and be paid on the earlier of the Maturity Date and the date on which payment of the Further Deferred Payment Amounts is demanded by the Lender in accordance with paragraph (ii) above.

The Company made voluntary principal repayments of \$500,000, \$1,784,746 and \$2,000,000 on the Wexford Loan and on July 29, August 30 and November 23, 2021, respectively. Also refer to Note 21 (c).

On September 30, 2021, the Company received a fourth waiver from the Lenders extending the Maturity Date to February 21, 2023 when all amounts will be due and repayable in full.

During the year ended December 31, 2021, the Company recorded \$2,829,850 (2020 – 1,718,335) of accrued interest on the Wexford Loan, of which \$2,007,661 (2020 – 1,718,335) has been capitalized to construction in progress and \$822,189 of interest (2020 – \$Nil) has been expensed. The total interest liability of \$3,735,260 (2020 - \$905,410) has been disclosed in non-current term loans.

### (b) Nebari Loan

On March 2, 2021, the Company completed a financing arrangement with Nebari Natural Resources Credit Fund I, LP ("Nebari"), whereby Nebari provided financing of \$6,340,000 (the "Principal Amount") (the "Nebari Loan"). The interest rate on the Principal Amount is 8% with an original issue discount of 5.3% and a maturity date of March 31, 2022. There are no prepayment penalties. The interest rate increases to 20% on any unpaid amount owing in an event of default. The Company has paid Nebari a fee of \$10,000 to provide the bridge loan. The Financing is secured by a pledge of shares in favour of Nebari of the Company's Nicaraguan subsidiaries, Gold Belt and Nicoz. The Nebari Loan further provides that if the Company makes any prepayment under the Wexford Loan (the "Wexford Repayment Amount"), the Company shall make a mandatory prepayment to Nebari (the "Lender Prepayment Amount") in at least the amount necessary such that to the quotient obtained by dividing the Lender Prepayment Amount by the Wexford Repayment Amount is greater to or equal to 0.418 and such prepayment shall be applied against the Principal Amount.

On July 29, 2021, the Company made a voluntary principal prepayment of \$209,000 on the Nebari Loan and on August 30, 2021, the Nebari Loan was repaid in full. As at December 31, 2021, the Nebari Loan outstanding was \$Nil.

During the year ended December 31, 2021, the Company paid \$537,202 interest.



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### (c) Sailfish Loan and Derivative Liability

On August 27, 2021, the Company entered into a \$8,000,000 unsecured gold-linked two-year term loan with Sailfish Royalty Corp. (“Sailfish”), a company related by common shareholders, officers and directors (the “Sailfish Loan”). The Sailfish Loan is to be repaid with 24 monthly payments, with each monthly payment equal to the cash equivalent of 205 ounces of gold at the average market gold price subject to a minimum price of \$1,750 and a maximum price of \$2,000 (the “Price Parameters”).

Management determined that the Sailfish Loan is a debt contract with an embedded derivative. By fixing the number of ounces that would have to be repaid to satisfy the debt obligation, the Company is essentially entering into a commodity forward. As the price of gold is not closely related to the host debt contract, the forward is required to be separated from the host contract and accounted for at fair value, with any movements going through the statement of income.

The embedded derivative being the fact that the cash payment is variable as it is linked to the fluctuating price of gold with the Price Parameters of a cap at \$2,000 and a floor at \$1,750 acting as call and put options respectively.

As at December 31, 2021, the Company revalued the embedded derivative within the Sailfish Loan and determined a \$88,710 fair value. Assumptions associated with the revaluation includes expected future consensus gold price per ounce ranging from \$1,669 to \$1,797, volatility of gold futures ranging from 6.02% to 16.4%, risk free rate of 0.91%, and the gold price at \$1,827 per ounce. As at December 31, 2021, the Company included in accounts payable an accrual of \$366,263 for the Sailfish Loan payment that was made in cash on January 2022 based on the December 2021 average gold price of \$1,787 per ounce. (Refer to Note 21 (b)).

During the year ended December 31, 2021, the Company paid three monthly instalment repayments totaling \$1,101,740.

During the year ended December 31, 2021, the Company recorded \$143,469 (2020 - \$nil) of finance expense accretion on the Sailfish Loan, and \$88,710 (2020 - \$nil) of fair value adjustment on the Sailfish Loan.

	Sailfish Loan \$	Derivative Liability \$	Total \$
Fair value, at inception	8,000	-	8,000
Finance expense	143	-	143
Fair value adjustment	-	89	89
Loan repayments made	(1,102)	-	(1,102)
Accrual of December 2021 loan payment (refer to Note 21 (a))	(366)	-	(366)
<b>As at December 31, 2021</b>	<b>6,675</b>	<b>89</b>	<b>6,764</b>
<i>Disclosed as follows:</i>			
Current liabilities	3,893	88	3,981
Non-current liabilities	2,782	1	2,783
	<b>6,675</b>	<b>89</b>	<b>6,764</b>





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### 12. RECLAMATION AND REHABILITATION OBLIGATIONS

	San Albino Mine	La Trinidad Mine	Total
Balance, December 31, 2019	\$ -	\$ 2,135	\$ 2,135
Cash outflows for reclamation and rehabilitation activities	-	(2,325)	(2,325)
Changes in estimate	733	1,065	1,798
Accretion expense	11	21	32
Balance, December 31, 2020	\$ 744	\$ 896	\$ 1,640
Cash outflows for reclamation and rehabilitation activities	-	(170)	(170)
Changes in estimate	488	311	799
Accretion expense	14	5	19
Balance, December 31, 2021	\$ 1,246	\$ 1,042	\$ 2,288
<b>As at</b>		<b>December 31, 2021</b>	<b>December 31, 2020</b>
<i>Disclosed as follows:</i>			
Current portion		\$ 1,042	\$ 806
Long-term portion		1,246	834
		\$ 2,288	\$ 1,640

The Company has recognized liabilities relating to the La Trinidad mine and the San Albino Project and has determined that no significant closure and reclamation liabilities exist in connection with the activities on its other properties. The Company has calculated the present value of the closure and reclamation provision as at December 31, 2021, using the undiscounted estimate of cash outflows associated with reclamation activities as \$2,070,847 (December 31, 2020 - \$1,860,509), with \$1,045,279 associated to the La Trinidad mine and \$1,025,568 associated with the San Albino Project. The provision was determined using a discount rate of 0.39% - 1.15% (December 31, 2020 - 0.09%-1.45%) and an inflation rate of 2.26% (December 31, 2020 - 1.97%). The Company intends to complete the reclamation activities on La Trinidad by the end of 2022.

### 13. SHARE CAPITAL

- (a) Authorized - Unlimited number of common shares, without par value.
- (b) Issued
  - (i) During the year ended December 31, 2021, the Company issued 3,177,500 common shares on the exercise of 3,177,500 stock options for gross proceeds of \$621,599 (C\$763,006). The carrying value associated with these options was \$376,258 which was transferred from contributed surplus to share capital.
  - (ii) On October 19, 2021, the Company commenced a normal course issuer bid ("NCIB") whereby the Company intends to purchase up to a maximum of 32,965,449 common shares in the capital of the Company. All common shares acquired by the Company under the NCIB will be subsequently cancelled. Purchases under the NCIB will end no later than October 18, 2022. As at December 31, 2021, no common shares of the Company were purchased. Refer to Note 21 (a).



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- (iii) On July 16, 2020, the Company completed a private placement of 71,000,000 units for gross proceeds of \$20,947,506 (C\$28,400,000), of which, 41,000,000 units were issued to Wexford Spectrum Trading Limited and Wexford Catalyst Trading Limited, funds managed by Wexford Capital LP (collectively, “Wexford”); and the remaining 30,000,000 units was a bought deal private placement (the “Bought Deal”). Each unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a “Warrant”). Each Warrant is exercisable by the holder thereof to purchase one common share of the Company at an exercise price of C\$0.60 until January 16, 2022. The fair value of these Warrants was calculated as \$3,403,970 (C\$4,615,000) using the Black-Scholes model (note 13 (e)).

The Company paid the underwriters a cash fee equal to 6.0% of the gross proceeds of the Bought Deal and issued to the underwriters broker warrants the equivalent of 5.0% of the number of units sold pursuant to the Bought Deal (the “Broker Warrants”). Each Broker Warrant is exercisable by the holder thereof to purchase one common share of the Company at an exercise price of C\$0.40 until January 16, 2022. The fair value of these Broker Warrants was calculated as \$199,149 (C\$270,000) using the Black-Scholes model (note 13 (e)). The Company also incurred share issuance costs of \$885,743 (C\$1,197,907).

- (iv) During the year ended December 31, 2020, the Company issued 1,430,000 common shares on the exercise of 1,430,000 stock options for gross proceeds of \$232,936 (C\$310,813). The carrying value associated with these options was \$166,638 which was transferred from contributed surplus to share capital.

### (c) Share purchase warrants

As at December 31, 2021, the Company had 35,500,000 (December 31, 2020 – 35,500,000) share purchase warrants issued and outstanding, exercisable at C\$0.60 per warrant and expiring on January 16, 2022. Refer to Note 21 (d).

As at December 31, 2021, the Company had 1,500,000 (December 31, 2020 – 1,500,000) Broker Warrants issued and outstanding, exercisable at C\$0.40 per warrant and expiring on January 16, 2022. Refer to Note 21 (d).

### (d) Share options

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	Number of options	WAEP	Number of options	WAEP
Opening balance	48,282,500	C\$0.26	50,160,000	C\$0.25
Granted	2,000,000	0.35	1,300,000	0.51
Forfeited	(4,457,500)	0.29	(497,500)	0.26
Exercised <sup>(1)</sup>	(3,177,500)	0.24	(1,430,000)	0.22
Expired	(9,002,500)	0.26	(1,250,000)	0.30
<b>Ending balance</b>	<b>33,645,000</b>	<b>C\$0.27</b>	<b>48,282,500</b>	<b>C\$0.26</b>
Options exercisable	24,878,750	C\$0.26	26,530,000	C\$0.26

WAEP = Weighted average exercise price

(1) The weighted average share price at the date of exercise for the year ended December 31, 2020 C\$0.45.

The weighted average share price at the date of exercise for the year ended December 31, 2021 C\$0.38.



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During the year ended December 31, 2021, 4,457,500 unvested options, with a weighted average exercise price of C\$0.29 per option, were forfeited, 497,500 vested options, with a weighted average exercise price of C\$0.30 per option, expired unexercised and 8,505,000 vested options with an exercise price of C\$0.29 were cancelled.

On July 26, 2021, the Company granted 1,000,000 stock options of the Company exercisable to acquire one common share of the Company at an exercise price of C\$0.37 per share for a term of five years, expiring on July 26, 2026. The stock options vest as to 25% on the date of grant, and as to 25% on each of the first, second and third anniversary of the date of grant. The fair value of these options was calculated as \$151,120 (C\$189,784) using the Black-Scholes model.

On August 17, 2021, 612,500 stock options were exercised at a weighted average exercise price of C\$0.30 for gross proceeds to the Company of \$145,695 (C\$183,750). The weighted average share price at the date of exercise was C\$0.33.

In June 2021, 988,000 stock options were exercised at a weighted average exercise price of C\$0.25 for gross proceeds to the Company of \$200,857 (C\$242,500). The weighted average share price at the date of exercise was C\$0.41.

In May 2021, 952,000 stock options were exercised at a weighted average exercise price of C\$0.25 for gross proceeds to the Company of \$198,132 (C\$239,100). The weighted average share price at the date of exercise was C\$0.39.

On February 18, 2021, 250,000 stock options were exercised at C\$0.10 for gross proceeds to the Company of \$19,679 (C\$25,000). The weighted average share price at the date of exercise was C\$0.35.

On February 11, 2021, 187,500 and 187,500 stock options were exercised at C\$0.1625 and C\$0.225 for gross proceeds to the Company of \$57,236 (C\$72,656). The weighted average share price at the date of exercise was C\$0.36.

On February 4, 2021, the Company granted 1,000,000 stock options to an officer of the Company exercisable to acquire one common share of the Company at an exercise price of C\$0.345 per share for a term of five years, expiring on February 4, 2026. The stock options vest as to 25% on the date of grant, and as to 25% on each of the first, second and third anniversary of the date of grant. The fair value of these options was calculated as \$149,139 (C\$190,628) using the Black-Scholes model.

During the year ended December 31, 2021, the Company recorded share-based payments expense of \$360,668 (2020 - \$431,345) of which \$355,503 (2020 - \$384,095) is included in general and administrative expenses in net income (loss) and \$5,165 (2020 - \$47,250) is included in construction in progress.

In December 2020, 135,000 stock options were exercised at C\$0.25 for gross proceeds to the Company of \$26,438 (C\$33,750). The weighted average share price at the date of exercise was C\$0.35.

In August 2020, 470,000 stock options were exercised at C\$0.25 for gross proceeds to the Company of \$89,150 (C\$117,500). The weighted average share price at the date of exercise was C\$0.47.

On July 21, 2020, the Company granted 1,300,000 stock options to its non-executive directors, each exercisable to acquire one common share of the Company at an exercise price of C\$0.51 until July 21, 2025. The stock options



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vest as to 25% on the date of grant, and as to 25% on each of the first, second and third anniversary of the date of grant. The fair value of these options was calculated as \$276,282 (C\$374,620) using the Black-Scholes model.

In June 2020, 800,000 stock options were exercised at C\$0.195 and 25,000 stock options were exercised at C\$0.1625 for gross proceeds to the Company of \$117,348 (C\$160,062). The weighted average share price at the date of exercise was C\$0.45.

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

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	Options	Warrants	Options	Warrants
Risk-free interest rate	0.64%	N/A	0.35%	1.36%
Expected dividend yield	-	N/A	-	-
Expected stock price volatility	63.95%	N/A	69.25%	77.83%
Expected life in years	5 years	N/A	5 years	1.5 years
Forfeiture rate	0.00%	N/A	0.00%	0.00%
Weighted average fair value	C\$0.19	N/A	C\$0.29	C\$0.13-C\$0.18

**14. RELATED PARTY TRANSACTIONS**

- (a) Key management compensation

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

For the year ended	December 31, 2021	December 31, 2020
Director fees	\$ 233	\$ 152
Salaries, consulting and management fees	2,050	746
Share-based compensation	289	573
<b>Total</b>	<b>\$ 2,572</b>	<b>\$ 1,471</b>

  

As at	December 31, 2021	December 31, 2020
Amount included in accounts payable	\$ 216	\$ 44

During the year ended December 31, 2021, the Company granted bonuses of \$650,000 to three senior members of management and paid severance of \$354,625 to the former Chief Financial Officer and VP Corporate Development.

- (b) Tes-Oro Mining Group, LLC (“Tes-Oro”)

Tes-Oro is a private company controlled by the Company’s Chief Operating Officer. Tes-Oro is a full-service engineering, procurement and construction management firm working with the Company. During the year ended December 31, 2021, the Company expensed fees relating to consulting services of \$89,645 (2020 - \$490,535) and \$123,092 (2020 - \$137,885 in general office expenses. Amounts payable to Tes-Oro as at December 31, 2021 were \$nil (2020 - \$29,130).



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(c) Wexford LP (“Wexford”)

Wexford is the Company’s controlling shareholder. Except as noted elsewhere in the financial statements, during the year ended December 31, 2021, the Company expensed fees of \$19,631 related to legal fees (2020 - \$4,999). Amounts payable to Wexford as at December 31, 2021 were \$2,874 (2020 - \$342).

(d) Sailfish Royalty Corp. (“Sailfish”)

Sailfish is a publicly traded company related by common shareholders, officers (till December 17, 2021) and directors. In addition to the Sailfish Loan (Note 11(c)), during the year ended December 31, 2021, the Company’s subsidiary Nicoz:

- i. received advances of \$372,895 for the purchase of gold ounces;
- ii. sold 845 ounces of gold to Sailfish for \$378,439; of which \$255,801 is recorded as production services revenue and \$122,638 is included in the gain on gold stream derivative asset disclosed in the statement of income and comprehensive income.

As at December, 2021, a balance of \$5,543 is receivable from Sailfish and is recorded in receivables.

### 15. INCOME TAX EXPENSE AND DEFERRED TAXES

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

For the year ended	December 31, 2021	December 31, 2020
Loss for the year before income tax	\$ 9,626,618	\$ (12,081,931)
Canadian statutory tax rate	27.0%	27.0%
Computed expected tax recovery	2,599,187	(3,262,121)
Change in deferred tax assets not recognized	(3,419,084)	1,792,481
Effect of change and difference in tax rates	583,420	(283,334)
Foreign exchange	(562,670)	1,426,549
Permanent differences	1,863,622	1,038,415
True up of prior year tax provision	(495,339)	(428,880)
Share issuance costs	-	(323,435)
Expiry of non-capital losses	-	-
Other	(67,799)	88,044
	\$ 501,337	\$ 47,719
Current income tax expense	\$ 501,337	\$ 47,719
Total income tax expense	\$ 501,337	\$ 47,719



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(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:

	December 31, Expiry date 2021 range		December 31, Expiry date 2020 range	
Exploration and evaluation assets	\$ 26,109,000	No expiry date	\$ 47,309,000	No expiry date
Mineral property, plant and equipment	1,028,000	No expiry date	395,000	No expiry date
Inventories	59,000	No expiry date	521,000	No expiry date
Share issue costs	726,000	2020-2024	936,000	2020-2024
Allowable capital losses	7,892,000	No expiry date	-	
Non-capital losses available for future years	11,407,000	2024-2041	43,979,000	2029-2040
Provision for reclamation and rehabilitation	1,245,000	No expiry date	1,184,000	No expiry date
Other	928,000	No expiry date	6,744,000	No expiry date
<b>Unrecognized deductible temporary differences</b>	<b>\$ 49,394,000</b>		<b>\$ 101,068,000</b>	

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

Year of Expiry	Non-capital losses		
	Canada	Nicaragua	United States
2022	-	-	-
2023	-	-	-
2024	-	3,850,000	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-
2039	1,381,000	-	-
2040	3,951,000	-	-
2041	6,992,000	-	-
No expiry	-	-	-
<b>Total</b>	<b>\$ 12,324,000</b>	<b>\$ 3,850,000</b>	<b>\$ -</b>



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

### 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### (a) Fair value hierarchy

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, accounts payable and the Term Loans. 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 December 31, 2021 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 and the term loans. 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.



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### **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. The Sailfish Loan repayment is based on the monthly average gold price per ounce limited to the Price Parameters. A change of \$100 in the monthly average gold price would result in a change of \$20,500.

#### *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. The interest rate on the Term Loan is fixed at 10% per annum.

#### *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 the US dollar, currency risk primarily arises from financial instruments denominated in Nicaraguan córdoba that are held at the subsidiary company level. As at December 31, 2021 a 5% change in the exchange rate between the Canadian Dollar and the U.S. dollar would result in a net impact of approximately \$37,000 and a 5% change in the exchange rate between the Nicaraguan córdoba and the U.S. dollar would result in a net impact of approximately \$75,000 in the consolidated statement of income. 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.





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### 17. CAPITAL MANAGEMENT

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

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, and risk characteristics of the underlying assets. The Company's funding requirements are based on cash forecasts.

In order to maintain or adjust the capital structure, the Company may issue new shares, debt and/or consider strategic alliances. Management reviews its capital management approach on a regular basis. The Company is not subject to any externally imposed capital requirements.

### 18. SEGMENTED INFORMATION

For the year ended December 31, 2021, the Company's principal product was gold sold to the refinery at spot market rates by the Company's subsidiary, Nicoz. The gold was produced at the San Albino mine in Nicaragua.

For the year ended December 31, 2020, the Company's principal product was gold doré with the refined gold bullion sold in the London spot market by the subsidiary in Barbados and included sales of gold in carbon. The gold doré was produced at the La Trinidad Mine in Mexico.

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

	Canada	Mexico	Nicaragua	Total
<b>As at December 31, 2021</b>				
Revenue	\$ -		\$ 30,934	\$ 30,934
Mineral property, plant and equipment	-	-	42,912	<b>42,912</b>
Exploration and evaluation assets	-	-	765	<b>765</b>
<b>As at December 31, 2020</b>				
Revenue	-	1,398	-	<b>1,398</b>
Mineral property, plant and equipment	-	-	45,298	<b>45,298</b>
Exploration and evaluation assets	-	-	765	<b>765</b>



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### 19. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital comprise the following:

For the year ended	December 31, 2021	December 31, 2020
Change in receivables	\$ (147)	\$ 1,342
Change in inventories	(4,053)	191
Change in prepaid expenses, and other	(621)	(18)
Change in accounts payable and accrued liabilities	716	1,462
Change in due to related parties	365	(43)
Change in provision for reclamation and rehabilitation - current liability	(176)	(2,325)
	\$ (3,916)	\$ 609

### 20. GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended	December 31, 2021	December 31, 2020
Accounting and legal	\$ 1,300	\$ 1,407
Consulting fees	272	589
Directors' fees	233	155
Depreciation	20	-
General office expenses	727	577
Rent	62	172
Salaries and benefits	3,024	1,300
Stock-based compensation	340	624
Telephone and IT services	178	274
Travel	176	222
	\$ 6,332	\$ 5,320

### 21. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in the notes above, the following events took place subsequent to December 31, 2021:

- (a) Normal Course Issuer Bid ("NCIB")  
During the first quarter of 2022, the Company completed the purchase of 1,000,000 common shares of the Company for C\$358,550.
- (b) Sailfish Loan  
Four monthly repayment installments totaling \$1,518,548 were made on the Sailfish Loan.
- (c) Wexford Loan  
On January 13, February 8, March 23, 2022, a \$1,000,000, \$500,000 and \$1,000,000 voluntary principal repayment was made on the Wexford Loan, respectively.



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(d) Warrants

On January 16, 2022, 35,500,000 share purchase warrants, exercisable at C\$0.60 per warrant and 1,500,000 Broker Warrants, exercisable at C\$0.40 per warrant expired unexercised.

(e) Share-based payments

i. On January 31, 2022, the Company granted 1,503,800 restricted share units ("RSU") to senior executives and granted 1,318,400 deferred share units ("DSU") to the Company's directors. Each RSU will vest 50% on the first anniversary of the grant date (being January 31, 2023), 25% on the second anniversary of the grant date (being January 31, 2024) and 25% on December 1, 2024. Each RSU is exercisable into one common share entitling the holder to receive the common share for no additional consideration. Each DSU will vest on the director's termination of service and is exercisable into one common share entitling the holder to receive the common share for no additional consideration or receive the cash equivalent or a combination thereof.

ii. On February 1, 2022, 250,000 options, exercisable at C\$0.67 per option expired unexercised.

iii. On March 9, 2022, the Company granted 700,000 options to an employee exercisable at C\$0.37 per option. The options vest as to 25% immediately, and 25% on each of the next 3 anniversaries, and expire on March 9, 2027.