



CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022
(Expressed in United States dollars)
(Unaudited)



CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in thousands of United States dollars

(Unaudited)

As at	Note	June 30, 2022	December 31, 2021
			<i>(Restated Note 3 (a))</i>
ASSETS			
Current			
Cash and cash equivalents		\$ 2,486	\$ 1,944
Receivables		1,210	38
Inventories	6	7,964	6,864
Gold stream derivative asset	7	337	284
Prepaid expenses, and other		2,109	801
Total current assets		14,106	9,931
Advances and other prepaid expenses		130	252
Gold stream derivative asset	7	130	263
Exploration and evaluation assets	8	765	765
Mineral property, plant and equipment	9	37,321	43,762
TOTAL ASSETS		\$ 52,452	\$ 54,973
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 10,824	\$ 4,984
Term loan	11	15,792	3,981
Derivative liability	9	1	-
Provision for reclamation and rehabilitation	12	1,053	1,043
Total current liabilities		27,670	10,008
Accrued liabilities	10	1,161	368
Provision for reclamation and rehabilitation	12	1,259	1,245
Term loans	11	715	17,384
Total liabilities		30,805	29,005
Shareholders' equity			
Share capital	13	87,882	88,259
Contributed surplus	13	11,882	11,603
Accumulated other comprehensive income		1,729	1,763
Deficit		(79,846)	(75,657)
Total shareholders' equity		21,647	25,968
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 52,452	\$ 54,973

Approved by the Audit Committee of the Board of Directors on August 12, 2022

"John Hick", Audit Committee Chair

"Akiba Leisman", Director

Events after the reporting period (Note 19)

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



CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Expressed in thousands of United States dollars, except per share amounts
(Unaudited)

	Note	For the three months ended		For the six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
			<i>(Restated Note 3 (b))</i>		<i>(Restated Note 3 (b))</i>
Revenue		\$ 16,222	\$ 4,562	\$ 33,439	\$ 4,562
Production services revenue	7 & 14(d)(ii)	151	-	213	-
		16,373	4,562	33,652	4,562
Cost of sales					
Production costs		(7,761)	(2,032)	(15,393)	(2,032)
Depreciation, depletion and amortization		(6,776)	(1,591)	(11,845)	(1,591)
		(14,537)	(3,623)	(27,238)	(3,623)
Gross profit		1,836	939	6,414	939
Exploration and evaluation expenses		(2,718)	(1,127)	(4,582)	(2,483)
General and administrative expenses	18	(1,599)	(1,444)	(3,340)	(3,736)
Other income (expense)					
Accretion and interest expense		(279)	(88)	(1,194)	(143)
Change in provision for reclamation and rehabilitation	12	30	37	4	(350)
Change in fair value of derivative liability	11(c)	5	-	88	-
Gain on gold stream derivative asset	7	(36)	-	35	-
Gain on disposal of subsidiaries	5	-	-	-	12,083
Foreign exchange loss		224	(406)	(184)	(1,261)
Financing costs	11(c)	(56)	-	(278)	-
Interest income		-	-	-	2
(Loss) / income before income taxes		(2,593)	(2,089)	(3,037)	5,051
Income tax expense		(610)	(89)	(1,152)	(89)
(Loss) / income for the period		\$ (3,203)	\$ (2,178)	\$ (4,189)	\$ 4,962
Other comprehensive (loss) income					
Income for the period		(3,203)	(2,178)	(4,189)	4,962
Items subject to reclassification into statement of loss:					
Reclassification of foreign currency translation upon disposal of subsidiaries	5	-	-	-	(2,013)
Foreign currency translation adjustment		(280)	380	(34)	653
Other comprehensive income (loss) for the period		(280)	380	(34)	(1,360)
Comprehensive (loss) / income for the period		\$ (3,483)	\$ (1,798)	\$ (4,223)	\$ 3,602
Basic and diluted income per common share		\$ -	\$ 0.00	\$ (0.01)	\$ 0.01
Weighted average common shares outstanding (thousands)		658,130	657,448	658,631	656,950

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



CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Expressed in thousands of United States dollars
(Unaudited)

	Number of shares (000s)	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit (Restated Note 3 (a))	Total
Balance at December 31, 2020	656,131	\$ 87,262	\$ 11,634	\$ 3,634	\$ (85,620)	\$ 16,910
Shares issued on exercise of options	2,565	476	-	-	-	476
Transfer of option value	-	288	(288)	-	-	-
Share-based compensation	-	-	239	-	-	239
Net income	-	-	-	-	4,962	4,962
Other comprehensive loss	-	-	-	(1,372)	-	(1,372)
Balance at June 30, 2021	658,696	\$ 88,026	\$ 11,585	\$ 2,262	\$ (80,658)	\$ 21,215
Shares issued on exercise of options	613	146	-	-	-	146
Transfer of option value	-	87	(87)	-	-	-
Share-based compensation	-	-	105	-	-	105
Net income (Restated - Note 3 (a))	-	-	-	-	5,001	5,001
Other comprehensive loss	-	-	-	(499)	-	(499)
Balance at December 31, 2021 (Restated)	659,309	\$ 88,259	\$ 11,603	\$ 1,763	\$ (75,657)	\$ 25,968
Shares cancelled	(1,402)	(377)	-	-	-	(377)
Share-based compensation	-	-	279	-	-	279
Net loss	-	-	-	-	(4,189)	(4,189)
Other comprehensive income	-	-	-	(34)	-	(34)
Balance at June 30, 2022	657,907	\$ 87,882	\$ 11,882	\$ 1,729	\$ (79,846)	\$ 21,647

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



CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in thousands of United States dollars
(Unaudited)

For the six months ended	Note	June 30, 2022	June 30, 2021
			<i>(Restated Note 3 (b))</i>
Operating activities			
Net (loss) income for the period		\$ (4,189)	\$ 4,962
Non-cash items:			
Accretion expense		26	123
Depreciation, depletion and amortization		11,850	1,598
Deferred income tax recovery		-	-
Change in provision for reclamation and rehabilitation		15	350
Gain on gold stream derivative asset		81	-
Gain on disposal of subsidiaries		-	(12,083)
Interest expense		1,168	19
Share-based payments		279	234
Extinguishment of gold stream arrangement		-	-
Unrealized foreign exchange loss (gain)		318	568
		\$ 9,548	\$ (4,229)
Changes in non-cash working capital	17	2,626	(5,455)
Net cash provided by (used in) operating activities		12,174	(9,684)
Investing activities			
Cash proceeds received, net of cash given up on disposal of subsidiaries		-	27
Expenditures on mineral property, plant and equipment		(4,969)	2,277
Net cash used in investing activities		\$ (4,969)	\$ 2,304
Financing activities			
Purchase of common shares - NCIB		(377)	-
Drawdown on term loans		-	6,001
Repayment of term loans		(6,294)	-
Proceeds on exercise of options		-	476
Net cash provided by financing activities		\$ (6,671)	\$ 6,477
Effect of foreign exchange on cash and cash equivalents		8	46
Change in cash and cash equivalents		542	(857)
Cash and cash equivalents, beginning of period		1,944	2,633
Cash and cash equivalents, end of period		\$ 2,486	\$ 1,776

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



CONDENSED INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022

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

(Unaudited)

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.

While these condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that it will be able to meet its existing obligations and commitments and fund ongoing operations in the normal course of business for at least twelve months from June 30, 2022, the Company has a working capital deficiency of \$13,564,746 as at June 30, 2022 and anticipates the need for further funding or to renegotiate or extend its existing obligations with its Lenders (see note 19 (c)).

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), as applicable to the preparation of interim financial statements including International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Accordingly, they do not include all the information and notes to the consolidated financial statements required by IFRS for annual financial statements and should be read in conjunction with the Company’s most recent audited consolidated financial statements for the year ended December 31, 2021.

These condensed interim consolidated financial statements were approved for issuance by the Board of Directors on August 12, 2022.

(b) Basis of presentation

The accounting policies and methods used in the preparation of these condensed interim consolidated financial statements are the same as those applied in the Company’s most recent audited consolidated financial statements for the year ended December 31, 2021, except as disclosed in Note 3(a).

These condensed interim 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 condensed interim 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 condensed interim 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



CONDENSED INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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rights to variable returns from its involvement with an entity, and the ability to affect those returns through its power over the entity.

The condensed interim 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

(a) Adoption of new accounting policy

On January 1, 2022, the Company 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.

These condensed interim consolidated financial statements now reflect the reversal of the pre-commercial revenue of \$4,562,494 and related cost of sales of \$3,622,640 which was previously recorded against mineral property, plant and equipment during the year ended December 31, 2021.

The adoption of this accounting policy is made retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

There was no impact on the consolidated statement of financial position as at January 1, 2021.

Impact on the consolidated statement of financial position as at December 31, 2021, is as follows:

	As previously reported	Adjustment	Restated
Mineral property, plant and equipment	42,912	850	43,762
Total assets	54,122	850	54,972
Accumulated other comprehensive income	1,751	12	1,763
Deficit	(76,495)	838	(75,657)
Total shareholder's equity	25,118	850	25,968
Total liabilities and shareholder's equity	54,122	850	54,972



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Impact on the condensed interim consolidated statement of loss and comprehensive loss for the three months ended June 30, 2021, is as follows:

	As previously reported	Adjustment	Restated
Revenue	-	4,562	4,562
Cost of sales	-	(3,623)	(3,623)
Loss for the period	2,290	(939)	2,178
Comprehensive loss for the period	1,922	(124)	1,798

Impact on the condensed interim consolidated statement of loss and comprehensive loss and the condensed interim consolidated statement of cash flows for the six months ended June 30, 2021, is as follows:

	As previously reported	Adjustment	Restated
Revenue	-	4,562	4,562
Cost of sales	-	(3,623)	(3,623)
Income for the period	5,326	(364)	4,962
Comprehensive income for the period	3,953	(351)	3,602

	As previously reported	Adjustment	Restated
Net income for the period	5,326	364	4,962
Changes in non-cash working capital	993	(4,462)	(5,455)
Net cash provided (used by) operating activities	(4,801)	(4,883)	(9,684)

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.

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 judgment. In making this determination, management will consider several factors, including:

- when the mine is substantially complete and ready for its intended use;



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-
- 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.

(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.



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(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.

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 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 delivery and shortage of supplies and spare parts 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.



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	\$
Cash consideration (C\$50,000), received	40
Carrying value of the Marlin Group net liabilities disposed on March 31, 2021:	10,022
	10,062
Out of pocket expenses	(74)
Reclassification of cumulative translation adjustment from AOCI upon disposal of subsidiaries	2,022
Gain on disposal of subsidiaries	12,009

6. INVENTORIES

As at	June 30, 2022	December 31, 2021
		<i>(Restated)</i>
Stockpiled ore	\$ 4,487	\$ 4,190
Ore in-circuit	1,546	1,567
Finished metal	136	164
Supplies and spare parts	1,795	943
	\$ 7,964	\$ 6,864

As at June 30, 2022 and December 31, 2021, stockpiled ore, ore in-circuit and finished metal were recorded at cost.

The comparative December 31, 2021, inventory classification has been restated from the classification in the December 31, 2021 annual financial statements, whereby stockpile ore increased by \$2,622,735 and ore-in circuit decreased by \$2,622,735.

7. GOLD STREAM DERIVATIVE ASSET

Gold stream derivative asset 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 June 30, 2022 this derivative was determined to be an asset of \$466,402 (December 31, 2021 - \$547,468) based on current spot and future gold prices, and projected deliveries under the contract of which \$366,718 (December 31, 2021 - \$284,126) is disclosed as a current asset and \$129,684 (December 31, 2021 - \$263,342) as non-current asset in the statement of financial position.



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For the three and six months ended June 30, 2022, the Company delivered a total of 330 and 703 ounces of gold to Sailfish, respectively, pursuant to this agreement. In exchange the Company received \$154,644 and \$329,193 and resulting in a fair value movement on the derivative of \$3,272 and 116,282 for the three and six months ended June 30, 2022, respectively.

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:

	Potrerrillos	El Jicaro	Total
Balance, June 30, 2022 and December 31, 2021	\$ 645	\$ 120	\$ 765



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9. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mineral property	Plant	Construction in progress	Land	Building	Equipment	Total
Cost							
As at December 31, 2020	\$ -	\$ -	\$ 43,009	\$ 1,881	\$ 124	\$ 1,187	\$ 46,201
Additions	256	507	4,140	1,202	40	475	6,620
Asset retirement obligation	476	744	(733)	-	-	-	487
Foreign currency translation adjustment	105	33	(184)	-	-	-	(46)
Transfer to mineral property	9,077	-	(9,077)	-	-	-	-
Transfer to plant	-	37,155	(37,155)	-	-	-	-
As at December 31, 2021	\$ 9,914	\$ 38,439	\$ -	\$ 3,083	\$ 164	\$ 1,662	\$ 53,262
<i>(Restated, note 3 (a))</i>							
Additions	-	526	-	1,908	162	889	3,485
Asset retirement obligation	1	1	-	-	-	-	2
Foreign currency translation adjustment	(34)	(11)	-	-	-	-	(45)
Deferred stripping	1,162	-	-	-	-	-	1,162
As at June 30, 2022	\$ 11,043	\$ 38,955	\$ -	\$ 4,991	\$ 326	\$ 2,551	\$ 57,866
Accumulated depreciation							
As at December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ 114	\$ 789	\$ 903
Depreciation	2,679	5,669	-	-	10	312	8,670
Foreign currency translation adjustment	(36)	(37)	-	-	-	-	(73)
As at December 31, 2021	\$ 2,643	\$ 5,632	\$ -	\$ -	\$ 124	\$ 1,101	\$ 9,500
<i>(Restated, note 3 (a))</i>							
Depreciation	2,694	8,073	-	-	10	279	11,056
Foreign currency translation adjustment	(18)	7	-	-	-	-	(11)
As at June 30, 2022	\$ 5,319	\$ 13,712	\$ -	\$ -	\$ 134	\$ 1,380	\$ 20,545
Net book value as at December 31, 2020	\$ -	\$ -	\$ 43,009	\$ 1,881	\$ 10	\$ 398	\$ 45,298
Net book value as at December 31, 2021	\$ 7,271	\$ 32,807	\$ -	\$ 3,083	\$ 40	\$ 561	\$ 43,762
Net book value as at June 30, 2022	\$ 5,724	\$ 25,243	\$ -	\$ 4,991	\$ 192	\$ 1,171	\$ 37,321

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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(Unaudited)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	June 30, 2022	December 31, 2021
Accounts payable and accrued liabilities	\$ 9,403	\$ 4,399
Other payables	185	-
Sailfish Loan payment accrual (Note 11 (c))	376	366
Surface rights acquisitions	800	-
Due to related parties (Note 14)	60	219
	\$ 10,824	\$ 4,984
<i>Non-current liability</i>		
Surface rights acquisitions	600	-
Accrued liabilities	561	368
	\$ 11,985	\$ 5,352

Severance Obligation

Non-current accrued liabilities include severance obligation for employees at the Company's operations in Nicaragua of \$ 336,680 (December 31, 2021 - \$205,548). 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	June 30, 2022	December 31, 2021
<i>Wexford Loan (Note 11 (a))</i>		
Accrued interest and cash bonus interest accrual	\$ 4,904	\$ 3,735
		3,735
Principal	15,150	15,150
Principal repayments made	(8,285)	(4,285)
		10,865
Total Wexford loan	\$ 11,769	\$ 14,600
<i>Sailfish Loan (Note 11 (c))</i>		
		6,764
Total Term Loans	\$ 16,507	\$ 21,364
<i>Disclosed as follows:</i>		
Current liabilities	\$ 15,792	\$ 3,981
Non-current liabilities	715	17,383
	\$ 16,507	\$ 21,364



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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 may 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 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. The Lenders extended the maturity date to February 21, 2023. Refer to Note 19 (c).

As at June 30, 2022 and December 31, 2021, the Wexford Loan was fully drawn.

As at June 30, 2022, the accrued interest and cash bonus interest accrual, after the Company having received four waivers was as follows:

	\$
Accrued interest until June 30, 2021	1,659
Cash Bonus Interest – cash equivalent of 500 ounces of gold	933
Cash Bonus Interest – cash equivalent of 178.75 ounces of gold	331
Further Deferred Payment Amount	2,924
Accrued interest from July 1 to December 31, 2021	811
Accrued interest and cash bonus interest accrual as at December 31, 2021	3,735
Accrued interest	575
Cash Bonus Interest – cash equivalent of 321.25 ounces of gold	594
Accrued interest and cash bonus interest accrual as at June 30, 2022	4,904

In accordance with the Wexford Loan Agreement, as the Wexford Loan was not repaid in full on the first anniversary of the closing date, then the Company must pay to the Lenders a cash bonus interest equal to the cash equivalent of 500 ounces of gold on each successive anniversary of the closing date (“Cash Bonus Interest”). This resulted in the initial accrual of \$933,493 and a further accrual of \$331,264 in 2021. During the six months ended June 20, 2022, the Company accrued an additional \$593,766. To date, the Company has accrued for the cash equivalent of 1,000 ounces of gold.

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.

During the three and six months ended June 30, 2022, the Company recorded \$267,051 and \$1,168,383 of accrued interest and cash bonus interest, respectively, on the Wexford Loan all of which has been expensed.

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) was capitalized to construction in progress and \$822,189 of interest (2020 – \$nil) has been expensed.



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First waiver

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, with no penalty.

Second waiver

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

Third waiver

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 August 20, 2022, 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 August 20, 2022, and the date on which payment of the Further Deferred Payment Amounts is demanded by the Lender in accordance with paragraph (ii) above.

Fourth waiver

On September 30, 2021, the Company received a fourth waiver from the Lenders extending the maturity date from August 20, 2021 to February 21, 2023 when all amounts will be due and repayable in full.

Repayments

During the six months ended June 30, 2022, the Company made voluntary principal repayments of \$3,999,970. During the year ended December 31, 2021, the Company made voluntary principal repayments of \$4,258,746.



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(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.

(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 June 30, 2022, the Company revalued the embedded derivative within the Sailfish Loan and determined a \$784 (December 31, 2021 - \$88,710) fair value. Assumptions associated with the revaluation includes expected future consensus gold price per ounce ranging from \$1,738 - \$1,797 (December 31, 2021 - \$1,669 to \$1,797), volatility of gold futures ranging from 12.7% to 21.2% (December 31, 2021 - 6.02% to 16.4%), risk free rate of 2.17% (December 31, 2021 - 0.91%), and the gold price at \$1,949 (December 31, 2021 - \$1,827) per ounce. As at June 30, 2022, the Company included in accounts payable an accrual of \$375,935 for the Sailfish Loan payment that was made in cash on July 7, 2022 based on the June 2022 average gold price of \$1,834 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 6, 2022 based on the December 2021 average gold price of \$1,787 per ounce.



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During the six months ended June 30, 2022, the Company paid six monthly instalment repayments totaling \$2,293,899.

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

During the three and six months ended June 30, 2022, the Company recorded \$56,212 and 277,723 of finance expense accretion on the Sailfish Loan, and \$4,979 and 87,926 of fair value adjustment on the Sailfish Loan, respectively.

During the year ended December 31, 2021, the Company recorded \$143,469 of finance expense accretion on the Sailfish Loan, and \$88,710 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 loan payment (Note 21 (b))	(366)	-	(366)
As at December 31, 2021	6,675	89	6,764
Finance expense	366	-	366
Fair value adjustment	-	(88)	(88)
Loan repayments made	(2,294)	-	(2,294)
Change in accrual loan payment (Note 21 (b))	(10)	-	(10)
As at June 30, 2022	4,737	1	4,738
<i>Disclosed as follows:</i>			
Current liabilities	4,022	1	4,023
Non-current liabilities	715	-	715
	4,737	1	4,738



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12. RECLAMATION AND REHABILITATION OBLIGATIONS

	San Albino Mine	La Trinidad Mine	Total
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
Cash outflows for reclamation and rehabilitation activities	-	(19)	(19)
Changes in estimate	3	14	17
Accretion expense	12	14	26
Balance, June 30, 2022	\$ 1,261	\$ 1,051	\$ 2,312
As at		June 30 2022	December 31 2021
<i>Disclosed as follows:</i>			
Current portion		\$ 1,051	\$ 1,042
Long-term portion		1,261	1,246
		\$ 2,312	\$ 2,288

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 June 30, 2022, using the undiscounted estimate of cash outflows associated with reclamation activities as \$2,545,283 (December 31, 2021 - \$2,070,847), with \$1,078,613 associated to the La Trinidad mine and \$1,466,670 associated with the San Albino Project. The provision was determined using a discount rate of 2.63% -2.66% (December 31, 2021 – 0.39%-1.15%) and an inflation rate of 2.63% - 3.00%% (December 31, 2021 – 2.26%). 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) 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.

During the six months ended June 30, 2022, the Company purchased 1,401,500 common shares for \$377,358 (C\$480,320) and they were subsequently cancelled. Refer to Note 21 (a)

As at December 31, 2021, no common shares of the Company were purchased.



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(ii) 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.

(c) Share purchase 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.

As at June, 2022, the Company had no share purchase warrants outstanding.

(d) Share options

	For the three months ended June 30, 2022		For the year ended December 31, 2021	
	Number of options	WAEP	Number of options	WAEP
Opening balance	33,645,000	C\$0.26	48,282,500	C\$0.26
Granted	700,000	0.37	2,000,000	0.35
Forfeited	-	-	(4,457,500)	0.29
Exercised ⁽¹⁾	-	-	(3,177,500)	0.24
Expired	(270,000)	0.36	(9,002,500)	0.26
Ending balance	34,095,000	C\$0.27	33,645,000	C\$0.27
Options exercisable	24,783,750	C\$0.26	24,878,750	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, 2021 C\$0.38.

On February 1 and June 13, 2022, 250,000 and 20,000 options, exercisable at C\$0.67 and C\$0.195 per option, respectively, expired unexercised.

On March 9, 2022, the Company granted 700,000 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 March 9, 2027. The 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 \$101,856 (C\$130,800) using the Black-Scholes model.

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.



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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 three and six months ended June 30, 2022, the Company recorded share-based payments expense of \$201,153 and 278,663 (June 30, 2021 - \$113,405 and \$238,811) of which \$201,153 and 278,663 (June 30, 2021 - \$113,405 and \$233,646) is included in general and administrative expenses and \$nil and \$nil (June 30, 2021 - \$ nil and \$5,165) is included in construction in progress, respectively.

(e) Restricted share units ("RSU")

On January 31, 2022, the Company granted 1,503,800 restricted share units ("RSU") to senior executives. 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. Once vested, each RSU is exercisable into one common share entitling the holder to receive the common share for no additional consideration. The fair value was C\$0.32 per RSU with a total fair value of \$370,925 (C\$473,697) based on the market value of the underlying shares at the date of issuance.

For the three and six months ended June 30, 2022, total share-based compensation relating to RSUs was \$65,801 (\$84,033) and \$109,187 (C\$139,439), respectively, of which all is included in general and administrative expenses.

At June 30, 2022, there were 1,503,800 RSUs outstanding.

(f) Deferred share units ("DSU")

On January 31, 2022, the Company granted 1,318,400 deferred share units ("DSU") to the Company's directors. Each DSU will vest on the director's termination of service and is exercisable into one common share entitling the



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holder to receive the common share for no additional consideration or receive the cash equivalent or a combination thereof.

The fair value was C\$0.32 per DSU with a total fair value of \$325,196 (C\$415,296) based on the market value of the underlying shares at the date of issuance.

For the three and six months ended June 30, 2022, total share-based compensation relating to DSUs was \$20,680 (C\$26,409) and \$34,316 (C\$43,822), respectively, of which all is included in general and administrative expenses.

At June 30, 2022, there were 1,318,400 RSUs outstanding.

(g) 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 six months ended June 30, 2022		For the year ended December 31, 2021	
	Options	Warrants	Options	Warrants
Risk-free interest rate	1.65%	N/A	0.64%	N/A
Expected dividend yield	-	N/A	-	N/A
Expected stock price volatility	58.06%	N/A	63.95%	N/A
Expected life in years	5 years	N/A	5 years	N/A
Forfeiture rate	0.00%	N/A	0.00%	N/A
Weighted average fair value	C\$0.19	N/A	C\$0.19	N/A

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 and Directors.

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Director fees	\$ 51	\$ 55	\$ 51	\$ 41
Salaries, consulting and management fees	232	268	586	1,047
Share-based compensation	174	59	59	73
Total	\$ 457	\$ 382	\$ 696	\$ 1,161

As at	June 30, 2022	December 31, 2021
Amount included in accounts payable	\$ 60	\$ 216

During the three and six months ended June 30, 2022, the Company granted bonuses of \$nil and \$365,000, respectively, to three senior members of management and is disclosed in general and administrative expenses.



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During the three and six months ended June 30, 2021, the Company granted bonuses of \$ nil and \$650,000, respectively, to three senior members of management and paid severance of \$154,625 to the former Chief Financial Officer.

(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 three and six months ended June 30, 2022, the Company expensed fees relating to consulting services of \$687 and \$4,773 (June 30, 2021 - \$18,421 and \$69,947) and \$24,668 and \$53,910 (June 30, 2021 - \$25,288 and \$63,132) in general office expenses. Amounts payable to Tes-Oro as at June 30, 2022 were \$490 (December 31, 2021 - \$nil).

(c) Sonoran Resources, LLC (“Sonoran”)

Sonoran is a private company controlled by the Company’s Chief Operating Officer. Sonoran is a management, scientific, and technical consulting services industry firm which leases office equipment to the Company. During the three and six months ended June 30, 2022, the Company expensed fees relating to general office expenses of \$1,007 and \$2,581 (June 30, 2021 - \$nil and \$nil). Amounts payable to Sonoran as at June 30, 2022 were \$nil (December 31, 2021 - \$nil).

(d) Wexford LP (“Wexford”)

Wexford is the Company’s controlling shareholder. Except as noted elsewhere in the financial statements, during the three and six months ended June 30, 2022, the Company expensed fees of \$nil and \$3,070 related to transaction costs (June 30, 2021 - \$nil and \$15,484). Amounts payable to Wexford as at June 30, 2022 were \$238 (December 31, 2021 - \$2,874).

(e) 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 three and six months ended June 30, 2022, the Company’s subsidiary Nicoz:

- i. received advances of \$253,083 and \$423,488 for the purchase of gold ounces, respectively;
- ii. sold 330 and 703 ounces of gold to Sailfish for \$154,644 and \$329,193 of which \$151,372 and \$212,911 is recorded as production services revenue and \$3,272 and \$116,282 is included in the gain on gold stream derivative asset disclosed in the statement of income and comprehensive income, respectively.

As at June 30, 2022, \$88,751 is payable to Sailfish (December 31, 2021 – receivable of \$5,543).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Carrying value 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;



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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 and cash equivalent, receivables and accounts payables and the term loans 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 six months ended June 30, 2022 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

16. SEGMENTED INFORMATION

For the three and six months ended June 30, 2022, 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. During the three months ended June 30, 2022, the Company also sold gold in carbon.

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 six months ended June 30, 2022 and for the year ended December 31, 2021, all of the Company's significant non-current assets and revenues were in Nicaragua

17. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital comprise the following:

For the six month period ended	June 30, 2022	June 30, 2021
		<i>(Restated Note 3 (b))</i>
Change in receivables	\$ (1,331)	\$ (37)
Change in inventories	4,362	(6,016)
Change in prepaid expenses, and other	(1,027)	(170)
Change in accounts payable and accrued liabilities	591	900
Change in due to related parties	50	38
Change in provision for reclamation and rehabilitation - current liability	-	(170)
Cash outflow for reclamation activities	(19)	-
	\$ 2,626	\$ (5,455)



CONDENSED INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022

*All tabular amounts are in thousands of United States dollars unless otherwise stated
(Unaudited)*

18. GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Accounting and legal	\$ 158	\$ 299	\$ 234	\$ 1,147
Consulting fees	49	82	154	99
Directors' fees	51	54	102	95
Depreciation	3	-	5	-
General office expenses	96	59	138	91
Insurance	116	67	214	152
Investor relations and communications	83	61	128	86
Rent	15	14	27	28
Salaries and benefits	814	542	1,873	1,534
Stock-based compensation	144	113	279	234
Telephone and IT services	18	55	62	83
Transfer agent fees and regulatory fees	10	44	55	78
Travel	42	54	69	109
	\$ 1,599	\$ 1,444	\$ 3,340	\$ 3,736

19. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in the notes above, the following events took place subsequent to June 30, 2022:

- (a) Normal Course Issuer Bid ("NCIB")
The Company completed the purchase of 600,000 common shares of the Company for C\$139,680.
- (b) Sailfish Loan
Two monthly repayment installments totaling \$734,685 were made on the Sailfish Loan.
- (c) Wexford Loan
The Company has entered into an agreement that modifies the Wexford Loan Agreement extending the maturity date of the Wexford Loan from February 21, 2023 to March 31, 2024.