



CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

*For the three months ended March 31, 2021
(Expressed in United States dollars)*



CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 Expressed in thousands of United States dollars
 (Unaudited)

As at	Note	March 31, 2021	December 31, 2020
ASSETS			
Current			
Cash and cash equivalents		\$ 2,398	\$ 2,633
Receivables and refundable taxes		139	149
Inventories	4	672	375
Prepaid expenses, and other		291	209
Total current assets		3,500	3,366
Exploration and evaluation assets	5	765	765
Mineral property, plant and equipment	6	51,243	45,298
TOTAL ASSETS		\$ 55,508	\$ 49,429
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 9,368	\$ 6,851
Mexico mining concession taxes	7	-	8,878
Term loan	9	6,019	-
Provision for reclamation and rehabilitation	8	1,118	806
Total current liabilities		16,505	16,535
Provision for reclamation and rehabilitation	8	865	834
Term loan	9	15,150	15,150
Total liabilities		32,520	32,519
Shareholders' equity (deficit)			
Share capital	10	87,361	87,262
Contributed surplus		11,737	11,634
Accumulated other comprehensive income (loss)		1,894	3,634
Deficit		(78,004)	(85,620)
Total shareholders' equity (deficit)		22,988	16,910
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 55,508	\$ 49,429

Approved by the Audit Committee of the Board of Directors on May 27, 2021

"John Hick", Audit Committee Chair

"Akiba Leisman", Director

Nature of Operations and Going Concern (Note 1)

Events after the reporting period (Note 16)

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



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

	Note	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Revenue		\$ -	\$ 500
Cost of sales			
Production costs		-	(25)
Change in inventories		-	(476)
		-	(501)
Gross (loss) income		-	(1)
Exploration and evaluation expenses		(879)	(2,306)
General and administrative expenses	15	(2,294)	(1,121)
Other income (expense)			
Accretion and interest expense		(55)	(27)
Change in provision for reclamation and rehabilitation	8	(387)	191
Gain on disposal of subsidiaries	3	12,084	-
Foreign exchange gain (loss)		(854)	6,513
Interest income		1	52
Income for the period		\$ 7,616	\$ 3,301
Other comprehensive income (loss)			
Income for the period		7,616	3,301
Items subject to reclassification into statement of loss:			
Reclassification of foreign currency translation upon disposal of subsidiaries		(2,013)	-
Foreign currency translation adjustment		273	(5,762)
Other comprehensive loss for the period		(1,740)	(5,762)
Comprehensive income (loss) for the period		\$ 5,876	\$ (2,461)
Basic and diluted gain per common share		\$ 0.01	\$ 0.01
Weighted average common shares outstanding (thousands)		656,445	583,701

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



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

	Number of shares (000s)	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance at December 31, 2019	583,701	\$ 70,295	\$ 7,673	\$ 1,577	\$ (73,491)	\$ 6,054
Share-based compensation	-	-	164	-	-	164
Net income	-	-	-	-	3,301	3,301
Other comprehensive loss	-	-	-	(5,762)	-	(5,762)
Balance at March 31, 2020	583,701	\$ 70,295	\$ 7,837	\$ (4,185)	\$ (70,190)	\$ 3,757
Shares issued on units private placement	71,000	17,453	-	-	-	17,453
Share issue costs	-	(885)	-	-	-	(885)
Fair value of warrants	-	-	3,494	-	-	3,494
Shares issued on exercise of options	1,430	399	(167)	-	-	232
Share-based compensation	-	-	470	-	-	470
Net loss	-	-	-	-	(15,430)	(15,430)
Other comprehensive income	-	-	-	7,819	-	7,819
Balance at December 31, 2020	656,131	\$ 87,262	\$ 11,634	\$ 3,634	\$ (85,620)	\$ 16,910
Shares issued on exercise of options	625	77	-	-	-	77
Transfer of option value	-	22	(22)	-	-	-
Share-based compensation	-	-	125	-	-	125
Net income	-	-	-	-	7,616	7,616
Other comprehensive loss	-	-	-	(1,740)	-	(1,740)
Balance at March 31, 2021	656,756	\$ 87,361	\$ 11,737	\$ 1,894	\$ (78,004)	\$ 22,988

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



CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
 Expressed in thousands of United States dollars
 (Unaudited)

	Note	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Operating activities			
Net income for the period		\$ 7,616	\$ 3,301
Non-cash items:			
Accretion expense		35	9
Depreciation		4	-
Change in provision for reclamation and rehabilitation		387	(191)
Gain on disposal of subsidiaries		(12,084)	
Interest expense		19	18
Share-based payments		120	146
Unrealized foreign exchange loss		(134)	(5,642)
		\$ (4,037)	\$ (2,359)
Changes in non-cash working capital	15	569	565
Net cash used in operating activities		(3,468)	(1,794)
Investing activities			
Cash proceeds received, net of cash given up on disposal of subsidiaries		27	-
Expenditures on mineral property, plant and equipment		(4,300)	(7,201)
Net cash used in (funded by) investing activities		\$ (4,273)	\$ (7,201)
Financing activities			
Drawdown on term loan		6,001	5,150
Proceeds on exercise of options		77	-
Net cash provided by financing activities		\$ 6,078	\$ 5,150
Effect of foreign exchange on cash and cash equivalents		1,428	(207)
Change in cash and cash equivalents		(235)	(4,052)
Cash and cash equivalents, beginning of period		2,633	4,253
Cash and cash equivalents, end of period		\$ 2,398	\$ 201

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



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Mako Mining Corp. (“Mako” or the “Company”) was incorporated on April 1, 2004 under the laws of the Yukon Territory and continued into British Columbia under the *British Columbia Corporations Act*. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol MKO. The address of the Company’s corporate office and principal place of business is Suite 2833 – 595 Burrard Street, Vancouver, BC, Canada.

The Company’s primary asset is the San Albino-Murra Property in Nicaragua (“San Albino Property”), which is in the development stage.

On March 31, 2021, the Company completed the sale of Mako’s wholly-owned subsidiary, Marlin Gold Mining Ltd. (“Marlin”) to GR Silver Mining Ltd (“GR Silver”). Refer to Note 3.

These consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations for the foreseeable future.

As at March 31, 2021, the Company had cash and cash equivalents of \$2,398,288 (December 31, 2020 - \$2,633,410), a working capital deficit of \$13,004,538 (December 31, 2020 - \$13,169,019) and an accumulated deficit of \$78,004,242 (December 31, 2020 - \$85,620,270). The Company recorded net income of \$7,616,027 for the three months ended March 31, 2021 (net income for three months ended March 31, 2020 – \$3,301,358); and for the three months ended March 31, 2021 had cash outflows from operating activities of \$3,468,913 (for the three months ended March 31, 2020 - \$1,793,864) and investing outflows of \$4,273,353 (for the three months ended March 31, 2020 - \$7,200,707).

The Company’s working capital position and its reliance on additional funding to be able to meet its liabilities as they fall due constitute a material uncertainty that may give rise to significant doubt as to the Company’s ability to continue as a going concern.

The Company has primarily raised funds through the sale of securities and more recently, through debt. 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. These consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards issued by the International Accounting Standards Board (“IFRS”). Accordingly, they do not include all the information and notes to the consolidated financial statements required



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

by IFRS for complete financial statements and should be read in conjunction with the Company’s most recent audited consolidated financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements were approved for issuance by the Board of Directors on May 27, 2021.

(b) Basis of presentation

The accounting policies and methods used in the preparation of these condensed interim consolidated financial statements are the same as those applied in the Company’s most recent audited consolidated financial statements for the year ended December 31, 2020.

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

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions, balances, revenues and expenses have been eliminated upon consolidation.

Subsidiaries are included in the consolidated financial statements from the date of acquisition or control until the date of disposition or control ceases. Control exists when the Company has exposure or rights to variable returns from its involvement with an entity, and the ability to affect those returns through its power over the entity.

The consolidated financial statements of the Company include the following subsidiaries:

Subsidiary	Referred to as	Place of incorporation	Ownership interest	Principal activity
Gold Belt, S.A.	“Gold Belt”	Nicaragua	100%	Holds mineral interest in Nicaragua.
Marlin Gold Mining Ltd.	“Marlin”	Canada	100%	Parent of Marlin Trading, Oro Gold and Prestadora. Disposed on March 31, 2021
Marlin Gold Trading Inc.	“Marlin Trading”	Barbados	100%	Commodity streaming company. Disposed on March 31, 2021
Nicoz Resources, S.A.	“Nicoz”	Nicaragua	100%	Holds mineral interest in Nicaragua
Oro Gold de Mexico, S.A. de C.V.	“Oro Gold”	Mexico	100%	Holds mineral interest in Mexico. Disposed on March 31, 2021
Prestadora de Servicios Zacatecas, S.A. de C.V.	“Prestadora”	Mexico	100%	Performs payroll functions in Mexico. Disposed on March 31, 2021.
Mako US Corp.	“Mako US”	United States	100%	Incorporated on June 19, 2019, service company

(d) Use of judgements and estimates

The preparation of these condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed at each period end. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2020.

COVID-19 Estimation Uncertainty - Update

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are anticipated to be far reaching. To date there has been volatility in stock, commodity and foreign exchange markets and the global movement of people and some goods has become restricted. While the Company continues to operate its business and finalize the development of the San Albino Project, there is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on future production, future cash flows in 2021, estimates regarding deferred income taxes and valuation allowances and on global financial markets. The impact of COVID-19 on the global economic environment, and the local jurisdictions in which the Company operates, could result in changes to the way the Company runs its mines. These changes could result in revenues or costs being different from the Company’s expectations. This impact could be material. The current impact of COVID-19 on the Company has been the delay in the commencement of production.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

3. DISPOSAL OF SUBSIDIARIES

On March 31, 2021, Mako completed the transaction whereby GR Silver acquired 100% of the shares in the Company's wholly-owned subsidiary, Marlin ("GR Silver Transaction"). Marlin (incorporated in Canada) is the parent company of Oro Gold (incorporated in Mexico), which owns the La Trinidad mine in Sinaloa, Mexico; and Marlin Trading (incorporated in Barbados) (collectively, the "Marlin Group"). Mako will continue to be responsible for all necessary reclamation obligations until it receives an acknowledgement from SEMARNAT (the Mexican environmental authority) that Oro Gold's closure plan is complete (refer to note 9) and the final instalment of the settlement agreement entered into in October 2019 with the Company's mining contractor in Mexico (refer to note 8). In consideration for the sale of the common shares of Marlin to GR Silver, Mako received C\$50,000 in cash, a 1% NSR on all concessions currently owned by Oro Gold and the assumption of liability by GR Silver of approximately US\$9.5 million in unpaid concession taxes. GR Silver was also granted the right to purchase the NSR at any time upon making a one-time payment of US\$2,000,000.

	\$
Cash consideration (C\$50,000), received	39,649
Carrying value of the Marlin Group net liabilities disposed on March 31, 2021:	
Cash	(12,639)
Receivable and prepaids	(34,655)
Accounts payable and accrued liabilities	10,108,855
	10,061,561
Reclassification of cumulative translation adjustment from AOCI upon disposal of subsidiaries	2,021,958
Gain on disposal of subsidiaries	12,083,519

4. INVENTORIES

As at	March 31, 2021	December 31, 2020
Supplies and spare parts	672	375
	\$ 672	\$ 375

5. EXPLORATION AND EVALUATION ASSETS

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

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



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

6. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Land	Building	Equipment	Total
Cost					
As at December 31, 2019	\$ 7,775	\$ 1,452	\$ 124	\$ 1,365	\$ 10,716
Additions	35,055	429	-	124	35,608
Disposals	-	-	-	(302)	(302)
Foreign currency translation adjustment	179	-	-	-	179
As at December 31, 2020	\$ 43,009	\$ 1,881	\$ 124	\$ 1,187	\$ 46,201
Additions	5,959	-	-	-	5,959
Disposals	-	-	-	-	-
Foreign currency translation adjustment	61	-	-	-	61
As at March 31, 2021	\$ 49,029	\$ 1,881	\$ 124	\$ 1,187	\$ 52,221
Accumulated depreciation					
As at December 31, 2019	\$ -	\$ -	\$ 102	\$ 609	\$ 711
Disposals	-	-	-	(73)	(73)
Depreciation	-	-	12	253	265
As at December 31, 2020	\$ -	\$ -	\$ 114	\$ 789	\$ 903
Disposals	-	-	-	-	-
Depreciation	-	-	3	72	75
As at March 31, 2021	\$ -	\$ -	\$ 117	\$ 861	\$ 978
Net book value as at December 31, 2020	\$ 43,009	\$ 1,881	\$ 10	\$ 398	\$ 45,298
Net book value as at March 31, 2021	\$ 49,029	\$ 1,881	\$ 7	\$ 326	\$ 51,243

San Albino Property, Nicaragua

During the eight months ended December 31, 2019, the Company's Board approved the development of the San Albino Property. The Company made the decision to develop the mine based on a preliminary economic assessment, combined with other factors. Effective the date of this decision, all capitalized exploration and evaluation costs associated with San Albino were transferred to construction in progress, a non-depreciable category of mineral property until it is ready for its intended use.

La Trinidad Mine, Mexico

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



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	March 31, 2021	December 31, 2020
Trade payables	\$ 5,567	\$ 4,117
Trade payables - mining contractor	961	942
Term loan (Note 9)	2,097	1,718
Due to related parties (Note 11)	743	74
	9,368	6,851
Mexico mining concession taxes	-	8,878
	\$ 9,368	\$ 15,729

On October 7, 2019, the Company entered into a settlement agreement with the Company's mining contractor in Mexico. The Company had an outstanding liability of \$11,343,338 with the two parties agreeing to settle the balance of the liability for \$6,000,000, payable as follows:

- \$4,000,000 on the date of signing the settlement agreement (paid)
- \$1,000,000 on the first anniversary of the settlement agreement (paid)
- \$1,000,000 on the second anniversary of the settlement agreement

Management has discounted the value of the remaining liability using a rate of 8%, which is management's estimate of the weighted average cost of capital for the Company.

8. RECLAMATION AND REHABILITATION OBLIGATIONS

As at	March 31, 2021	December 31, 2020
Opening balance	\$ 1,640	\$ 2,135
Cash outflows for reclamation and rehabilitation activities	(170)	(2,325)
Changes in estimate	506	1,798
Accretion expense	7	32
Closing balance	\$ 1,983	\$ 1,640
Current portion	\$ 1,118	\$ 806
Long-term portion	865	834
	\$ 1,983	\$ 1,640

The Company has recognized liabilities relating to the La Trinidad mine and the San Albino Project and has determined that no significant closure and reclamation liabilities exist in connection with the activities on its other properties. The Company has calculated the present value of the closure and reclamation provision as at March 31, 2021 using the undiscounted estimate of cash outflows associated with reclamation activities is \$2,223,255 (December 31, 2020 - \$1,860,509), with \$1,117,832 associated to the La Trinidad mine and \$1,105,423 associated with the San Albino Project. The provision was determined using a discount rate of 0.06% - 1.45%



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

(December 31, 2020 – 0.09%-1.45%) and an inflation rate of 1.97% - 2.08% (December 31, 2020 – 1.97%). The Company intends to complete the reclamation activities on La Trinidad by the end of 2021.

9. TERM LOANS

(a) Wexford Loan

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

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

On December 31, 2020, the Company received a waiver from the Lenders on the requirement to make the first interest payment on December 31, 2020, subject to the following conditions:

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

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

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

- i. the Cash Bonus Interest amount shall be due and payable on the earlier of June 30, 2021 and the date on which the Wexford Loan is repaid in full by the Company to the Lenders (such earlier date, the “Deferred Payment Date”);



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

-
- ii. the Company shall pay to the Lenders, additional cash bonus interest on the Deferred Payment Date in an amount equal to the price of 178.75 ounces of gold calculated based on the average Gold Fixing Price in the London Bullion Market during the most recently completed calendar month at the time the payment is made; and
 - iii. if the Obligations Termination Date does not occur on or before February 20, 2022, then the cash bonus interest payment that will become due and payable on February 20, 2022 will be calculated in accordance with the applicable formula set out in the Wexford Loan Agreement, except that, for purposes of this payment only, the amount will be the cash equivalent of 321.25 ounces of gold rather than 500 ounces of gold.

During the three months ended March 31, 2021, the Company recorded a total of \$379,078 of accrued interest on the Wexford Loan, all of which has been capitalized to construction in progress. As at March 31, 2021, the Company has accrued interest of \$1,236,635 and a Cash Bonus Interest of \$860,778 based on a gold futures price per ounce of \$1,722. The total interest liability of \$2,097,413 has been disclosed in accounts payable.

(b) Nebari Loan

On March 2, 2021, the Company completed a financing arrangement with Nebari Natural Resources Credit Fund I, LP (“Nebari”), whereby Nebari provided financing of \$6,340,000 (the “Principal Amount”) (the “Nebari Loan”). The interest rate on the Principal Amount is 8% with an original issue discount of 5.3% and a maturity date of March 31, 2022. There are no prepayment penalties. The interest rate increases to 20% on any unpaid amount owing in an event of default. The Company has paid Nebari a fee of \$10,000 to provide the bridge loan. The Financing is secured by a pledge of shares in favour of Nebari of the Company’s Nicaraguan subsidiaries, Gold Belt and Nicoz.

10. SHARE CAPITAL

(a) Authorized - Unlimited number of common shares, without par value.

(b) Issued

- (i) In February 2021, the Company issued 625,000 common shares on the exercise of 625,000 stock options for gross proceeds of \$76,915 (C\$97,656). The fair value associated with these options was \$22,621 which was transferred from contributed surplus to share capital.
- (ii) On July 16, 2020, the Company completed a private placement of 71,000,000 units for gross proceeds of \$20,947,506 (C\$28,400,000), of which, 41,000,000 units were issued to Wexford Spectrum Trading Limited and Wexford Catalyst Trading Limited, funds managed by Wexford Capital LP (collectively, “Wexford”); and the remaining 30,000,000 units was a bought deal private placement (the “Bought Deal”). Each unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a “Warrant”). Each Warrant is exercisable by the holder thereof to purchase one common share of the Company at an exercise price of



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

C\$0.60 until January 16, 2022. The fair value of these Warrants was calculated as \$3,403,970 (C\$4,615,000) using the Black-Scholes model (note 12 (e)).

- (iii) The Company paid the underwriters a cash fee equal to 6.0% of the gross proceeds of the Bought Deal and issued to the underwriters broker warrants the equivalent of 5.0% of the number of units sold pursuant to the Bought Deal (the "Broker Warrants"). Each Broker Warrant is exercisable by the holder thereof to purchase one common share of the Company at an exercise price of C\$0.40 until January 16, 2022. The fair value of these Broker Warrants was calculated as \$199,149 (C\$270,000) using the Black-Scholes model (note 12 (e)). The Company also incurred share issuance costs of \$885,743 (C\$1,197,907).
 - (iv) In December 2020, the Company issued 135,000 common shares on the exercise of 135,000 stock options for gross proceeds of \$26,438 (C\$33,750). The fair value associated with these options was \$19,142 which was transferred from contributed surplus to share capital.
 - (v) In August 2020, the Company issued 470,000 common shares on the exercise of 470,000 stock options for gross proceeds of \$89,150 (C\$117,000). The fair value associated with these options was \$64,938 which was transferred from contributed surplus to share capital.
 - (vi) On May 26, 2020, the Company issued 825,000 common shares on the exercise of 825,000 stock options for gross proceeds of \$117,348 (C\$160,063). The fair value associated with these options was \$82,558 which was transferred from contributed surplus to share capital.
- (c) Share purchase warrants

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

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



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

(d) Share options

During the three months ended March 31, 2021, the Company recorded share-based payments relating to the vesting of previously granted options of \$125,406, of which \$120,241 is included in general and administrative expenses in net income (loss) and \$5,165 is included in construction in progress, respectively.

	For the three months ended March 31, 2021		For the year ended December 31, 2020	
	Number of options	WAEP	Number of options	WAEP
Opening balance	48,282,500	C\$0.25	50,160,000	C\$0.25
Granted	1,000,000	0.35	1,300,000	0.51
Forfeited	(872,500)	0.31	(497,500)	0.26
Exercised ⁽¹⁾	(625,000)	0.16	(1,430,000)	0.22
Expired	-	-	(1,250,000)	0.30
Ending balance	47,785,000	C\$0.26	48,282,500	C\$0.26
Options exercisable	25,657,500	C\$0.26	26,530,000	C\$0.26

WAEP = Weighted average exercise price

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

The weighted average share price at the date of exercise for the three months ended March 31, 2021 C\$0.354

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

The Company recorded share-based payments expense of \$125,406 (March 31, 2020 - \$163,776) for the three months ended March 31, 2021, of which \$120,241 (March 31, 2020 - \$146,147) is included in general and administrative expenses in net income (loss) and \$5,165 (March 31, 2020 - \$17,629) is included in construction in progress.

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

On February 11, 2021, 187,500 and 187,5000 stock options were exercised at C\$0.1625 and C\$0.225 for gross proceeds to the Company of \$57,236 (C\$72,656). The weighted average share price at the date of exercise was C\$0.36.

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



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

On July 21, 2020, the Company granted 1,300,000 stock options to its non-executive directors, each exercisable to acquire one common share of the Company at an exercise price of C\$0.51 until July 21, 2025. The stock options vest as to 25% on the date of grant, and as to 25% on each of the first, second and third anniversary of the date of grant. The fair value of these options was calculated as \$276,282 (C\$374,620) using the Black-Scholes model. The Company recorded share-based payments of \$125,620 for the year ended December 31, 2020, which is included in general and administrative expenses in net income (loss).

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

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

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

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

	For the three months ended March 31, 2021		For the year ended December 31, 2020	
	Options	Warrants	Options	Warrants
Risk-free interest rate	0.49%	N/A	0.35%	1.36%
Expected dividend yield	-	N/A	-	-
Expected stock price volatility	67.12%	N/A	69.25%	77.83%
Expected life in years	5 years	N/A	5 years	1.5 years
Forfeiture rate	0.00%	N/A	0.00%	0.00%
Weighted average fair value	C\$0.05	N/A	C\$0.29	C\$0.13-C\$0.18



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

11. RELATED PARTY TRANSACTIONS

(a) Key management compensation

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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Director fees	\$ 41	\$ 30
Salaries, consulting and management fees	1,047	206
Share-based compensation	73	147
Total	\$ 1,161	\$ 383
As at	March 31, 2021	December 31, 2020
Amount included in accounts payable	\$ 699	\$ 44

During the three months ended March 31, 2021, the Company granted bonuses of \$650,000 to three senior members of management and paid severance of \$154,625 to the former Chief Financial Officer.

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

Tes-Oro is a private company controlled by the Company’s Chief Operating Officer. Tes-Oro is a full-service engineering, procurement and construction management firm working exclusively with the Company. During the three months ended March 31, 2021, the Company expensed fees relating to consulting services of \$51,526 (March 31, 2020 - \$50,702) and \$37,844 (March 31, 2020 were \$nil) in general office expenses. Amounts payable to Tes-Oro as at March 31, 2021 were \$40,000 (December 31, 2020 were \$29,130).

(c) Wexford LP (“Wexford”)

Wexford is the Company’s controlling shareholder. Except as noted elsewhere in the financial statements, during the three months ended March 31, 2021, the Company expensed fees of \$15,484 related to legal fees (March 31, 2020 were \$nil). Amounts payable to Wexford as at March 31, 2021 were \$3,657 (December 31, 2020 were \$342).



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Carrying amount versus fair value

Financial Instruments measured at fair value are classified into one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company’s financial instruments include cash and cash equivalents, receivables, accounts payable and the Term Loans. The carrying values of cash, receivables, accounts payables and Term Loans approximate fair value because of the short-term nature of these instruments or capacity of prompt liquidation.

The Company does not have any financial instruments that are measured using level 3 inputs.

During the three months ended March 31, 2021 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

13. SEGMENTED INFORMATION

As at March 31, 2021, the Company has one business segment, the production of gold and exploration of resources. The Company’s principal product was gold doré with the refined gold bullion sold in the London spot market by the subsidiary in Barbados and for the year ended December 31, 2020 included sales of gold in carbon . The gold doré was produced at the La Trinidad Mine in Mexico.

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

	Canada	Nicaragua	Total
As at March 31, 2021			
Mineral property, plant and equipment	\$ -	\$ 51,243	\$ 51,243
Exploration and evaluation assets	-	765	765
As at December 31, 2020			
Mineral property, plant and equipment	-	45,298	45,298
Exploration and evaluation assets	-	765	765



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021

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

(Unaudited)

14. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital comprise the following:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Receivables and refundable taxes	\$ (87)	\$ 434
Inventories	(310)	483
Prepaid expenses, and other	(15)	109
Accounts payable and accrued liabilities	1,151	378
Provision for reclamation and rehabilitation - current liability	(170)	(839)
	\$ 569	\$ 565

15. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Accounting and legal	\$ 848	\$ 234
Directors' fees	41	30
General office expenses	177	33
Management and consulting fees	1,009	368
Rent	15	110
Stock-based compensation	120	146
Telephone and IT services	29	126
Travel	55	74
	\$ 2,294	\$ 1,121

16. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in the notes above:

Subsequent to March 31, 2021, 752,000 stock options were exercised for gross proceeds to the Company of C\$189,100.