MAKO
MINING CORP.

# MANAGEMENT DISCUSSION AND ANALYSIS

*For the nine months ended September 30, 2020*
*(Expressed in United States dollars)*

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 unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2020, 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 for the eight months ended December 31, 2019 and Management Information Circular, which are available on the Company's website at www.makominingcorp.com and under the Company's profile on the SEDAR website at www.sedar.com.

This MD&A has been prepared as of November 27, 2020. All amounts are expressed in United States (US) dollars, unless otherwise stated.

**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 development and exploration of its mineral interests in Nicaragua.

The San Albino gold deposit, located within the San Albino-Murra Property, is the Company's development project 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, reportedly processing 10 tonnes per day of 1 ounces ("oz.) / tonne ("t") gold material. The Company is currently developing San Albino, with the first gold pour expected in the first quarter of 2021. The development and operation of San Albino is a strategic first step in the establishment of a gold camp in Nicaragua potentially hosting multiple high-grade, open-pit deposits.

The Company will be focusing its operations on further exploration and development of its San Albino deposit. The San Albino deposit is anticipated to be a high-margin gold project with an estimated average mined grade of 8.02 grams per tonne ("g/t") gold equivalent, (April 29, 2015 Preliminary Economic Assessment) and an open pit average mined grade of over 7.00 g/t gold equivalent. Once in production, projected free cash flow from San Albino is anticipated to fund exploration on Mako's prospective 188 square kilometer ("km") land package in Nicaragua.

The Company also owns the La Trinidad mine, located in Sinaloa State, Mexico, which was obtained through the acquisition of Marlin Gold Mining Ltd. (the "Marlin Transaction") effective November 9, 2018. During 2019, it was determined, through a comprehensive geological/engineering study, that a portion of the pit at La Trinidad would not be accessible to continue mining. This impact to operations was a result of pit instability incurred during the hurricane event in late 2018. As a result, the Company ceased mining activities in March 2019 and processed the remaining ounces on the leach pad during 2019. Nearly all of the mining and process plant equipment was moved to the United States, with the exception of the laboratory equipment, which was moved to Nicaragua. Surplus supplies and equipment will continue to be sold over the coming months.

In December 2019, the Company entered into a non-binding Letter of Intent ("LOI") with Goldplay Exploration Ltd. ("Goldplay") pursuant to which it has the right to acquire 100% of the common shares of a wholly-owned subsidiary that owns, among other non-material assets, the La Trinidad mine facilities and controls nine concessions totaling 104,094.5 hectares located adjacent to Goldplay's existing portfolio in the historic Rosario gold-silver mining district in Sinaloa, Mexico. Upon completion of satisfactory due diligence by Goldplay, the parties expect to negotiate the terms of a binding definitive agreement in relation to the proposed acquisition. The definitive terms of the transaction are subject to negotiation and are expected to include a nominal cash payment and the issuance of a small net smelter return ("NSR") royalty to Mako on the above noted concessions. Mako will be responsible for reclamation activities at La Trinidad and associated costs until it receives approval from the Mexican government that reclamation is complete. For additional details refer to "**PROPOSED TRANSACTIONS".**

## CHANGE OF YEAR END

The Company changed its year end from April 30 to December 31, beginning with December 31, 2019. The length and end date of the periods, including the comparative periods, of the interim and annual financial statements to be filed for the new financial year are:

| Transition Year | Comparative Annual Financial Statements to Transition Year | New Financial Year | Comparative Annual Financial Statements to New Financial Year | Interim Periods for New Financial Year | Comparative Interim Periods to Interim Periods in New Financial Year |
|---|---|---|---|---|---|
| 8 months ended 12/31/2019 | 12 months ended 4/30/2019 | 12/31/2019 ("FY 2019") | 8 months ended 12/31/2019 and 12 months ended 4/30/2019 | 3 months ended 3/31/2020 ("Q1 2020")<br><br>6 months ended 6/30/2020 ("YTD Q2 2020")<br><br>9 months ended 9/30/2020 ("YTD Q3 2020") | 3 months ended 4/30/2019 ("Q1 2019")<br><br>6 months ended 7/31/2019 ("YTD Q2 2019")<br><br>9 months ended 10/31/2019 ("YTD Q3 2019") |

## HIGHLIGHTS AND SIGNIFICANT SUBSEQUENT EVENTS

Significant events and operating highlights for Q3 2020, and up to the date of this MD&A include the following:

- On July 16, 2020, the Company completed a private placement of 71 million units for gross proceeds of C$28.4 million. Of which, 41 million units were issued to Wexford Spectrum Trading Limited and Wexford Catalyst Trading Limited, funds managed by Wexford Capital LP (collectively, "Wexford"). The remaining 30 million units was a bought deal private placement (the "Bought Deal"). The Company paid the underwriters a cash fee equal to 6.0% of the gross proceeds of the Bought Deal and issued to the underwriters broker warrants the equivalent of 5.0% of the number of units sold pursuant to the Bought Deal. Each unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant is exercisable by the holder thereof to purchase one common share of the Company at an exercise price of C$0.60 until January 16, 2022. The capital raise will allow the Company to take the San Albino Property from development into production.

- On July 21, 2020, the Company granted 1.3 million stock options to its non-executive directors, each exercisable to acquire one common share of the Company at an exercise price of C$0.51 until July 21, 2025. The stock options 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.

- Stockpile of an estimated 1,791 ounces of contained gold at the San Albino Project as at September 30, 2020.

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| **Financial Performance (in $000's)** | **September 30, 2020** | **October 31, 2019** | **Change** | **September 30, 2020** | **October 31, 2019** | **Change** |
| | | *(Restated)* | | | *(Restated)* | |
| Revenue | 433 | 1,855 | (1,422) | 985 | 12,045 | (11,060) |
| Income (loss) for the period | (4,791) | 1,556 | (6,347) | (7,587) | (11,988) | 4,401 |
| Operating cash outflow before changes in non-cash working capital | (1,677) | (752) | (925) | (6,433) | (3,786) | (2,647) |
| Net cash used in operating activities | (3,532) | (5,161) | 1,629 | (8,411) | (9,801) | 1,390 |

| **Financial Condition (in $000's)** | **September 30, 2020** | **December 31, 2019** | **Change** |
|---|---|---|---|
| | | *(Restated)* | |
| Cash and cash equivalents | 10,974 | 4,253 | 6,721 |
| Working capital (deficit) [(i)] | (248) | (3,124) | 2,876 |
| Total assets | 49,274 | 17,843 | 31,431 |
| Equity (deficit) | 17,297 | 6,054 | 11,243 |

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

**EXPLORATION AND DEVELOPMENT UPDATE**

The Company holds 100% of four mineral concessions in Nueva Segovia, Nicaragua for a total land package of approximately 18,817 hectares (188 km2).

**San Albino Property, Nueva Segovia, Nicaragua**

The San Albino gold deposit, located within the San Albino-Murra Property, is the Company's development project 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, reportedly processing 10 tons per day of 1 oz/t gold material. The Company is currently developing San Albino, with the first gold pour expected in the first quarter of 2021.

The San Albino deposit is anticipated to be a high-margin gold project with an estimated average mined grade of 8.02 g/t gold equivalent, (April 29, 2015 Preliminary Economic Assessment) and an open pit average mined grade of over 7.00 g/t gold equivalent. Once in production, projected free cash flow from San Albino of approximately $15 million per year is anticipated.

On September 12, 2017, the Company announced that it had received its environmental permit (the "Environmental Permit") for the development, construction and operation of up to a 500 t/d operation at the San Albino Property. The Company had previously received its water use permit, forestry permit, mill permit, construction permit, soil use permit, road permit and waste disposal permit.

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 tonnes 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.

Pre-development work commenced in May 2019 at the San Albino Property, with the objectives of testing the outer boundaries of the starter pits (West and Central Pits); confirming gold mineralization within historic mine dumps; improving the understanding of structural controls; verifying the geometry, grade and thickness of the mineralized zones; providing detailed grade control information; and affirming the continuity and grade of the "in-pit" resources.

On March 23, 2020, the Company announced proactive changes were being made to the San Albino gold project development schedule and the Company's exploration program in response to the COVID-19 global pandemic. Mako is responsible for providing medical services to all employees and contractors, and by extension the local community. If an infection were to occur in the community, it would greatly strain the Company's ability to provide sufficient care. Therefore, Mako is taking significant steps to lower the risk of infection at the project site and in the local community, including reducing the number of people at operations to slightly less than 250 people. Additionally, all non-essential travel at the Company was eliminated at the end of February 2020. In August 2020, the operations team was able to travel back into Nicaragua.

Two American expat employees, the General Manager of San Albino and Senior Exploration Manager, have remained at the project since the beginning of COVID-19. All five Mexican expats at the project site that had returned home early Q2-2020 have recently returned to site via a Company chartered flight.

To the extent possible, Mako is reducing the use of non-local contractors to limit the amount of travel to and from the project site. The Company is also engaging with local authorities to ensure the surrounding communities are properly informed of the symptoms of COVID-19 as well as the recommended hygiene regimen necessary to prevent the spread.

Mako has doubled the healthcare staff at the project site to alleviate the burden on current staff implementing the new health and safety protocols. The Company has also put in place protocols for isolation and safe transportation to an offsite quarantine area for anyone who is symptomatic or was exposed to an individual with symptoms.

The transport of goods and equipment across the Nicaraguan border has begun to slow down due to COVID 19. In anticipation of this, the Company increased the inventory of all consumables at the project site which has allowed the construction of the processing plant to continue as originally scheduled, albeit with a smaller workforce.

Prior to the streamlining of staff, the construction of the processing plant and mining were running approximately 60 days ahead of schedule, and slightly under budget. The expectation is that this buffer will be depleted as logistics become increasingly difficult to coordinate. To that end, the Company is now expecting first gold pour at San Albino to occur in the first quarter of 2021.

Nicaragua is susceptible to hurricanes, which could materially impact the Company's operations in the future.

During November 2020, two hurricanes went through Nicaragua that had minimal impact on the Company's operations.

On the exploration front, active exploration drill rigs have been reduced from four to two, with a commensurate reduction of exploration contractor staff. This reduction will further reduce contact between external contractors and the local community.

Once in production, the Company is expected to be the third gold producer within Nicaragua and the high-grade, San Albino Property would be the first newly permitted commercial gold processing operation in the country in several years.

**Las Conchitas Area**

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

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 the San Albino Property has already established down-dip continuity of gold mineralization for over 900 m and it still remains open. Gold 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 2019 and there is no plan to stop drilling, unless constrained by finances or COVID-19. The Company's goal is to produce a maiden resource at Las Conchitas.

**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 hectares (51 km2). Several good exploration targets have been outlined on El Jicaro. The mapping and prospecting programs completed to date have defined four parallel zones of mineralization.

**Potrerillos 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 km2 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 indicates that the Potrerillos Concession is along strike and down dip of San Albino. The Company plans to begin exploration work to evaluate its ability to expand San Albino, unless constrained by finances or COVID-19.

**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 hectares (approximately 38.5 km2) 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.

Unless constrained by finances or COVID-19, the Company plans to dispatch an exploration crew to La Segoviana, to carry out both a reconnaissance examination of this newly acquired exploration area and to conduct a preliminary sampling of mineral prospects in order to define areas suitable for further exploration.

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

## TREND ANALYSIS

### Summary of Quarterly Results

| | 2020 | | | Eight months ended Dec 31, 2019 | | | Year ended Apr 30, 2019 | |
|---|---|---|---|---|---|---|---|---|
| (in $000's) | Jul-Sept | Apr-Jun | Jan-Mar | Nov-Dec | Aug-Oct | May-Jul | Feb-Apr | Nov-Jan |
| | | | | | (Restated) | | (Restated) | |
| Revenue | 433 | 52 | 500 | 532 | 1,855 | 6,196 | 3,994 | 3,937 |
| Cost of sales | (2) | (82) | (501) | (7,093) | (2,484) | (5,080) | (3,465) | (6,614) |
| Gross profit (loss) | 431 | (30) | (1) | (6,561) | (629) | 1,117 | 529 | (2,677) |
| E&E expenses | (1,265) | (1,526) | (2,305) | (700) | (794) | (2,684) | (1,044) | (846) |
| G&A expenses | (1,497) | (1,666) | (1,120) | (704) | (1,478) | (730) | (875) | (762) |
| Other income (expenses) | (2,460) | (2,877) | 6,729 | 160 | 4,456 | (659) | (7,460) | (9,331) |
| Income taxes | - | - | - | (68) | - | - | (75) | - |
| Net income (loss) | (4,791) | (6,099) | 3,303 | (7,873) | 1,555 | (2,956) | (8,925) | (13,616) |
| Basic & diluted income (loss) per share | (0.01) | (0.01) | 0.01 | (0.01) | 0.00 | (0.01) | (0.05) | (0.05) |

*The sum of the quarters may not equal the annual results due to rounding.*

With the acquisition of La Trinidad Mine in Mexico as part of Marlin Gold Mining Ltd. (the "Marlin Transaction"), which occurred early in the third calendar quarter of 2019, the Company began recognizing revenue and cost of sales. The Company ceased mining activities at the La Trinidad Mine in March 2019, but continued to process the remaining ounces on the leach pad through to the end of 2019. The last of the La Trinidad Mine gold dore inventory was sold during Q2 2020. As a result, there was a trend of decreasing revenue and cost of sales over the past four quarters.

During Q3 2020, the Company sold gold in carbon at the La Trinidad Mine and realized revenues for gold and silver.

In October 2019, the Company entered into a settlement agreement with the Company's mining contractor in Mexico. The Company had an outstanding liability of $11.3 million with the two parties agreeing to settle the balance of the liability for $6 million. Subsequent to the correction of error identified by management during Q3 2020, the gain on settlement of the mining contractor accounts payable was adjusted from $5.5 million to $4.8 million after deducting the IVA of $737,012, which is no longer recoverable. The gain on settlement was disclosed as part of other income.

The Company is focused on acquiring, exploring and developing exploration and evaluation assets in Nicaragua. At the end of July 2019, the Company made the decision to develop the San Albino project. Beginning in August 2019, development expenditures are capitalized as part of mineral properties, plant and equipment and resulted in a decrease in exploration and evaluation ("E&E") expenses. Expenditures related to exploration outside of the San Albino development project continue to be expensed.

Subsequent to the correction of errors identified by management during Q3 2020, the exploration and evaluation expenses now reflect the reversal of the accrual for mining concession taxes of $1.7 million which was inaccurately recorded. The exploration and evaluation expenses for the quarter ended April 2019 were restated from $2.7 million to $1.0 million.

Subsequent to the Marlin Transaction, the Company saw an increase in general and administrative ("G&A") and other expenses associated with operating subsidiaries in multiple jurisdictions and increased corporate activities. Furthermore, with the ramp up of activities at San Albino, there has been a corresponding increase in G&A expenses. The increase in

G&A expenses in the three months ended October 31, 2019 relate to share-based compensation expenses associated with the issuance of stock options to management.

Volatile market conditions, the COVID-19 pandemic and the availability of financing may affect the Company's planned level of activity and development during fiscal 2020. The Company's E&E expenditures depend on the Company's operations and exploration prospects, as well as general market conditions relating to the availability of funding for resource companies. The Company's G&A expenditures are also related to the level of financing and development and exploration activities that are being conducted.

Other than as herein disclosed, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon the Company's expenses, income from investing, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

**FINANCIAL REVIEW**

**Revenue**

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| (in $000s) | September 30, 2020 | October 31, 2019 | Change | September 30, 2020 | October 31, 2019 | Change |
| Revenue | 433 | 1,855 | (1,422) | 985 | 12,045 | (11,060) |
| Gold sold (ozs.) | - | 4,593 | (4,593) | 349 | 7,673 | (7,324) |
| Average realized gold price ($ per oz.) | - | 404 | (404) | 2,820 | 1,570 | 1,250 |

The Company revenue comes entirely from the La Trinidad Mine, which was acquired as part of the Marlin Transaction. The Company ceased mining activities in March 2019, but continued to process the remaining ounces on the leach pad through to the end of the year. During the Q3 2020, the Company sold carbon rods that contained gold and was able to recognize revenues of $0.4 million. Revenue recognized during the YTD Q3 2020 reflects this winding down of gold production at the La Trinidad Mine.

### Cost of sales

| (in $000s, unless otherwise noted) | Three months ended September 30, 2020 | October 31, 2019 | Change | Nine months ended September 30, 2020 | October 31, 2019 | Change |
|---|---|---|---|---|---|---|
| Production costs | (2) | (352) | 350 | - | (9,956) | 9,956 |
| Depreciation, depletion and amortization | - | (20) | 20 | - | (62) | 62 |
| Total cost of production | (2) | (372) | 370 | - | (10,018) | 10,018 |
| Gold produced (ozs.) | - | - | - | - | - | - |
| Cost per ounce produced ($/oz.) | - | - | - | - | - | - |
| Change in gold inventories | - | (795) | 795 | (562) | 430 | (992) |
| Writedown of inventories | - | (1,293) | 1,293 | - | (1,293) | 1,293 |
| Royalties | - | (18) | 18 | (5) | (101) | 96 |
| Selling costs | - | (6) | 6 | (18) | (47) | 29 |
| Total cost of sales | (2) | (2,484) | 2,482 | (585) | (11,029) | 10,444 |
| Gold sold (ozs.) | - | 1,239 | (1,239) | 349 | 7,673 | (7,324) |
| Cost per ounce sold ($/oz.) | - | (2,005) | 2,005 | (1,674) | (1,434) | (240) |

### Exploration and evaluation expenses

| **Expenses by property** (in $000s) | Three months ended September 30, 2020 | October 31, 2019 | Change | Nine months ended September 30, 2020 | October 31, 2019 | Change |
|---|---|---|---|---|---|---|
| | | *(Restated)* | | | *(Restated)* | |
| El Jicaro | 31 | 20 | 11 | 61 | 67 | (6) |
| San Albino - Las Conchitas | 833 | 417 | 416 | 3,697 | 3,204 | 493 |
| Potrerillos | - | - | - | - | - | - |
| La Trinidad | 401 | 357 | 44 | 1,338 | 2,912 | (1,574) |
| | 1,265 | 794 | 471 | 5,096 | 6,183 | (1,087) |

Q3 2020 expenses were primarily associated exploration drilling at the Las Conchitas property 2 km to the south of San Albino.

### General and administrative expenses

| (in $000s) | Three months ended September 30, 2020 | October 31, 2019 | Change | Nine months ended September 30, 2020 | October 31, 2019 | Change |
|---|---|---|---|---|---|---|
| Accounting and legal | 458 | 408 | 50 | 1,041 | 640 | 401 |
| Directors' fees | 39 | 42 | (3) | 115 | 135 | (20) |
| General office expenses | 246 | 83 | 163 | 1,081 | 280 | 801 |
| Management and consulting fees | 470 | 269 | 201 | 1,158 | 1,394 | (236) |
| Salaries and benefits | 129 | 79 | 50 | 346 | (30) | 376 |
| Stock-based compensation | 97 | 557 | (460) | 384 | 557 | (173) |
| Travel | 58 | 40 | 18 | 158 | 107 | 51 |
| | 1,497 | 1,478 | 19 | 4,283 | 3,083 | 1,200 |

The most significant G&A expenses for the Q3 2020 comprise accounting and legal expenses, management and consulting fees, and general office expenses. The magnitude of these expenses are related to the level of financing and development and exploration activities that were conducted during the Q3 2020.

### Other (expense) income

| (in $000s) | Three months ended September 30, 2020 | October 31, 2019 | Change | Nine months ended September 30, 2020 | October 31, 2019 | Change |
|---|---|---|---|---|---|---|
| | | *(Restated)* | | | *(Restated)* | |
| Accretion and interest expense | (75) | (6) | (69) | (123) | (31) | (92) |
| Gain on settlement of accounts payable | - | 4,754 | (4,754) | - | 4,754 | (4,754) |
| Loss on change in provision for reclamation and rehabilitation | (984) | - | (984) | (1,453) | - | (1,453) |
| Gain on disposal of equipment | - | 140 | (140) | - | 140 | (140) |
| Loss on disposal of supplies and spare parts | (19) | - | (19) | (19) | - | (19) |
| Foreign exchange gain (loss) | (1,395) | (597) | (798) | 2,921 | 2,098 | 823 |
| Interest income | 13 | 166 | (153) | 66 | 1,154 | (1,088) |
| Loss on extinguishment of gold stream arrangement | - | - | - | - | (11,755) | 11,755 |
| Transaction costs | - | - | - | - | (23) | 23 |
| | (2,460) | 4,457 | (6,917) | 1,392 | (3,663) | 5,055 |

Accretion and interest expense primarily relates to accretion on the provision for reclamation and remediation at the La Trinidad Mine.

In October 2019, the Company entered into a settlement agreement with the Company's mining contractor in Mexico. The Company had an outstanding liability of $11.3 million with the two parties agreeing to settle the balance of the liability for $6 million. Subsequent to the correction of error identified by management during Q3 2020, the gain on settlement of the mining contractor accounts payable was adjusted from $5.5 million to $4.8 million after deducting the IVA of $737,012, which is no longer recoverable.

During Q1 2019, the Company updated its closure plan for the La Trinidad Mine and submitted it to the Mexican authorities. Primarily as a result of reclamation performed during the Q2 2019 and downward revisions to the amount of cash outflows estimated, the provision for reclamation and remediation decreased. As a result, a loss on change in provision for reclamation and rehabilitation was recognized.

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.

Interest income for the Q3 2020 and Q3 2019 primarily relates to the inflationary increase and interest earned on the IVA receivable.

The loss on the extinguishment of the gold stream arrangement for the Q1 2019 arose as a result of revisions to the preliminary allocation of the purchase price consideration to the assets acquired and liabilities assumed as part of the Marlin Transaction.

Transaction costs during the Q1 2019 include accounting and legal services required for the completion of the Marlin Transaction.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial condition

| (in $000s) | September 30, 2020 | December 31, 2019 | Change |
|---|---|---|---|
| | | *(Restated)* | |
| Cash and cash equivalents | 10,974 | 4,253 | 6,721 |
| Working capital (deficit) | (247) | (3,124) | 2,877 |

Cash and cash equivalents increased by $6.7 million during the Q3 2020 due to the closing of the private placement.

Working capital deficit decreased during the Q3 2020 primarily due to an increase in cash and cash equivalents which was more than offset by an increase in current liabilities (accounts payable and accrued liabilities and the current portion of the reclamation and remediation provision).

**Cash flows**

| (in $000s) | Nine months ended September 30, 2020 | October 31, 2019 | Change |
|---|---|---|---|
| | | *(Restated)* | |
| Operating cash flows before changes in working capital | (6,433) | (3,786) | (2,647) |
| Changes in working capital | (1,978) | (6,015) | 4,037 |
| Net cash flows used in operating activities | (8,411) | (9,801) | 1,390 |
| Net cash flows (used in) provided by investing activities | (20,387) | (4,024) | (16,363) |
| Net cash flows provided by financing activities | 35,417 | 23,532 | 11,885 |
| Effect of foreign exchange on cash and cash equivalents | 102 | 64 | 38 |
| Change in cash and cash equivalents | 6,721 | 9,771 | (3,050) |

Net cash flows used in operations during the YTD Q3 2020 reflect the cash components of E&E expenses, G&A expenses and Other expenses.

The cash used in investing activities during the YTD Q3 2020 relates to the development activities at the San Albino Property in Nicaragua.

Financing activities during the YTD Q3 2020 primarily reflect the Term Loan draw down of $15 million by the Company and the closing of the private placement. Financing activities during the YTD Q3 2019 reflect $3.4 million in net proceeds from the issuance of shares and $3.0 million recorded in respect of an advance received from Marlin.

**Liquidity**

As at September 30, 2020, the Company's total liquidity was $11.0 million, entirely comprised of cash and cash equivalents. The Company had a working capital deficit of $0.2 million and an accumulated deficit of $81.1 million as at September 30, 2020. For YTD Q3 2020, the Company had negative operating cash flows before changes in working capital of $6.4 million and a net loss of $7.6 million.

During Q1 2020, the Company secured a credit arrangement from its controlling shareholder for $15.15 million ("Term Loan"). The Term Loan matures in August 2022 and may be prepaid at any time, in whole or in part, at par plus accrued but unpaid interest, without penalty or premium. The Term Loan bears interest at the rate of 8.0% per annum until the first anniversary of the closing date, increasing to 10% per annum thereafter, which interest is payable semi-annually on June 30th and December 31st each year, with the first interest payment due on December 31, 2020. The Company paid a non-refundable up-front fee of $150,000 to the Lenders on the closing of the Term Loan.

In addition, if the Loan is not repaid in full on or prior to the first anniversary of the closing date, then the Company must pay to the Lenders 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 ounces of gold calculated based on the average Gold Fixing Price in the London Bullion Market during the most recently completed calendar month at the time the payment is made, in accordance with the applicable formula set out in the term loan agreement.

The Company is using these funds for construction, development and exploration activities in Nicaragua, for general corporate purposes, and for fees and expenses incurred in connection with the loan. The Company had drawn down an additional $5 million on April 1, 2020 and an additional $5 million on May 15, 2020. As at September 30, 2020, the Company had drawn down a total of $15.2 million.

On July 16, 2020, the Company completed a private placement of 71 million units for gross proceeds of C$28.4 million. Proceeds of the private placement will be used to complete the development of the Company's San Albino project and general working capital purposes.

The Company's financial performance is dependent upon many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, and impacted by changes in domestic and international political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production are difficult to predict. Changes in events could materially affect the financial performance of the Company.

The Company's mineral exploration activities to date have provided the Company with no sources of income and a history of losses and deficit positions. However, given the nature of its business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of the Company's performance and valuation.

The Company is dependent on raising funds through the issuance of shares and/or debt instruments or disposing of interests it has in exploration and evaluation assets in order to finance further acquisitions, undertake exploration and development activities on exploration and evaluation assets and meet G&A expenses in the long term.

Based on the Company's construction, development and exploration activities in Nicaragua and its current level of spending for general corporate purposes, the Company will require additional funding within the next twelve months. The Company has historically raised funds through the sale of securities. The Company expects that it will continue to obtain funding through similar or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. This material uncertainty together with uncertainty caused by COVID-19, may cast significant doubt about the Company's ability to continue as a going concern.

**Capital resources**

As at September 30, 2020, the Company had contractual commitments at the San Albino project of $5 million.

**Outstanding securities**

As of the date of this MD&A, the Company had 655,996,484 common shares issued, 37,000,000 warrants and 50,090,000 options outstanding.

**TRANSACTIONS WITH RELATED PARTIES**

**Key management compensation**

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

| | | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|---|
| (in $000s) | | September 30, 2020 | October 31, 2019 | September 30, 2020 | October 31, 2019 |
| Director fees | $ | 39 | $ 38 | $ 115 | $ 157 |
| Salaries, consulting and management fees | | 256 | 558 | 775 | 11,222 |
| Share-based compensation | | 97 | 81 | 384 | 81 |
| Total | $ | 392 | $ 677 | $ 1,274 | $ 11,460 |

| As at | | September 30, 2020 | December 31, 2019 |
|---|---|---|---|
| Amount included in accounts payable | $ | 61 | $ 5 |

**Other related party transactions**

Tes-Oro is a private company controlled by the Company's Chief Operating Officer. Tes-Oro is a full-service engineering, procurement and construction management firm working exclusively with the Company. During the three and nine months ended September 30, 2020, the Company expensed fees relating to consulting services of $2.1 million and $0.4 million (for the three and nine months ended October 31, 2019 - $0.9 million and $1.7 million) in exploration expenses and $Nil and $0.1 million in construction in progress. Amounts payable to Tes-Oro as at September 30, 2020 were $0.1 million (December 31, 2019 were $0.1 million).

## PROPOSED TRANSACTIONS

### Goldplay Letter of Intent

On December 17, 2019 the Company entered into a LOI with Goldplay pursuant to which Goldplay shall have the right to acquire 100% of the shares of Mako's wholly owned subsidiary Marlin. Marlin owns, amongst other assets, Oro Gold, a Mexican company that owns the La Trinidad mine.

Under the LOI, Goldplay was granted the exclusive right to acquire 100% of the Marlin shares until December 31, 2020. Goldplay is now moving forward with its legal, financial and technical due diligence review of Marlin, Oro Gold, La Trinidad and other assets owned by Marlin. Upon completion of due diligence, the parties expect to then negotiate the terms of a definitive agreement in relation to this acquisition.

The terms of the transaction are subject to negotiation and will include a nominal cash payment and the issuance of a small NSR royalty to Mako on the concessions currently owned by Oro Gold. Goldplay will assume all remaining tax liabilities of Oro Gold. Mako will be responsible for reclamation activities at La Trinidad and associated costs until it receives approval from the Mexican government that reclamation is complete. All proceeds from the lawsuit Mako, Marlin and Oro Gold have filed against their insurers and reinsurers related to damages from Hurricane Willa will be for the benefit of Mako, and Mako will be responsible for the costs of this litigation.

## ACCOUNTING CHANGES AND CRITICAL ESTIMATES

### Correction of errors

During the preparation of the condensed interim consolidated financial statements for the nine months ended September 30, 2020, management noted that an accrual for mining concession taxes in Mexico should have been reversed in the year ended April 30, 2019 and Mexican value added tax ("IVA") receivable should have been adjusted, for recoverability, when calculating the gain on the settlement of the mining contractor accounts payable during the eight months ended December 31, 2019.

The consolidated financial statements now reflect the reversal of the accrual for mining concession taxes of $1,661,005 which was inaccurately recorded during the year ended April 30, 2019 and the corrected gain on the settlement of the mining contractor accounts payable, recognized during the eight-months ended December 31, 2019, which was adjusted after deducting the IVA of $737,012, which is no longer recoverable.

The correction of errors has been made retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Impact on consolidated statement of loss and comprehensive loss for the three months ended October 31, 2019, is as follows:

| | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Gain on settlement of accounts payable | 5,490,742 | (737,012) | 4,753,730 |
| Income for the period | 2,292,052 | (737,012) | 1,555,040 |
| Comprehensive gain for the period | 2,178,984 | (737,012) | 1,441,972 |
| Basic and diluted income per share | (0.00) | - | (0.00) |

Impact on consolidated statement of loss and comprehensive loss for the nine months ended October 31, 2019, is as follows:

| | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Gain on settlement of accounts payable | 5,490,742 | (737,012) | 4,753,730 |
| Loss for the period | (11,251,637) | (737,012) | (11,988,649) |
| Comprehensive loss for the period | (10,178,559) | (737,012) | (10,915,571) |
| Basic and diluted loss per share | (0.03) | - | (0.03) |

Impact on consolidated statement of cashflows for the nine months ended October 31, 2019, is as follows:

| | As previously reported | Adjustment | Restated |
|---|---|---|---|
| | | | |
| Loss for the period | (11,251,637) | (737,012) | (11,988,649) |
| Non-cash items | (7,465,015) | (737,012) | (8,202,027) |
| Changes in non-cash working capital | (5,278,216) | (737,012) | (6,015,228) |
| Net cash used in operating activities | (0.03) | - | (0.03) |

**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.

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:

- Fair value of business acquisitions;
- Estimated mineral resources;
- Ore in process;
- Deferred income taxes;
- Impairment of non-current assets;
- Reclamation and remediation provision;
- Going concern;
- Capitalization of costs; and
- Functional currency determination.

See Note 4 of our audited consolidated financial statements for the eight months ended December 31, 2019 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.

**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 Mexico and 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:

- Maintaining the Company's operating and development permits 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 mineral prices 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.

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.