



CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

*For the three and nine months ended September 30, 2021
(Expressed in United States dollars)*



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

As at	Note	September 30, 2021	December 31, 2020
ASSETS			
Current			
Cash and cash equivalents		\$ 787	\$ 2,633
Receivables		955	149
Inventories	4	5,848	375
Gold stream derivative asset	16	255	-
Prepaid expenses, and other		1,121	209
Total current assets		8,966	3,366
Gold stream derivative asset	16	317	-
Exploration and evaluation assets	5	765	765
Mineral property, plant and equipment	6	45,496	45,298
TOTAL ASSETS		\$ 55,544	\$ 49,429
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 7,621	\$ 5,132
Mexico mining concession taxes	7	-	8,878
Term loan	9	3,897	1,719
Provision for reclamation and rehabilitation	8	1,039	806
Total current liabilities		12,557	16,535
Provision for reclamation and rehabilitation	8	963	834
Term loans	9	20,018	15,150
Total liabilities		33,538	32,519
Shareholders' equity			
Share capital	10	88,259	87,262
Contributed surplus		11,624	11,634
Accumulated other comprehensive income		1,801	3,634
Deficit		(79,678)	(85,620)
Total shareholders' equity		22,006	16,910
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 55,544	\$ 49,429

Approved by the Audit Committee of the Board of Directors on November 26, 2021

"John Hick", Audit Committee Chair

"Akiba Leisman", Director

Events after the reporting period (Note 17)

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



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

	Note	For the three months ended		For the nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue		\$ 14,153	\$ 433	\$ 14,153	\$ 985
Production services revenue		134	-	134	-
		14,287	433	14,287	985
Cost of sales					
Production costs		(7,337)	(2)	(7,337)	(23)
Change in inventories		-	-	-	(562)
Depreciation, depletion and amortization		(2,413)		(2,413)	-
		(9,750)	(2)	(9,750)	(585)
Gross profit		4,537	431	4,537	400
Exploration and evaluation expenses		(1,526)	(1,265)	(4,021)	(5,096)
General and administrative expenses	15	(1,262)	(1,497)	(5,000)	(4,283)
Other income (expense)					
Accretion and interest expense		(765)	(75)	(908)	(123)
Change in provision for reclamation and rehabilitation	8	41	(984)	(309)	(1,453)
Change in fair value of derivative liability	9(c)	4	-	4	-
Loss on disposal of supplies and spare parts		-	(19)	-	(19)
Gain on gold stream derivative asset	16	637	-	637	-
Gain on disposal of subsidiaries	3	(76)	-	12,007	-
Foreign exchange gain (loss)		318	(1,395)	(841)	2,921
Financing costs	9(c)	(63)	-	(63)	-
Interest income		-	13	3	66
Income (loss) before income taxes		1,845	(4,791)	6,046	(7,587)
Income tax expense		(15)	-	(104)	-
Income (loss) for the period		\$ 1,830	\$ (4,791)	\$ 5,942	\$ (7,587)
Other comprehensive (loss) income					
Income (loss) for the period		1,830	(4,791)	5,942	(7,587)
Items subject to reclassification into statement of loss:					
Reclassification of foreign currency translation upon disposal of subsidiaries		-	-	(2,013)	-
Foreign currency translation adjustment		(461)	1,640	180	(1,869)
Other comprehensive income (loss) for the period		(461)	1,640	(1,833)	(1,869)
Comprehensive income (loss) for the period		\$ 1,369	\$ (3,151)	\$ 4,109	\$ (9,456)
Basic and diluted income (loss) per common share		\$ 0.00	\$ (0.01)	\$ 0.01	\$ (0.01)
Weighted average common shares outstanding (thousands)		658,983	643,369	657,635	603,817

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
Shares issued on units private placement	71,000	17,453	-	-	-	17,453
Share issue costs	-	(885)	-	-	-	(885)
Shares issued on exercise of options	1,295	331	(124)	-	-	207
Fair value of warrants	-	-	3,494	-	-	3,494
Share-based compensation	-	-	431	-	-	431
Net loss	-	-	-	-	(7,587)	(7,587)
Other comprehensive loss	-	-	-	(1,869)	-	(1,869)
Balance at September 30, 2020	655,996	\$ 87,194	\$ 11,474	\$ (292)	\$ (81,078)	\$ 17,298
Shares issued on exercise of options	135	68	(43)	-	-	25
Share-based compensation	-	-	203	-	-	203
Net loss	-	-	-	-	(4,542)	(4,542)
Other comprehensive income	-	-	-	3,926	-	3,926
Balance at December 31, 2020	656,131	\$ 87,262	\$ 11,634	\$ 3,634	\$ (85,620)	\$ 16,910
Shares issued on exercise of options	3,178	621	-	-	-	621
Transfer of option value	-	376	(376)	-	-	-
Share-based compensation	-	-	366	-	-	366
Net income	-	-	-	-	5,942	5,942
Other comprehensive loss	-	-	-	(1,833)	-	(1,833)
Balance at September 30, 2021	659,309	\$ 88,259	\$ 11,624	\$ 1,801	\$ (79,678)	\$ 22,006

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 nine months ended	
		2021	September 30 2020
Operating activities			
Net income (loss) for the period	\$	5,942	\$ (7,587)
Non-cash items:			
Accretion expense		12	69
Depreciation, depletion and amortization		2,431	11
Change in provision for reclamation and rehabilitation		309	1,453
Financing costs		63	-
Change in fair value of derivative liability		(4)	-
Gain on Gold Stream Derivative Asset		(637)	-
Gain on disposal of subsidiaries		(12,007)	-
Interest expense		544	1,231
Share-based payments		361	384
Unrealized foreign exchange loss		31	(1,994)
	\$	(2,955)	\$ (6,433)
Changes in non-cash working capital	14	(4,263)	(1,978)
Net cash used in operating activities		(7,218)	(8,411)
Investing activities			
Cash proceeds received, net of cash given up on disposal of subsidiaries		27	-
Expenditures on mineral property, plant and equipment		(5,749)	(20,387)
Pre-production sales proceeds		4,627	-
Net cash used in (funded by) investing activities	\$	(1,095)	\$ (20,387)
Financing activities			
Proceeds on issue of shares, net of share issuance costs		-	20,062
Drawdown on term loans		14,001	15,150
Repayment of term loans		(8,405)	-
Proceeds on exercise of options		621	205
Net cash provided by financing activities	\$	6,217	\$ 35,417
Effect of foreign exchange on cash and cash equivalents		250	102
Change in cash and cash equivalents		(1,846)	6,721
Cash and cash equivalents, beginning of period		2,633	4,253
Cash and cash equivalents, end of period	\$	787	\$ 10,974

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



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021

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

1. NATURE OF OPERATIONS

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

On July 1, 2021, the San Albino mine commenced commercial production.

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.

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 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 November 26, 2021.

(b) Basis of presentation

Except for the adoption of the new accounting policies listed below, 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:



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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 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.

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

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.



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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 impact of COVID-19 on the Company has been the delay in the commencement of production.

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
Out of pocket expenses	(76,220)
Reclassification of cumulative translation adjustment from AOCI upon disposal of subsidiaries	2,021,958
Gain on disposal of subsidiaries	12,007,299



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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4. INVENTORIES

As at	September 30, 2021		December 31, 2020	
Work in progress	\$	1,532	\$	-
Stockpile		3,505		-
Finished metal		174		-
Supplies and spare parts		637		375
	\$	5,848	\$	375

As at September 30, 2021, stockpile, work in progress and finished metals were recorded at cost.

5. EXPLORATION AND EVALUATION ASSETS

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

	Potreros		El Jicaro		Total
Balance, December 31, 2020 and September 30, 2021	\$	645	\$	120	\$ 765



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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6. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mine Asset	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	-	7,089	779	9	132	8,009
Pre-production proceeds	-	(4,563)	-	-	-	(4,563)
Disposals	-	-	-	-	-	-
Foreign currency translation adjustment	(15)	-	-	-	-	(15)
Transfer to mine asset	45,535	(45,535)	-	-	-	-
As at September 30, 2021	\$ 45,520	\$ -	\$ 2,660	\$ 133	\$ 1,319	\$ 49,632
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	2,998	-	-	10	225	3,233
As at September 30, 2021	\$ 2,998	\$ -	\$ -	\$ 124	\$ 1,014	\$ 4,136
Net book value as at December 31, 2020	\$ -	\$ 43,009	\$ 1,881	\$ 10	\$ 398	\$ 45,298
Net book value as at September 30, 2021	\$ 42,522	\$ -	\$ 2,660	\$ 9	\$ 305	\$ 45,496

San Albino Property, Nicaragua

During the three months ended June 30, 2021, the Company sold 2,481 ounces of gold and recorded pre-production sales proceeds of \$4,562,494.

La Trinidad Mine, Mexico

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



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	September 30, 2021	December 31, 2020
Trade payables	\$ 6,618	\$ 4,116
Sailfish Loan payment accrual (Note 9 (c))	364	-
Trade payables - Mexican mining contractor	-	942
Due to related parties (Note 11)	639	74
	7,621	5,132
Mexico mining concession taxes	-	8,878
	\$ 7,621	\$ 14,010

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

8. RECLAMATION AND REHABILITATION OBLIGATIONS

As at	September 30, 2021	December 31, 2020
Opening balance	\$ 1,640	\$ 2,135
Cash outflows for reclamation and rehabilitation activities	(170)	(2,325)
Changes in estimate	519	1,798
Accretion expense	13	32
Closing balance	\$ 2,002	\$ 1,640
Current portion	\$ 1,039	\$ 806
Long-term portion	963	834
	\$ 2,002	\$ 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 September 30, 2021 using the undiscounted estimate of cash outflows associated with reclamation activities as \$2,065,363 (December 31, 2020 - \$1,860,509), with \$1,039,795 associated to the La Trinidad mine and \$1,025,568 associated with the San Albino Project. The provision was determined using a discount rate of 0.09% - 1.15% (December 31, 2020 – 0.09%-1.45%) and an inflation rate of 2.22% (December 31, 2020 – 1.97%). The Company intends to complete the reclamation activities on La Trinidad by mid 2022.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021

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(Unaudited)

9. TERM LOANS

As at	September 30, 2021	December 31, 2020
Wexford Loan (Note 9 (a))		
Accrued Interest	\$ 3,355	\$ 906
Cash Bonus Interest	-	813
	\$ 3,355	\$ 1,719
Principal	15,150	15,150
Principal repayments made	(2,285)	-
Total Wexford loan	\$ 16,220	\$ 16,869
Sailfish Loan (Note 9 (c))	7,695	-
Total Term Loans	\$ 23,915	\$ 16,869
<i>Disclosed as follows:</i>		
Current liabilities	\$ 3,897	\$ 1,719
Non-current liabilities	20,018	15,150
	\$ 23,915	\$ 16,869

(a) Wexford Loan

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

As at December 31, 2020 and as at September 30, 2021, the Wexford Loan was fully drawn.

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

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



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

- i. the Cash Bonus Interest amount shall be due and payable on the earlier of June 30, 2021 and the date on which the Wexford Loan is repaid in full by the Company to the Lenders (such earlier date, the “Deferred Payment Date”);
- ii. the Company shall pay to the Lenders, additional cash bonus interest on the Deferred Payment Date in an amount equal to the price of 178.75 ounces of gold calculated based on the average Gold Fixing Price in the London Bullion Market during the most recently completed calendar month at the time the payment is made; and
- iii. if the Obligations Termination Date does not occur on or before February 20, 2022, then the cash bonus interest payment that will become due and payable on February 20, 2022 will be calculated in accordance with the applicable formula set out in the Wexford Loan Agreement, except that, for purposes of this payment only, the amount will be the cash equivalent of 321.25 ounces of gold rather than 500 ounces of gold.

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

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

On July 29, 2021, the Company made a voluntary principal prepayment of \$500,000 on the Wexford Loan and on August 30, 2021 an additional principal prepayment of \$1,784,746 was made. Also refer to Note 17 (d).

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



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During the three and nine months ended September 30, 2021, the Company recorded \$430,940 and \$1,181,670 of accrued interest on the Wexford Loan, of which \$753,902 has been capitalized to construction in progress and \$427,768 has been expensed. The total interest liability of \$3,355,018 has been disclosed in non-current term loans.

(b) Nebari Loan

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

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

During the three and nine months ended September 30, 2021, the Company paid \$369,525 and \$537,202 interest, respectively.

(c) Sailfish Loan and Derivative Liability

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

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

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



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On inception, management determined that the Sailfish Loan had a 9.6% internal rate of return (“IRR”) based on assumptions including the expected future consensus gold price per ounce over 24 months ending August 31, 2023 ranging from \$1,658 to \$1,814, and the call and put features of the Price Parameters having a \$110,707 fair value on inception with assumptions including volatility of gold futures ranging from 10.6% to 16.4%, risk free rate of 0.51%, and the gold price on inception of \$1,820 per ounce.

As at September 30, 2021, the Company revalued the embedded derivative within the Sailfish Loan and determined a \$106,937 fair value. Assumptions associated with the revaluation includes expected future consensus gold price per ounce ranging from \$1,619 to \$1,798, volatility of gold futures ranging from 10.6% to 16.4%, risk free rate of 0.51%, and the gold price at \$1,757 per ounce. As at September 30, 2021, the Company included in accounts payable an accrual of \$364,337 for the Sailfish Loan payment that was made in cash on October 5, 2021 based on the September 2021 average gold price of \$1,777 per ounce. Refer to Note 17 (a).

During the three and nine months ended September 30, 2021, the Company recorded \$62,861 and \$62,861, (September 30, 2020 - \$nil and \$nil), respectively of finance expense accretion on the Sailfish Loan, and \$3,770 and \$3,770 (September 30, 2020 - \$nil and \$nil), respectively of fair value adjustment on the Sailfish Loan.

	Sailfish Loan \$	Derivative Liability \$	Total \$
Fair value, at inception	7,889	111	8,000
Finance expense	63	-	63
Fair value adjustment	-	(4)	(4)
Accrual of September 2021 loan payment	(364)	-	(364)
As at September 30, 2021	7,588	107	7,695
Current liability	3,797	100	3,897
Non-current liability	3,791	7	3,798

10. SHARE CAPITAL

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

(b) Issued

(i) On August 25, 2021, the Company issued 612,500 common shares on the exercise of 612,500 stock options for gross proceeds of \$145,695 (C\$183,750). The carrying value associated with these options was \$88,178 which was transferred from contributed surplus to share capital.

(ii) During the three months ended June 30, 2021, the Company issued 1,940,000 common shares on the exercise of 1,940,000 stock options for gross proceeds of \$398,989 (C\$481,600). The carrying value associated with these options was \$237,100 which was transferred from contributed surplus to share capital.



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(iii) 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 carrying value associated with these options was \$22,621 which was transferred from contributed surplus to share capital.

(iv) On July 16, 2020, the Company completed a private placement of 71,000,000 units for gross proceeds of \$20,947,506 (C\$28,400,000), of which, 41,000,000 units were issued to Wexford Spectrum Trading Limited and Wexford Catalyst Trading Limited, funds managed by Wexford Capital LP (collectively, "Wexford"); and the remaining 30,000,000 units was a bought deal private placement (the "Bought Deal"). Each unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant is exercisable by the holder thereof to purchase one common share of the Company at an exercise price of C\$0.60 until January 16, 2022. The fair value of these Warrants was calculated as \$3,403,970 (C\$4,615,000) using the Black-Scholes model (note 12 (e)).

The Company paid the underwriters a cash fee equal to 6.0% of the gross proceeds of the Bought Deal and issued to the underwriters broker warrants the equivalent of 5.0% of the number of units sold pursuant to the Bought Deal (the "Broker Warrants"). Each Broker Warrant is exercisable by the holder thereof to purchase one common share of the Company at an exercise price of C\$0.40 until January 16, 2022. The fair value of these Broker Warrants was calculated as \$199,149 (C\$270,000) using the Black-Scholes model (note 12 (e)). The Company also incurred share issuance costs of \$885,743 (C\$1,197,907).

(v) 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 carrying value associated with these options was \$19,142 which was transferred from contributed surplus to share capital.

(vi) 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 carrying value associated with these options was \$64,938 which was transferred from contributed surplus to share capital.

(vii) 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 September 30, 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 September 30, 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.



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(d) Share options

	For the nine months ended September 30, 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	2,000,000	0.35	1,300,000	0.51
Forfeited	(872,500)	0.31	(497,500)	0.26
Exercised ⁽¹⁾	(3,177,500)	0.24	(1,430,000)	0.22
Expired	(497,500)	0.30	(1,250,000)	0.30
Ending balance	45,735,000	C\$0.26	48,282,500	C\$0.26
Options exercisable	33,383,750	C\$0.26	26,530,000	C\$0.26

WAEP = Weighted average exercise price

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

The weighted average share price at the date of exercise for the nine months ended September 30, 2021 C\$0.38.

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

On 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.

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.

During the three and nine months ended September 30, 2021, the Company recorded share-based payments expense of \$121,857 and \$360,668 (September 30, 2020 - \$109,313 and \$431,345), respectively, of which \$121,857 and \$355,503 (September 30, 2020 - \$96,726 and \$384,095) is included in general and administrative expenses in net income (loss) and \$nil and \$5,165 (September 30, 2020 - \$12,587 and \$47,250) is included in construction in progress, respectively.

On August 25, 2021, 497,500 options with an exercise price of C\$0.30 expired unexercised



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

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

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

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

On February 11, 2021, 187,500 and 187,5000 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.

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.



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- (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 nine months ended September 30, 2021		For the year ended December 31, 2020	
	Options	Warrants	Options	Warrants
Risk-free interest rate	0.64%	N/A	0.35%	1.36%
Expected dividend yield	-	N/A	-	-
Expected stock price volatility	63.95%	N/A	69.25%	77.83%
Expected life in years	5 years	N/A	5 years	1.5 years
Forfeiture rate	0.00%	N/A	0.00%	0.00%
Weighted average fair value	C\$0.19	N/A	C\$0.29	C\$0.13-C\$0.18

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 September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Director fees	\$ 92	\$ 39	\$ 187	\$ 115
Salaries, consulting and management fees	208	256	1,523	775
Share-based compensation	79	97	212	384
Total	\$ 379	\$ 392	\$ 1,922	\$ 1,274
As at	September 30, 2021		December 31, 2020	
Amount included in accounts payable	\$ 636		\$ 44	

On February 1, 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 and nine months ended September 30, 2021, the Company expensed fees relating to consulting services of \$12,554 and \$82,501 (September 30, 2020 - \$2,141,832 and \$379,586) and \$28,507 and \$91,639 (September 30, 2020 - \$12,392 and \$112,671) in general office expenses, respectively. Amounts payable to Tes-Oro as at September 30, 2021 were \$598 (December 31, 2020 were \$29,130).



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(c) Wexford LP (“Wexford”)

Wexford is the Company’s controlling shareholder. Except as noted elsewhere in the financial statements, during the three and nine months ended September 30, 2021, the Company expensed fees of \$1,273 and \$16,757 related to legal fees (September 30, 2020 were \$nil). Amounts payable to Wexford as at September 30, 2021 were \$1,172 (December 31, 2020 were \$342).

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

Sailfish is a publicly traded company related by common shareholders, officers and directors. In addition to the Sailfish Loan (Note 9(c)), during the nine months ended September 30, 2021, the Company’s subsidiary Nicoz:

- i. received an advance of \$143,338 for the purchase of gold ounces;
- ii. sold 443 ounces of gold to Sailfish for \$199,121; of which \$134,246 is recorded as production services revenue and \$64,875 is included in the gain on gold stream derivative asset disclosed in the statement of income and comprehensive income.

As at September 30, 2021, a balance of \$32,849 remained from the advance received and is recorded in prepaid expense.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value hierarchy

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

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

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

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

The Company’s financial instruments include cash and cash equivalents, receivables, accounts payable and the Term Loans. The carrying values of cash, receivables, 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 nine months ended September 30, 2021 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

13. SEGMENTED INFORMATION

As at September 30, 2021, the Company has one business segment, the production of gold and exploration of resources.



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For the period ended September 30, 2021, the Company's principal product was gold doré sold to the refinery at spot market rates by the Company's subsidiary, Nicoz. The gold was produced at the San Albino mine in Nicaragua.

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

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

	Canada	Nicaragua	Total
As at September 30, 2021			
Mineral property, plant and equipment	\$ -	\$ 45,496	\$ 45,496
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

14. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital comprise the following:

	For the nine months ended September 30	
	2021	2020
Receivables	\$ (818)	\$ 691
Inventories	(4,207)	(658)
Prepaid expenses, and other	(933)	86
Accounts payable and accrued liabilities	1,396	635
Due to related parties	469	100
Provision for reclamation and rehabilitation - current liability	(170)	(2,832)
	\$ (4,263)	\$ (1,978)



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15. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Accounting and legal	(\$ 112)	\$ 458	\$ 1,035	\$ 1,041
Consulting fees	18	206	161	439
Directors' fees	92	39	187	115
General office expenses	195	145	606	666
Rent	16	62	44	199
Salaries and benefits	827	393	2,316	1,065
Stock-based compensation	127	97	361	384
Telephone and IT services	57	39	140	216
Travel	42	58	150	158
	\$ 1,262	\$ 1,497	\$ 5,000	\$ 4,283

16. GOLD STREAM DERIVATIVE ASSET

The gain on the gold stream derivative asset of \$636,809 arises from the amended gold stream agreement the Company entered into with Sailfish in November 2018 whereby the Company received \$1,096,051 (the "Gold Stream Advance") which was recorded as a credit to the mineral property. At that time, it was determined to be a disposition of mineral interest. In return for the Gold Stream Advance, the Company is required to deliver 4% of gold production to Sailfish and is to receive a payment at 25% of the market price of the gold delivered. Effectively the Company sold 4% of the property and is being paid for services relating to the processes required to obtaining the finished metal. As the price of gold is not closely related to the price of the services being provided, the contract to provide these services contains an embedded derivative that requires separation from the host contract.

The contract to deliver to Sailfish its 4% of gold production, in return for 25% of the market value of the gold delivered, contains an embedded derivative that was previously of minimal value. This derivative consists of a "swap" of the variable payment based on the price of gold for the fixed price implied by the contract. As at September 30, 2021 this derivative was determined to be an asset of \$571,934 based on current spot and future gold prices, and projected deliveries under the contract.

During the nine months ended September 30, 2021, the Company went into commercial production at San Albino mine, delivering a total of 443 ounces of gold to Sailfish, pursuant to this agreement, in exchange for \$199,121 and resulting in a fair value movement on the derivative of \$636,809 during the three and nine months ended September 30, 2021.



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17. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in the notes above:

- (a) Sailfish Loan:
 - (i) On October 5, 2021, the first repayment on the Sailfish Loan was due and a payment of \$364,337 was made.
 - (ii) On November 3, 2021, a second payment of \$364,255 was made on the Sailfish Loan.
- (b) On October 13, 2021, the TSX-V accepted the Company's normal course issuer bid ("NCIB") to purchase up to 32,965,449 common shares of the Company. Purchases under the NCIB commenced on October 19, 2021 and will end no later than October 18, 2022.
- (c) On November 3, 2021, 750,000 options with an exercise price of \$0.37 were forfeited.
- (d) On November 24, 2021, a \$2,000,000 principal repayment was made on the Wexford Loan.