



## **MANAGEMENT DISCUSSION AND ANALYSIS**

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*For the three months ended March 31, 2023  
(Expressed in United States dollars)*



For the three months ended March 31, 2023

This Management Discussion and Analysis (“MD&A”) is intended to help the reader understand Mako Mining Corp. (the “Company” or “Mako”), the operations, financial position, and current and future business environment. This MD&A is intended to supplement and complement Mako’s condensed interim consolidated financial statements for the three months ended March 31, 2023, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting.

Additional information regarding Mako, including the risks related to the business and those that are reasonably likely to affect Mako’s financial statements in the future, is contained in the continuous disclosure materials, including the most recent audited consolidated financial statements and Management Information Circular, which is available on the Company’s website at [www.makominingcorp.com](http://www.makominingcorp.com) and under the Company’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

This MD&A has been prepared as of May 26, 2023. All amounts are expressed in United States (US) dollars (“\$”), unless otherwise stated. References to “C\$” are to the Canadian dollar.

## **BUSINESS OVERVIEW**

Mako Mining Corp. 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 Company’s principal business activities are the production of gold and the exploration of its mineral interests in Nicaragua.

The Company’s main asset is the San Albino gold deposit, located within the San Albino-Murra Property, located in Nueva Segovia, Nicaragua (“San Albino”). It was a historical small-scale underground gold producer, commencing production in the early 1900’s and operating on and off until approximately 1940. Mako’s management brought the San Albino mine into commercial production on July 1, 2021.

The projected free cash flow from the San Albino Mine is anticipated to fund exploration on Mako’s prospective 188 square kilometer (“km”) land package in Nicaragua.

## **FINANCIAL HIGHLIGHTS, MAJOR ACTIVITIES AND SIGNIFICANT SUBSEQUENT EVENTS**

- Revenues of \$15.9 million (Q1 2022 - \$17.3 million) for the three months ended March 31, 2023 (“Q1 2023”).
- Sales of 8,721 ounces (“oz”) (Q1 2022 – 9,580 oz) of gold in Q1 2023 from the San Albino Mine.
- Net income of \$1.4 million (Q1 2022 – net loss of \$1.0 million) for Q1 2023.
- Production of 8,683 oz (Q1 2022 – 9,519 oz) of gold and 9,329 oz (Q1 2022 – 13,752 oz) of silver at the San Albino Mine for Q1 2023.
- Cash generated from operating activities \$1.4 million (Q1 2022 – \$6.7 million) in Q1 2023.
- Three monthly repayment installments totaling \$1.1 million (Q1 2022 - \$1.1 million) were made on the Sailfish Loan during Q1 2023. On March 2, 2023, the Sailfish Loan was modified whereby the remaining seven payments will be made in physical silver in lieu of cash. On March 10, 2023, the Company delivered 18,278 oz of silver in lieu of \$0.4 million cash.
- On March 8, 2023, the Company effected the consolidation of all of its issued and outstanding common shares on the basis of one new common share for ten previously issued and outstanding common shares. All share and per share amounts in this MD&A have been adjusted retroactively to reflect this change.

Subsequent to March 31, 2023:

- On April 5, 2023, and on May 3, 2023, the Company delivered 16,328 and 16,552 oz of silver in lieu of \$0.4 million and \$0.4 million cash, respectively.

- On May 12, 2023, the Company granted 540,000 stock options to certain directors, officers, employees and consultants of the Company. Each stock option is exercisable at a price of C\$2.13 for one common share in the Company for a period of five years, vesting in four equal installments over a period of three years, with the first 25% vesting on the date of grant.

The Company also granted 38,829 restricted share units (“RSU”) to officers of the Company. Each RSUs will vest 50% on the grant date, 25% on the sixth month anniversary of the grant date and 25% on the second anniversary. Once vested, each RSU is exercisable into one common share entitling the holder to receive the common share for no additional consideration.

- On May 24, 2023, the Company entered into a silver stream agreement with Sailfish, whereby Sailfish will advance \$6 million for the delivery of 13,500 ounces of silver, produced at the San Albino mine, per month for a period of 24 months. Sailfish also has the option to purchase all remaining future silver production from all of the Company’s concession for an additional \$1million.
- On May 25, 2023, the maturity date of the Wexford Loan was extended from March 31, 2024 to March 31, 2025, and a \$4 million voluntary principal repayment was made on the Wexford Loan.

## RESULTS OF OPERATIONS

Financial Performance (in \$000's)	Three months ended		
	March 31, 2023	March 31, 2022	Change
Revenue	\$ 15,916	\$ 17,279	\$ (1,363)
Income (loss) for the period	1,387	(986)	2,373
Operating cash inflows (outflow) before changes in non-cash working capital	6,478	5,696	782
Net cash from (used in) operating activities	\$ 1,439	\$ 6,732	\$ (5,293)

Financial Condition (in \$000's)	As at		Change
	March 31, 2023	December 31, 2022	
Cash and cash equivalents	\$ 641	\$ 523	\$ 118
Working capital deficit <sup>(i)</sup>	(14,658)	(3,252)	(11,406)
Total assets	45,333	45,171	162
Equity	\$ 15,131	\$ 13,670	\$ 1,461

(i) Working capital calculated as current assets less current liabilities.

### San Albino Property, Nueva Segovia, Nicaragua

The Company holds 100% of four mineral concessions in Nueva Segovia, Nicaragua for a total land package of approximately 18,817 hectares (188 km<sup>2</sup>). The San Albino gold deposit, located within the San Albino-Murra Property, is the Company’s new mine located in Nueva Segovia, Nicaragua. It was a historical small-scale underground gold producer, commencing production in the early 1900’s and operating on and off until approximately 1940.

On August 24, 2020, the Nicaraguan Ministry of Environmental and Natural Resources (“MARENA”) has amended the environmental permit granted to the Company in 2017 (see press release dated September 12, 2017) to allow for the processing of up to 1,000 tonne per day (“tpd”) at the San Albino-Murra Property. The amendment is initially effective for a period of five years and can be renewed indefinitely so long as the Company complies with the conditions set forth by MARENA. All other provisions contained in the environmental permit granted in 2017 remain in force and are fully



applicable apart from the increased throughput from 500 tpd to 1,000 tpd; total capacity of the two mills on site is 1,000 tpd.

Pre-development work commenced in May 2019 at the San Albino Property, the objective of achieving a thorough understanding of the geology of the area and affirming the continuity and grade of the “in-pit” resources.

On October 19, 2020, the Company reported the results of an updated mineral resource estimate (*Technical Report and Estimate of Mineral Resources* for The San Albino Project, Nueva Segovia, Nicaragua), which confirmed San Albino’s rank among the highest-grade open pit gold projects in the world. In addition, Mine Development Associates, A division of RESPEC (“MDA”), led by Principal Geologist Steve Ristorcelli, has conservatively reflected the selective open pit mining methods presently being utilized at San Albino, such that management has confidence that the fully diluted open pit grade of 9.54g/t gold (“Au”) in the Measured and Indicated categories can be met or exceeded when mined.

On July 1, 2021, the Company declared commercial production.

On June 21, 2022, the Company announced that drilling has confirmed gold mineralization over an area of approximately 530 meters (“m”) x 470 m (strike x dip) in an area that was initially identified in the 2020 Mineral Resource Estimate as the SW Pit which at the time measured approximately 50 m x 50 m. On October 13, 2022, the Company reported intersects containing 36.65 g/t Au and 29.5 g/t Ag over 3.1 m (Estimated True Width (“ETW”)) in the same area, an updated resource comprising the SW pit will be delivered before the end of Q3 2023.

On October 13, 2023, the Company announced intersects of 36.65 g/t Au and 29.5 g/t Ag over 3.1 m at the SW Pit area.

On January 5, 2023, the Company announced that it intersected 98.50 g/t Au and 66.3 g/t Ag over 1.9 m ETW 39 m from surface at the San Albino SW Pit.

The table below shows the main variables used by management to measure operating performance of the mine: throughput, grade, recovery metal production and cost.

Operating data	Three months ended	
	Mach 31, 2023	March 31, 2022
Tonnes Mined	1,760,982	1,566,289
Tonnes Milled	49,675	46,869
Availability	94%	87%
Avg Tonnes per day	587	597
Gold sold (ounces)	8,721	9,580
Average realized gold price (\$/oz sold)	\$ 1,829	\$ 1,804
Cash Cost (\$/oz sold) <sup>(1)</sup>	\$ 793	\$ 797
Total Cash Cost (\$/oz sold) <sup>(1)</sup>	\$ 852	\$ 835
AISC (\$/oz sold) <sup>(1)</sup>	\$ 1,410	\$ 1,076
EBITDA (in \$000's) <sup>(1)</sup>	\$ 6,054	\$ 5,765
Adjusted EBITDA (in \$000's) <sup>(1)</sup>	\$ 7,638	\$ 7,791

<sup>(1)</sup> Refer to *Non-IFRS Measures*

The decrease in the cash costs per gold ounce sold of \$4 to \$793 is driven by the decrease in the costs at the mine site for gold ounces produced in Q1 2023. A combination of detailed geological mapping, additional lab testing, and new procedures implemented by the Company have all contributed to improved mining selectivity, which limits the amount



of preg-robbing material being fed to the plant. Thereby enhancing recoveries, new blending processes allowed the mill to maintain high throughput and improved recoveries.

The increase in the total cash costs per gold ounce sold of \$17 to \$852 is driven by the increase in the corporate administrative overhead cost for gold ounces produced in Q1 2023.

The increase in the Company's AISC per gold ounce sold of \$334 to \$1,410 for Q1 2023 is driven by the preparation of the new phase to be mined in the Central Pit and the scheduled stripping cost incurred in the preparation of the SW Pit area.

#### **EXPLORATION UPDATE**

On the exploration front, during Q1 2023, there was one operating reverse circulation drill rig at the San Albino-Murra Concession, specifically 21 holes were drilled in the San Pablo - Las Conchitas North area as part of the infill drilling program to finalize the modelling of Las Conchitas.

During Q1 2023, 766 m were drilled in the Las Conchitas Area, extensive mapping is taking place in the area.

#### **Las Conchitas Area**

Las Conchitas is situated between two past-producers, the San Albino Mine and the El Golfo Mine. It lies only 2 km south of the mine site for the San Albino Property.

The Las Conchitas area covers approximately 3.75 km<sup>2</sup> and is situated immediately to the south of San Albino, where the Company is currently operating a 500 tpd mining and milling operation and immediately to the north of the historical El Golfo Mine located within the Company's El Jicaro Concession.

Las Conchitas contains numerous mineralized structures over a 1,700 m by 800 m area and it has been subdivided into three primary areas: Las Conchitas norte ("LC-North"), Las Conchitas central ("LC-Central") and Las Conchitas sur ("LC-South"). Each of these areas are comprised of multiple subparallel, northeast-southwest striking and gently dipping mineralized veins.

As with the San Albino deposit, the conceptual model for the Las Conchitas mineralization consists of multiple parallel quartz veins that dip gently to the northwest, associated with extensive shear and fault systems which represent possible feeders for mineralized fluids and a favourable environment for precious metal deposition. These characteristics are consistent with the model for orogenic gold-bearing veins, which can extend to depths in excess of a km. Drilling at Las Conchitas has confirmed down-dip continuity of highly mineralized zones identified by trenching; as demonstrated by results of drilling reported on August 18, 2021; Ggold mineralization is not restricted solely to quartz veins, but also occurs in the host rock (phyllite/schist) containing quartz veinlets.

Considerable progress has been made on resource definition drilling at Las Conchitas. Since 2011, 65,205 m have been drilled on the property as of December 31, 2022. On March 17, 2022; the Company reported positive drill results from LC-South, highlighting that it had intersected 138.29 g/t Au over 1.3 m estimated true width.

On July 28, 2022, the Company announced the discovery of "Crucita" which consists of gold bearing structures containing 37.28 g/t of Au and 34.94 g/t of Ag over 2.5 m. Crucita is located approximately 1.44 km south of the San Albino gold mine and is part of LC- Norte.

The Company has released results for LC-Norte, LC-Sur and LC-Central, these results show intercepts with high grade mineralization over minable widths and shallow depths, which may indicate the potential for a significantly larger resource.



On August 18, 2022, the Company announced that it intersected 85.10 g/t Au and 153.0 g/t Ag over 0.8 m (ETW) at Las Conchitas Central connecting Mina Bonanza and Cruz Grande and expanding the known strike length to over 295 m in this zone.

On September 8, 2022, the Company reported that it intersected 15.36 g/t Au and 16.0 g/t Ag over 6.7 m (ETW) at LC-Central with additional intercepts at LC-North and LC-South.

On October 24, 2022, the Company announced that it intersected 42.59 g/t Au over 2.1 m (ETW) at LC-North, 25.07 g/t Au over 2.2 m (ETW) at LC-Central and 65.45 g/t Au over 1.8 m (ETW) at LC-South.

Lastly, on January 24, 2023, the Company announced results which indicated intercepts of 33.91g/t gold over 1.7 m (ETW) at LC-Central, 12.73 g/t Au over 4.2m (ETW) at LC-South and multiple high grade silver intercepts up to 3,792.0 g/t silver over 1.0 m across Las Conchitas.

Further details can be found in the respective press releases. The Company's goal is to produce a maiden resource at Las Conchitas in 2023.

#### **El Jicaro Concession**

El Jicaro encompasses the southwest extension of the mineralized structures identified on the Corona de Oro Gold Belt. It covers an area of 5,071 ha (51 km<sup>2</sup>). Several good exploration targets have been outlined there. The mapping and prospecting programs completed to date have defined four parallel zones of mineralization. During Q4 2022, 410 m were drilled at El Jicaro

#### **Potreros Concession**

In December 2019, the Company purchased the Potrerillos exploration and exploitation concession ("Potrerillos Concession") formerly owned by a subsidiary of Condor Gold Plc ("Condor"). The Potrerillos Concession comprises 12 km<sup>2</sup> of subsurface mineral rights and is contiguous to and along strike from the San Albino gold project. The Potrerillos Concession is valid until December 2031 with the ability to renew for an additional 25 years by the Company.

The property was explored by Condor between 2007 and 2009, with a number of channel samples taken on trenches and former mine adits. Recent drilling at San Albino indicates that the Potrerillos mineralization is an extension of the San Albino deposit; 1,109 m have been drilled during the 2022 drilling campaign. The Company plans to begin exploration work to evaluate whether the San Albino mine can be expanded into this area, unless constrained by finances.

#### **La Segoviana Concession**

On April 7, 2020, the Company announced that its wholly-owned Nicaraguan subsidiary, Nicoz Resources, S.A., was granted a new concession by Nicaraguan Ministry of Mines and Energy ("MEM"). The new concession, called La Segoviana, covers an area of 3,845.80 ha (approximately 38.5 km<sup>2</sup>) and is contiguous to the north and northwest of the Company's San Albino-Murra concession in Nueva Segovia, Nicaragua. The La Segoviana concession allows for both exploration and exploitation and is valid for a period of 25 years, until March 12, 2045.

On May 3, 2021, the Company reported initial results from a reconnaissance exploration program. The initial mapping and sampling have identified four prospects within the La Segoviana concession. A total of 35 channel samples were collected with 23 samples representing the in-situ vein and 12 samples representing dump material. The assays range in value from 0.02 to 43.5 g/t Au, with 12 samples reporting over 10 g/t Au and 15 samples reporting 1-10 g/t Au.

On August 18, 2021, the Company reported the results of initial mapping and sampling which identified at least four prospects. Initial channel sampling across the four prospects yielded grades of up to 82.5g/t gold.

On March 24, 2022, the Company reported the results from a follow-up reconnaissance exploration program. A total of 367 channel and grab samples were collected within the concession from quartz veins exposed in prospects and historical



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workings with 169 samples yielding more than 1.0 g/t gold, and one of them yielding 105.7 g/t Au over 1.5 m estimated true width; details can be found in the respective press release.

**For details on all previously-reported drill results, please see the Company's filings on SEDAR.**

## TREND ANALYSIS

### Summary of Quarterly Results

(in \$000's excluding per share)	2023	2022				2021		
	Jan - Mar	Oct - Dec	Jul - Sept	Apr - Jun	Jan-Mar	Oct - Dec	Jul - Sept	Apr - Jun
Revenue	15,916	16,086	13,637	16,373	17,279	16,647	14,288	4,562
Cost of sales	(11,424)	(11,693)	(14,608)	(14,537)	(12,701)	(9,664)	(9,750)	(3,623)
Gross profit (loss)	4,492	4,393	(971)	1,836	4,578	6,983	4,538	939
E&E expenses	(692)	(3,056)	(3,878)	(2,718)	(1,865)	(1,667)	(1,525)	(1,139)
G&A expenses	(1,491)	(1,285)	(1,613)	(1,593)	(1,741)	(1,332)	(1,262)	(1,444)
Other income (expenses)	(423)	(404)	(36)	(113)	(1,416)	(403)	95	(382)
Income taxes	(499)	(451)	(492)	(610)	(542)	(397)	(15)	(89)
Net income (loss)	1,387	(803)	(6,990)	(3,198)	(986)	3,184	1,831	(2,115)
Basic & diluted income (loss) per share	0.02	(0.01)	(0.01)	(0.05)	(0.01)	0.06	0.03	(0.04)
<i>The sum of the quarters may not equal the annual results due to rounding.</i>								
Gold ounces produced	8,683	10,010	8,370	9,018	9,519	9,572	7,554	3,486
Gold ounces sold	8,721	9,956	8,327	9,027	9,580	9,588	8,280	2,586
Average realized gold price (\$/oz)	\$ 1,829	\$ 1,616	\$ 1,665	\$ 1,814	\$ 1,804	\$ 1,736	\$ 1,726	\$ 1,783
Ore Mined (tonnes)	47,239	50,883	52,084	47,220	49,780	44,160	51,209	41,769
Ore Milled (tonnes)	49,675	49,204	44,452	49,332	46,869	38,313	33,441	16,246
Grade milled (g/t Au)	5.74	7.34	7.66	7.36	7.05	9.01	8.25	8.82
Recovery %	80.7%	82.3%	76.5%	74.8%	85.3%	92.6%	93.1%	94.6%

Revenue: During Q1 2023, decrease in revenue is as a result of a decrease in ounces produced and ounces sold during the quarter offset with an increase in the average realized gold price per ounce sold when compared to the previous quarters in 2022.

Cost of sales: During Q1 2023, the cost of sales decreased partially due to a lower depreciation charge on the mineral property asset as it nears the end of its useful life and a decrease in production costs largely due to deferred stripping costs of \$3.8 million related to the West Pit phase 3 which is expected to start extracting ore in mid-2023 when compared to previous quarters.

E&E expenses - During Q1 2023, the expansion drilling program at the Las Conchitas area was coming to an end as the Company prepares the data to develop the resource model.

G&A expenses: During Q1 2023, decrease in G&A is mainly contributed to the decrease in salaries and benefits expenditure and sock-based compensation offset by an increase in legal fees as legal advice sought for corporate matters increased.

Revenue: During Q4 2022, increase in revenue is as a result of an increase in ounces produced and ounces sold during the quarter together with the decrease in the average realized gold price per ounce sold when compared to the previous quarters in 2022.



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Cost of sales: During Q4 2022, the cost of sales decreased partially due to a lower depreciation charge and a decrease in production costs largely to deferred stripping costs related to the West Pit phase 3 which is expected to start extracting ore in the second quarter of 2023 when compared to previous quarters.

G&A expenses: Decrease during Q4 2022 is contributed to the reversal of an accrual of \$0.5 million for non-executive staff bonuses.

Other income (expenses): Decrease during Q4 2022, arises from the change in the provision for reclamation and rehabilitation and the increase in the foreign exchange loss weakening of the exchange rate between the Canadian dollar and US dollar.

Revenue: During Q3 2022, decrease in revenue relates to the decrease in ounces produced and the ounces sold during the quarter together with the decrease in the average realized gold price per ounce sold when compared to the previous quarters in 2022.

Cost of sales: During Q3 2022, the cost of sales increased due largely to a combination of mining costs, with increased hauling costs, as the distances covered are now longer, and mill processing costs increases following the metal recovery issues experienced during the quarter where preg-robbing material going through the mill was high, the Company conducted a number of tests using different methodologies, reagent quantities and studies, that resulted in a considerable increase in cost of sales, compared to previous quarters in 2022.

The Q3 2022 cost of sales includes a write-down of stockpiled ore of \$0.8 million related to historical dump material containing 2.75 g/t of gold that is not being utilized in the current mine plan but management anticipates incorporating this historical dump material in the revised expanded San Albino mine plan expected to be released in 2023.

During Q3 2022, the expansion drilling program at the Las Conchitas area is contributing to the increase in exploration and evaluation expenses.

The Company recorded its first sale of gold from the San Albino mine in Q2 2021 and declared commercial production on July 1, 2021.

## Revenue

	Three months ended		
	March 31, 2023	March 31, 2022	Change
Revenue (in \$000s)	\$15,916	\$17,279	(\$1,363)
Gold sold (ozs.)	8,721	9,580	(859)
Average realized gold price (\$ per oz.)	\$1,829	\$1,804	\$25

The Company's revenue for 2023 and 2022 came entirely from the San Albino Mine. The decrease in revenue of \$1.4 million (decrease of 7.9%) for Q1 2023 compared to Q1 2022 is a result of selling 859 fewer ounces in Q1 2023 and realizing a higher average gold price by \$25 (increase of 1.4%) per ounce.

The Company sells gold at the spot rate. The average spot gold price for Q1 2023 was \$1,890 (Q1 2022 - \$1,877), up 0.7% over Q1 2022, and closed on March 31, 2023, at \$1,980 per oz, up 1.9% from the closing price on March 31, 2022.





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### Exploration and evaluation expenses

Expenses by property (in \$000s)	Three months ended		Change
	March 31, 2023	March 31, 2022	
El Jicaro	52	30	22
San Albino	243	1,361	(1,118)
Las Conchitas	359	430	(71)
Other	38	44	(6)
	692	1,865	(1,173)

During Q1 2023 and Q1 2022, expenses continued to be primarily associated with the drilling program at the San Albino deposit and the expansion drilling program at the Las Conchitas property 2 km to the South of San Albino.

During Q1 2023, the expansion drilling program at the Las Conchitas area was coming to an end as the Company prepares the data to develop the resource model.

### General and administrative expenses

(in \$000s)	Three months ended		Change
	March 31, 2023	March 31, 2022	
Accounting and legal	143	76	67
Consulting fees	8	-	8
Directors' fees	93	51	42
Depreciation	27	2	25
General office expenses	49	43	6
Insurance	138	98	40
Investor relations and communications	41	45	(4)
Rent	1	11	(10)
Salaries and benefits	840	1,165	(325)
Stock-based compensation	72	135	(63)
Telephone and IT services	31	43	(12)
Transfer agent fees and regulatory fees	27	45	(18)
Travel	21	27	(6)
	1,491	1,741	(250)

Accounting and legal fees: Q1 2023 increased compared to Q1 2022, increase arises from additional legal advice sought on corporate matters.

Director fees: Q1 2023 fees increased compared to Q1 2022, increase arises from the special committee, which was set up in November 2022, it's comprised of two directors and each member of this committee receiving \$8,000 per month. The increase is slightly offset with the departure of a director in November 2022.

Insurance expenses: increased in Q1 2023 compared with Q1 2022 is in line with the increase of premiums.

Salaries and benefits: Q1 2023 decreased compared to Q1 2022 primarily due to a decrease in bonuses and a lower headcount due to staff departures.

Decrease in stock-based compensation during Q1 2023 compared to Q1 2022 is as a result of options that were granted in prior periods that are being expensed using the graded vesting method. No stock-based compensation was granted during Q1 2023. During Q1 2022, 150,380 RSU and 131,840 deferred share units ("DSU") were granted.



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## Other (expense) income

(in \$000s)	Three months ended		Change
	March 31, 2023	March 31, 2022	
Accretion and interest expense	443	1,137	(694)
(Gain) /loss on change in provision for reclamation and rehabilitation	4	26	(22)
Change in fair value of Sailfish Loan	3	(83)	86
Gain on gold stream derivative asset	(38)	(71)	33
Foreign exchange gain (loss)	13	407	(394)
Interest income	(2)	-	(2)
	423	1,416	(993)

Accretion and interest expense primarily relates to interest on the Wexford Loan. During Q1 2022, the Company accrued for the cash equivalent of the remaining cash bonus interest of 321.5 oz of gold at the price of gold based on the closing London Bullion Market monthly average. This cash bonus interest is revalued at each quarter end.

The decrease in the change in provision for reclamation and rehabilitation arises from the asset retirement obligation on the La Trinidad mine in Mexico which was retained following the disposal of the Marlin Group to GR Silver.

Foreign exchange gains and losses arise from the translation of foreign-denominated transactions and balances into the relevant functional currencies of the Company and its subsidiaries. There are significant foreign-denominated intercompany balances held by certain subsidiaries of the Company. Fluctuations between the functional currency of the subsidiary and the currency of the intercompany balance result in significant non-cash, unrealized foreign exchange gains and losses. These unrealized gains and losses are recognized in the consolidated net income of the Company.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial condition

(in \$000s)	March 31, 2023	December 31, 2022	Change
Cash and cash equivalents	641	523	118
Working capital (deficit)	(14,658)	(3,252)	(11,406)

Cash and cash equivalents increased by \$0.1 million during Q1 2023, funds generated from operating activities were utilized to make repayment installments of \$0.9 million on the Sailfish Loan and fund the investing and operating activities.

The working capital deficit increased during Q1 2023 primarily due to the Wexford Loan maturing in the next 12 months.



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## Cash flows

(in \$000s)	Three months ended		
	March 31, 2023	March 31, 2022	Change
Operating cash flows before changes in working capital	6,478	5,696	782
Changes in working capital	(5,039)	1,036	(6,075)
Net cash flows provided by (used in) operating activities	1,439	6,732	(5,293)
Net cash flows provided by (used in) investing activities	(365)	(3,100)	2,735
Net cash flows provided by (used in) financing activities	(971)	(4,902)	3,931
Effect of foreign exchange on cash and cash equivalents	15	14	1
Change in cash and cash equivalents	118	(1,256)	1,374

The Company generated positive cash flow from operations of \$1.4 million during Q1 2023 which resulted from cash flows from operating activities improving over the prior period. This was primarily driven by the decrease in the exploration expenditures as the drilling program at the Las Conchitas area was coming to an end as the Company prepares the data to develop the resource model.

The cash used in investing activities during Q1 2023 relates to the acquisition of land and the development activities at the San Albino Property in Nicaragua including the purchase of equipment.

Financing activities during Q1 2023 primarily reflect installment payments of \$0.9 million on the Sailfish Loan.

Financing activities during Q1 2022 primarily reflect principal repayments of \$3.5 million on the Wexford Loan; installment payments of \$1.1 million on the Sailfish Loan and \$0.2 million on the repurchase of the Company shares under the NCIB program.

## Liquidity risk

The 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 March 31, 2023.

At Q1 2023, the Company had cash and cash equivalents of \$0.6 million (December 31, 2022 -\$0.5 million), a working capital deficit of \$14.7 million (December 31, 2022 - \$3.3 million) and an accumulated deficit of \$86.4 million (December 31, 2022 - \$87.8 million). Included in current liabilities is the Wexford loan with a balance of \$12.6 million as at Q1 2023. The Company recorded net income of \$1.4 million for Q1 2023 (net loss for Q1 2022 - \$1.0 million); and for Q1 2023, had cash inflows from operating activities of \$1.4 million (for Q1 2022 - \$6.3 million) and investing outflows of \$0.4 million (for Q1 2022 - \$3.1 million). Subsequent to March 31, 2023, the Company extended the Wexford Loan term to March 31, 2025, and entered into a \$6 million silver stream agreement with Sailfish.

Based on the Company's forecasted cash flows, the current cash on hand and subsequent events, the Company estimates that it will have sufficient liquidity to meet its working capital requirements for at least the next twelve months.

On May 25, 2023, the Lenders extended the maturity date on the Wexford Loan from March 31, 2024 to March 31, 2025. On May 24, 2023, the Company also entered into a silver stream agreement with Sailfish, whereby Sailfish will advance \$6 million to receive 13,500 oz of silver, produced at the San Albino mine, per month for 24 months. Sailfish also has the option to purchase all remaining future silver production from all of the Company's concessions for an additional \$1 million.



During 2020, the Company secured a credit arrangement from its controlling shareholder for \$15.15 million (“Wexford Loan”). The Wexford Loan matures on March 31, 2024 (per the Fifth Waiver) and may be repaid at any time, in whole or in part, at par plus accrued unpaid interest, without penalty or premium. The Wexford Loan had an interest rate of 8.0% per annum until February 23, 2021, increasing to 10% per annum thereafter, and 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, 2021, the Wexford Loan was fully drawn.

In addition, because the Wexford Loan was not repaid in full on or prior to the first anniversary of the closing date, February 20, 2021, then the Company must pay to the Lenders a 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 oz. 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. 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 August 27, 2021, the Company entered into a loan agreement with Sailfish pursuant to which Sailfish provided an \$8 million unsecured gold-linked term loan to the Company (the “Sailfish Loan”). The proceeds of the Sailfish Loan were used by the Company to pay off loans. 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 with a minimum price of \$1,750 and a maximum price of \$2,000.

During Q1 2023, instalment payments totaling \$1.1 million were made on the Sailfish Loan. On March 2, 2023, the Sailfish Loan was modified whereby the remaining seven payments will be made in physical silver in lieu of cash. Subsequent to March 31, 2023, two installments totaling \$0.8 million were paid.

During Q1 2023, the Company recorded \$0.2 million of accrued interest and cash bonus interest on the Wexford Loan all of which has been expensed.

During Q1 2022, the Company made voluntary principal repayments of \$3.5 million on the Wexford Loan and instalment payments totaling \$1.1 million were made on the Sailfish Loan.

The Company’s financial performance is dependent upon many external factors. Exploration, development and mining precious metals involve numerous inherent risks including but not limited to metal price risk as the Company derives its revenue from the sale of gold and silver, currency risks as the Company reports its financial statements in US dollars whereas the Company operates in jurisdictions where it conducts its business in other currencies. Although the Company minimizes these risks by applying high operating standards, including careful planning and management of its facilities, hiring highly qualified personnel and giving adequate training, these risks cannot be eliminated.

#### **GR SILVER MINING LTD (“GR SILVER”)**

On March 31, 2021, the Company completed the transaction with GR Silver pursuant to which GR Silver acquired 100% of the common shares of Mako’s wholly-owned subsidiary, Marlin, from the Company. Marlin (incorporated in Canada) is the parent company of Marlin Gold Trading Inc (incorporated in Barbados) and of Oro Gold de Mexico, S.A. de C.V. (incorporated in Mexico) (“Oro Gold”), that owns the La Trinidad mine facilities (collectively, the “Marlin Group”). The Company 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.

#### **Outstanding securities**

As of the date of this MD&A, the Company had 65,818,593 common shares issued and outstanding, plus 114,019 RSUs, 111,240 DSUs and 3,409,000 options outstanding.



For the three months ended March 31, 2023

## TRANSACTIONS WITH RELATED PARTIES

Except as disclosed in other areas, 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. The compensation to key management was as follows:

### Key management compensation

(in \$000s)	Three months ended		Change
	March 31, 2023	March 31, 2022	
Director fees	93	51	42
Salaries, consulting and management fees	221	586	(365)
Share-based compensation	57	59	(2)
<b>Total</b>	<b>371</b>	<b>696</b>	<b>(325)</b>

  

As at	March 31, 2023	December 31, 2022
Amount included in accounts payable	\$ 6	\$ 56

During Q1 2022, the Company granted bonuses of \$0.4 million to three senior members of management whose bonuses are disclosed in general and administrative expenses.

### Other related party transactions

- (a) 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 Q1 2023, the Company expensed fees relating to consulting services of \$683 (Q1 2022 - \$4,086), reclamation and rehabilitation expenses of \$7,389 (Q1 2022 - \$nil) and \$8,543 (Q1 2022 - \$29,242) in general office expenses, respectively. Amounts payable to Tes-Oro as at March 31, 2023, were \$1,749 (December 31, 2022 - \$nil).
- (b) 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 Q1 2023, the Company expensed fees relating to general office expenses of \$nil (Q1 2022 - \$1,574). Amounts payable to Sonoran as at March 31, 2023, were \$nil (December 31, 2022 - \$nil).
- (c) Wexford LP ("Wexford")
 

Wexford is the Company's controlling shareholder. Except as noted elsewhere in the financial statements, during Q1 2023, the Company expensed fees of \$nil related to transaction costs (Q1 2022 - \$3,070). Amounts payable to Wexford as at March 31, 2023, were \$nil (December 31, 2022 - \$nil).
- (d) Sailfish Royalty Corp. ("Sailfish")
 

Sailfish is a publicly traded company related by common shareholders and directors. In addition to the Sailfish Loan, during Q1 2023, the Company's subsidiary Nicoz:

  - i. received advances of \$0.2 million (Q1 2022 - \$0.2 million) for the purchase of gold ounces;
  - ii. sold 338 oz (Q1 2022 - 373 oz) of gold to Sailfish for \$0.2 million (Q1 2022 - \$0.2 million); of which \$0.1 million (Q1 2022 - \$0.1 million) is recorded as production services revenue and \$37,736 (Q1 2022 - \$0.1 million) is

included in the gain on gold stream derivative asset disclosed in the statement of income and comprehensive income.

As at March 31, 2023, the balance remaining from the advance received from Sailfish was \$21,433 (December 31, 2022 – a balance of \$23,556 was receivable from Sailfish).

## **PROPOSED TRANSACTIONS**

None.

## **ACCOUNTING CHANGES AND CRITICAL ESTIMATES**

### **Estimates and judgments**

The preparation of financial statements in accordance with IFRS 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 judgements 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.

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.

Significant assumptions and judgments about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following areas:

- Estimated mineral resources;
- Ore in process;
- Deferred income taxes;
- Going concern;
- Determination of commercial production;
- Impairment of non-current assets;
- Reclamation and remediation provision; and
- Functional currency determination.

Refer to Note 4 of our consolidated financial statements for the year ended December 31, 2022, for a detailed discussion of these accounting estimates and judgments.

## **CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109")), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and the respective accompanying Management's Discussion and Analysis.

## **DISCLOSURE CONTROLS**

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX-V listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making.

## **NON-IFRS MEASURES**

The Company has included non-IFRS measures in this MD&A such as adjusted EBITDA, cash cost per ounce sold, total cash cost per ounce sold, AISC per ounce sold. These non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to other issuers. In the gold mining industry, this is a common performance measure but does not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's underlying performance of its core operations and its ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

"Adjusted EBITDA" represents earnings before interest (including non-cash accretion of financial obligations and lease obligations), income taxes and depreciation, depletion and amortization ("EBITDA"), adjusted to exclude exploration activities, share-based compensation and change in provision for reclamation and rehabilitation.

"Cash costs per ounce sold" is production costs, calculated by deducting revenues from silver sales and dividing the sum of mining, milling and mine site administration costs.

"Total cash costs per ounce sold" is calculated by summing the numerator used to calculate cash costs, G&A from the sister subsidiaries supporting the production activities, production taxes and royalties and then dividing the sum by the number of gold ounces sold.

"AISC per ounce sold" includes total cash costs (as defined above) and adds the sum of G&A, sustaining capital and certain exploration and evaluation ("E&E") costs, sustaining lease payments, provision for environmental fees, if applicable, and



For the three months ended March 31, 2023

rehabilitation costs paid, all divided by the number of gold ounces sold. As this measure seeks to reflect the full cost of gold production from current operations, capital and E&E costs related to expansion or growth projects are not included in the calculation of AISC per ounce. Additionally, certain other cash expenditures, including income and other tax payments, financing costs and debt repayments, are not included in AISC per ounce.

The following table provides a reconciliation of production costs to cash costs and AISC:

(in \$000's)	<i>Three months ended March 31, 2023</i>	<i>Three months ended March 31, 2022</i>
<b>Production costs (GAAP)</b>	<b>\$ 6,911</b>	<b>\$ 7,632</b>
Supporting general and administrative expenses	522	363
<b>Cash costs (non-GAAP)</b>	<b>\$ 7,433</b>	<b>7,995</b>
General and administrative expenses	937	1,044
Sustaining capital expenditures	110	743
Accretion of the asset retirement costs (ARO) (Non-cash)	19	7
Deferred stripping expenses	3,798	521
<b>Total AISC (\$)</b>	<b>\$ 12,297</b>	<b>\$ 10,310</b>
Ounces of gold sold	8,721	9,580
Cash cost per gold ounce sold	\$ 793	\$ 797
Total cash cost per gold ounce sold	\$ 852	\$ 835
AISC per gold ounce sold	\$ 1,410	\$ 1,076

Earnings before interest (including non-cash accretion of financial obligations and lease obligations), income taxes and depreciation, depletion, and amortization ("EBITDA") Calculations:

(in 000's)	<i>Three months ended March 31, 2023</i>	<i>Three months ended March 31, 2022</i>
Net (loss) income after taxes	\$ 1,387	\$ (986)
Income tax expense	499	542
Finance cost, net of finance income	443	1,137
Depreciation and amortization	3,725	5,072
<b>EBITDA <sup>(1)</sup></b>	<b>\$ 6,054</b>	<b>\$ 5,765</b>
Share-based compensation (recovery) expense	72	135
Exploration activities	692	1,865
Write-down of inventories	816	-
Change in provision for reclamation and rehabilitation	4	26
<b>ADJUSTED EBITDA <sup>(1)</sup></b>	<b>\$ 7,638</b>	<b>\$ 7,791</b>

<sup>(1)</sup> Refer to *Non-IFRS Measures*

## RISK AND UNCERTAINTIES

The Company's principal activity of mineral exploration and exploitation is generally considered to have high risk. It is exposed to a number of risks and uncertainties that are common to other mining exploration and development companies. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, inflation and other risks. Until completion of the Marlin Transaction in early November 2018, the Company had no source of revenue other than interest income. Moving forward, the San Albino Property is expected to be largely financed by debt and equity financings. The Company's mineral properties are located in Nicaragua, which exposes the



Company to risks associated with possible political or economic instability, changes to applicable laws, and impairment or loss of mining title or other mineral rights.

Some of the other significant risks are:

- Implementation of additional directives, following the October 24, 2022, announcement by the United States Department of the Treasury's Office of Foreign Assets Controls relating to new U.S. sanctions imposed on the General Directorate of Mines in Nicaragua pursuant to Executive Order 13851, as well as the issuance of EO 14088.
- Maintaining the Company's operating and development permits, title, rights and licenses in good standing.
- Mineral resource amounts are estimates only and may be unreliable. The Company cannot be certain that any specified level of recovery of minerals from mineralized material will, in fact, be realized or that any of its mineral property interests or any other mineral deposit will ever qualify as a commercially mineable ore body that can be economically exploited. Material changes in the quantity of mineralization, grade or stripping ratio or gold price volatility and foreign exchange risks may affect the economic viability of the properties.
- The junior resource market where the Company raises funds is extremely volatile, companies are subject to high level of competition for the same pool of investment dollars, and there is no guarantee that the Company will be able to raise adequate funds in a timely manner to conduct its business.
- Although the Company has taken steps to verify title to its exploration and evaluation assets there is no guarantee that the exploration and evaluation assets will not be subject to title disputes or undetected defects.
- The Company is subject to laws and regulations related to environmental matters, including provisions for reclamation, discharge of hazardous material and other matters. The Company conducts its activities in compliance with applicable environmental legislation and is not aware of any existing environmental problems related to its mineral property interests that may be the cause of material liability to the Company.
- There is no assurance that any countries in which Mako operates or may operate in the future will not impose restrictions or taxes on the repatriation of earnings to foreign entities.
- Uncertainties of the impact created by the COVID-19 pandemic, including delays in delivery and shortage of supplies and spare parts.
- Nicaraguan political and economic risks including social unrest.
- Communication and customs risk associated with working in Nicaragua,
- Loss of key personnel and dependence on key personnel.
- Nicaragua is susceptible to hurricanes, earthquakes and volcanoes which could materially impact the Company's operations in the future.

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described above and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks described are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of these risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed, and investors may lose all of their investment.

#### **FORWARD-LOOKING INFORMATION**

This MD&A contains "forward-looking information" (also referred to as "forward-looking statements") within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. All statements, other than statements of historical fact, are forward-looking statements.

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and

competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: regulatory and permitting considerations, financing of the Company's acquisitions and other activities, exploration, development and operation of mining properties, future effect of the COVID-19 pandemic and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information as well as other risks and uncertainties referenced under "Risks and Uncertainties" in this MD&A.

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out below and including those referenced in the "Risks and Uncertainties" section of this MD&A, and, as a result they may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- financing, capitalization and liquidity risks;
- mineral exploitation and exploration program cost estimates;
- the nature and impact of drill results and future exploration;
- regulatory risks relating to mineral tenure, permitting, environmental protection, taxation, and royalties;
- volatility of currency exchange rates, metal prices and metal production;
- future effect of the COVID-19 pandemic;
- other factors referenced under "Risks and Uncertainties"; and
- other risks normally incident to the acquisition, exploration, development and operation of mining properties.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statements made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company's website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company's disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company's filings with Canadian securities regulatory agencies, which can be viewed online at [www.sedar.com](http://www.sedar.com).