



## **MANAGEMENT DISCUSSION AND ANALYSIS**

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



For the three months and the year ended December 31, 2023

This Management Discussion and Analysis (“MD&A”) is intended to help the reader understand Mako Mining Corp. (the “Company” or “Mako”), the operations, financial position, and current and future business environment. This MD&A is intended to supplement and complement Mako’s consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards (“IFRS accounting standards”).

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

This MD&A has been prepared as of April 8, 2024. All amounts are expressed in United States (US) dollars (“\$”), unless otherwise stated. References to “C\$” are to the Canadian dollar.

## **BUSINESS OVERVIEW**

Mako Mining Corp. was incorporated on April 1, 2004, under the laws of the Yukon Territory and continued into British Columbia under the *British Columbia Corporations Act*. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “MKO” and the OTCQX under the symbol “MAKOF”. The Company’s principal business activities are the production of gold and the exploration of its mineral interests in Nicaragua.

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

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

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

- Revenues of \$26.5 million and \$65.9 million (Q4 2022 - \$16.1 million and YTD 2022 - \$63.4 million) for the three months and the year ended December 31, 2023 (“Q4 2023” and “YTD 2023”), respectively.
- Sales of 13,481 ounces (“oz”) and 34,696 oz (Q4 2022 – 9,956 oz and YTD 2022 – 36,890 oz) of gold in Q4 2023 and YTD 2023, respectively from the San Albino Mine.
- Net income of \$9.5 million and \$6.8 million (Net loss Q4 2022 – \$0.8 million and YTD 2022 \$12.0 million) for Q4 2023 and YTD 2023, respectively.
- Production of 11,566 oz and 34,761 oz (Q4 2022 – 10,010 oz and YTD 2022 – 36,917 oz) of gold at the San Albino and Las Conchita’s mine combined in Q4 2023 and YTD 2023, respectively; 9,880 oz and 32,933 oz. (Q4 2022 – 9,955 oz and YTD 2022 – 41,093 oz) of silver were produced at the San Albino Project for Q4 2023 and YTD 2023, respectively.
- Cash generated from operating activities of \$12.5 million (YTD 2022 – \$16.4 million) in YTD 2023.
- Delivered 108,000 oz of silver on the Sailfish Silver Loan in 2023.

Subsequent to December 31, 2023:

- Delivered 40,500 oz of silver on the Sailfish Silver Loan for the January to March 2024 instalments.
- On February 15, 2024, the Company entered into an agreement with GR Silver Mines Ltd. (“GR Silver”) to settle all liabilities and responsibilities, including but not limited to the outstanding reclamation and rehabilitation obligations, of Mako, related to the sale of Mako’s Mexican operations to GR Silver in March 2021 (“Settlement and Release Agreement”).



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Pursuant to the terms of the Settlement and Release Agreement, Mako must make a total payment of \$1.0 million to GR Silver comprised of \$0.5 million cash (paid in February 2024) and the issuance of 296,710 common shares of Mako (issued in March 2024).

- The Company purchased 480,600 common shares under the NCIB for C\$1.2 million.
- On March 25, 2024, the Company and Goldsource Mines Inc. (“Goldsource”) entered into an arrangement agreement, pursuant to which Mako will acquire all of the issued and outstanding common shares of Goldsource, in exchange for 0.22 common shares of Mako, by way of a plan of arrangement. Refer to **PROPOSED TRANSACTIONS** for additional details.

## RESULTS OF OPERATIONS

Financial Performance (in \$000's)	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change	Dec 31, 2023	Dec 31, 2022	Change
Revenue	\$ 26,471	\$ 16,087	\$ 10,384	\$ 65,948	\$ 63,375	\$ 2,573
Income (loss) for the period	9,516	(798)	10,314	6,799	(11,977)	18,776
Operating cash inflows (outflow) before changes in non-cash working capital	14,340	4,612	9,728	24,856	13,146	11,710
Net cash from operating activities	9,635	3,021	6,614	\$ 12,471	\$ 16,380	\$ (3,909)

Financial Condition (in \$000's)	As at		Change
	Dec 31, 2023	Dec 31, 2022	
Cash and cash equivalents	\$ 1,498	\$ 523	\$ 975
Working capital (deficit) <sup>(i)</sup>	7,056	(3,252)	10,308
Total assets	41,809	45,171	(3,362)
Equity	\$ 20,628	\$ 13,670	\$ 6,958

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

## San Albino Property, Nueva Segovia, Nicaragua

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

On August 24, 2020, the Nicaraguan Ministry of Environmental and Natural Resources (“MARENA”) amended the environmental permit granted to the Company in 2017 (see press release dated September 12, 2017) to allow for the processing of up to 1,000 tonne per day (“tpd”) at the San Albino-Murra Property. The amendment is initially effective for a period of five years and can be renewed indefinitely so long as the Company complies with the conditions set forth by MARENA. All other provisions contained in the environmental permit granted in 2017 remain in force and are fully applicable apart from the increased throughput from 500 tpd to 1,000 tpd; total capacity of the two mills on site is 1,000 tpd.

Pre-development work commenced in May 2019 at the San Albino Property; on October 19, 2020, the Company reported the results of an updated mineral resource estimate (*Technical Report and Estimate of Mineral Resources for The San Albino Project, Nueva Segovia, Nicaragua*), the objective of achieving a thorough understanding of the geology of the area and affirming the continuity and grade of the “in-pit” resources. During 2021 and 2022 extensive drilling was conducted to redefine the San Albino project, resulting in 1232 diamond drill holes and 105,073 meters (“m”) drilled in the San Albino area and 718 diamond drill holes and 78,100 m drilled in the Las Conchitas area; with this new information, on October 31<sup>st</sup> the Company reported an updated mineral resource estimate for both areas. In October 2020 and 2023 RESPEC, led by Principal Geologist Steve Ristorcelli, developed the resource. In 2023, Mr. Ristorcelli reflected the selective open pit



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mining methods presently being utilized at San Albino, with a fully diluted open pit grade 11.61 grams per tonne (“g/t”) gold (“Au”) in the Measured and Indicated categories.

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

On January 15, 2024, the Company announced record Q4 2023 production results, which is the tenth full quarter of production results since declaring commercial production on July 1, 2023.

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

Operating data	Three months ended		Year ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Tonnes Mined	1,247,561	1,518,632	5,736,119	5,624,392
Tonnes Milled	51,745	49,204	207,281	189,859
Mill availability	96%	95%	94%	92%
Avg Tonnes per day	585	563	599	565
Recoverability	85%	83%	80%	80%
Gold sold (ounces)	13,481	9,956	34,696	36,890
Average realized gold price (\$/oz sold)	1,963 \$	1,616 \$	1,900 \$	1,718 \$
Cash Cost (\$/oz sold) <sup>(1)</sup>	\$ 695	\$ 715	\$ 825	\$ 840
AISC (\$/oz sold) <sup>(1)</sup>	\$ 817	\$ 1,062	\$ 1,156	\$ 1,149
EBITDA (in \$000's) <sup>(1)</sup>	\$ 14,034	\$ 3,381	\$ 23,756	\$ 12,847
Adjusted EBITDA (in \$000's) <sup>(1)</sup>	\$ 15,300	\$ 7,814	\$ 29,963	\$ 26,923

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

For the three months ended December 31, 2023:

Tonnes mined: decrease in tonnes mined during the Q4 2023 is attributed to the decrease in stripping ratio in the West Pit as we reached the ore body.

Tonnes milled: the increase in the tonnes milled in Q4 2023 is attributed to an increase in mineral material to be processed thereby increasing the average tonnes per day compared to Q4 2022.

The decrease in the cash costs per gold ounce sold of \$20 to \$695 is driven by the increase in the ounces produce in Q4 2023, thereby reducing the production costs per ounce combined with the increased rate of recoveries.

The decrease in the Company’s AISC per gold ounce sold of \$245 to \$817 for Q4 2023 is driven by the decrease in corporate general and administrative costs during the current quarter.

For the year ended December 31, 2023:

Tonnes mined: increase in tonnes mined in YTD 2023 is attributed to the start of the Las Conchitas mining operations and the stripping activities in the earlier part of the year for the West Pit.

Tonnes milled: the increase in the tonnes milled in YTD 2023 is attributed to an increase in the available mined mineral material to be processed thereby increasing the average tonnes per day compared to YTD 2022. Additional mineral material was mined in the West Pit compared to what the original geological model indicated.



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The decrease in the cash costs per gold ounce sold of \$15 to \$825 is driven by the decrease in the stripping ratio which resulted in lower mining costs in YTD 2023, reducing the production costs. In addition, processing costs decreased in YTD 2023 as the preg-robbing issue encountered in the prior year is now better managed.

The increase in the Company's AISC per gold ounce sold of \$7 to \$1,156 for YTD 2023 is driven by the increase in corporate general and administrative costs which primarily included the withholding taxes on the Sailfish Loan that was extinguished during the current year. In YTD 2023, less ounces were sold compared to YTD 2022.

#### **EXPLORATION UPDATE**

During Q4 2023, there was one operating reverse circulation ("RC") drill rig at the San Albino-Murra Concession, 3,944 m were drilled in the Las Conchitas South area as part of the infill drilling program to gain better understanding of the Las Conchitas geology.

RC drilling was performed at Las Conchitas South with objectives of the near-surface, infill drilling campaign to gain a higher level of confidence of the geometry of the mineralization within areas of interest where the Company has received a permit to process material through the plant. The second objective is to test possible extensions of the high-grade mineralized blocks and mineralization trends identified in the 2022 drilling campaign. The Company completed 43 RC drill holes totaling 3,944 m.

The Company also completed 6 RC drill holes, totaling 348 meters, testing near surface, high grade gold mineralization and better continuity of the San Albino vein in the southern push back area of the SW Pit area.

During the same period the Company conducted regional and detailed mapping and sampling at all four concessions (San Albino-Murra, Potrerillos, La Segoviana and El Jicaro).

The Company conducted a regional exploration program on all four concessions and collected 1,613 samples. The program consisted of prospecting and surface and underground mapping. Channel sampling and mapping on both, veins in underground workings, dug out by locals, and on the surface have assisted in determining grade potential and extent of mineralized zones. The goal of this program is to validate structural and grade continuity of each vein or prospect, determine mineralization and mining potential and to help in prioritizing targets. A subsequent exploration program will include a RC drilling program to examine the potential at depth and extent of the outlined veins; additional diamond drilling of the veins would be required to validate the RC drilling results.

#### **Las Conchitas Area**

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

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

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

As with the San Albino deposit, the conceptual model for the Las Conchitas mineralization consists of multiple parallel quartz veins that dip gently to the northwest, associated with extensive shear and fault systems which represent possible feeders for mineralized fluids and a favorable environment for precious metal deposition. These characteristics are consistent with the model for orogenic gold-bearing veins, which can extend to depths in excess of a km. Drilling at Las Conchitas has confirmed down-dip continuity of highly mineralized zones identified by trenching; as demonstrated by



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results of drilling reported on August 18, 2021; gold mineralization is not restricted solely to quartz veins, but also occurs in the host rock (phyllite/schist) containing quartz veinlets.

On June 19, 2023, the Company announced that it received approval to begin processing material from Las Conchitas, this material is being processed at the Company's San Albino plant.

On July 27, 2023, the Company announced that it had intersected 30.45 g/t Au over 4.5 m at Las Conchitas, 13 m from surface; at the same time the Company announced that materials from Las Conchitas were starting to be processed at the San Albino plant.

On August 2, 2023, the Company announced additional results from the RC infill drilling at Las Conchita, reporting intersects of 12.09 g/t Au over 11.5 m, 15 m from surface.

On October 31, 2023, the Company announced an updated and extended mineral resource for the San Albino Project which includes the Las Conchitas deposit.

On January 24, 2024, the Company announced interceptions of 51.78 g/t Au over 3.9 m at Las Conchitas, 62 m from Surface, outside of current mineral resource estimate.

#### **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 hectare ("ha") (51 km<sup>2</sup>). Several good exploration targets have been outlined there. The mapping and prospecting programs completed to date have defined four parallel zones of mineralization. During Q4 2022, 410 m were drilled at El Jicaro.

#### **Potreros Concession**

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

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

#### **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. The new concession, called La Segoviana, covers an area of 3,845.80 ha (approximately 38.5 km<sup>2</sup>) and is contiguous to the north and northwest of the Company's San Albino-Murra concession in Nueva Segovia, Nicaragua. The La Segoviana concession allows for both exploration and exploitation and is valid for a period of 25 years, until March 12, 2045.

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

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

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



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

On May 30, 2023, the Company reported a discovery in the La Segoviana Concession, specifically 17 km from the San Albino area, highlighting intercepts of 41.99 g/t Au and 28.7 g/t Ag over 1.4 m, 34 m from surface, confirming the orogenic nature of gold mineralization across the 28 km of strike contained within the Company's 188 km<sup>2</sup> land package in Northern Nicaragua.

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

## TREND ANALYSIS

### Summary of Quarterly Results

(in \$000's excluding per share)	2023				2022			
	Oct - Dec	Jul - Sept	Apr - Jun	Jan - Mar	Oct - Dec	Jul - Sept	Apr - Jun	Jan-Mar
Revenue	26,472	10,707	12,853	15,916	16,087	13,637	16,373	17,278
Cost of sales	(12,680)	(8,057)	(10,951)	(11,424)	(11,693)	(14,608)	(14,537)	(12,701)
Gross profit (loss)	13,792	2,650	1,902	4,492	4,394	(971)	1,836	4,577
E&E expenses	(988)	(1,178)	(1,498)	(692)	(3,054)	(3,878)	(2,718)	(1,867)
G&A expenses	(1,573)	(1,895)	(2,235)	(1,491)	(1,283)	(1,613)	(1,593)	(1,744)
Other income (expenses)	(900)	(719)	(360)	(423)	(405)	(36)	(113)	(1,415)
Income taxes	(817)	(330)	(438)	(499)	(451)	(492)	(610)	(542)
Net income (loss)	9,514	(1,472)	(2,629)	1,387	(799)	(6,990)	(3,198)	(991)
Basic & diluted income (loss) per share	0.14	(0.02)	(0.04)	0.02	(0.01)	(0.10)	(0.05)	(0.01)
<i>The sum of the quarters may not equal the annual results due to rounding.</i>								
Gold ounces produced	11,566	7,937	6,575	8,683	10,010	8,370	9,018	9,519
Gold ounces sold	13,481	5,767	6,727	8,721	9,956	8,327	9,027	9,580
Average realized gold price (\$/oz)	\$ 1,963	\$ 1,857	\$ 1,911	\$ 1,829	\$ 1,616	\$ 1,665	\$ 1,814	\$ 1,804
Ore Mined (tonnes)	52,399	47,731	46,452	47,239	50,883	52,084	47,220	49,780
Ore Milled (tonnes)	51,745	51,578	54,284	49,675	49,204	44,452	49,332	46,869
Grade milled (g/t Au)	8.19	6.86	5.27	5.74	7.34	7.66	7.36	7.05
Recovery %	84.5%	78.1%	71.8%	80.7%	82.3%	76.5%	74.8%	85.3%

Revenue: During Q4 2023, increase in revenue is as a result of increased ounces produced mainly from ore mined in the SW Pit area push back and sold during the quarter together with an increase in the average realized gold price per ounce sold when compared to the previous quarters.

Cost of sales: Cost of sales is comprised of production cost, depreciation, depletion and amortization of the mine asset and the plant and the write-down of inventories. During Q4 2023, the production costs increased, as the ounces of gold sold was higher when compared to previous quarters. Decrease of the depreciation, depletion and amortization expense during Q4 2023, is attributed to the majority of the mine assets being fully depleted as of Q2 2023 given the then short mine life and the subsequent extension of the estimated useful life of the plant assets as the Company began processing from the Las Conchitas mining operation and the publication of the updated resource model.

E&E expenses: During Q4 2023, the expansion drilling program at the Las Conchitas area was coming to an end as the Company published the resource model.



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G&A expenses: During Q4 2023, the decrease in G&A is mainly attributed to the decrease in legal advice sought on corporate matters which is offset by an increase in salaries and benefits and stock-based compensation expense. Salaries and benefits for Q4 2022 included a reversal of \$0.5 million of accrued bonuses for non-executive staff.

Revenue: During Q3 2023, decrease in revenue is as a result of a decrease in ounces sold during the quarter offset with an increase in the average realized gold price per ounce sold when compared to the previous quarters.

Cost of sales: During Q3 2023, the cost of sales decreased, as the ounces of gold sold was lower when compared to previous quarters. Decrease of the depreciation, depletion and amortization expense during Q3 2023, is attributed to the majority of mine assets being fully depleted as of Q2 2023 and the extension of the useful life of the plant assets as the Company began processing from the Las Conchitas mining operation.

E&E expenses: During Q3 2023, the expansion drilling program at the Las Conchitas area was coming to an end as the Company prepared the data to develop the resource model.

G&A expenses: During Q3 2023, the decrease in G&A is mainly attributed to the decrease in headcount due to staff turnover and legal advice sought on corporate matters which is offset by the withholding taxes incurred on the Sailfish Loan payments.

Revenue: During Q2 2023, decrease in revenue is as a result of a decrease in ounces produced and ounces sold during the quarter offset with an increase in the average realized gold price per ounce sold when compared to the previous quarters.

Cost of sales: During Q2 2023, the cost of sales increased, although the production costs and depreciation and depletion and amortization remained consistent with the prior quarter, the ounces of gold sold was lower when compared to previous quarters. Write-down of inventories increased during Q2 2023, arising from the higher costs of mining to access phase 3 of the West Pit, resulting in higher levels of depletion. The higher costs related to phase 3 of the West Pit were incurred as the Company transitioned and prepared for the Las Conchitas mining operation.

E&E expenses: During Q2 2023, the expansion drilling program at the Las Conchitas area was coming to an end as the Company prepares the data to develop the resource model.

G&A expenses: During Q2 2023, increase in G&A is mainly attributed to the increase in salaries and benefits expenditure for bonuses and an increase in legal fees as legal advice was sought on corporate matters.

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

Cost of sales: During Q1 2023, the cost of sales decreased partially due to a lower depreciation charge on the mineral property asset as it nears the end of its useful life and a decrease in production costs largely due to deferred stripping costs of \$3.8 million related to the West Pit phase 3. During Q2 2023, the Company started extracting ore in phase 3 of the West Pit and stopped deferring stripping costs.

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

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



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

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

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

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

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

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

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

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

## Revenue

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change	Dec 31, 2023	Dec 31, 2022	Change
Revenue (in \$000s)	\$ 26,471	\$ 16,087	\$ 10,384	\$ 65,948	\$ 63,375	\$ 2,573
Gold sold (ozs.)	13,481	9,956	3,525	34,696	36,890	(2,194)
Average realized gold price (\$ per oz.)	\$ 1,963	\$ 1,616	\$ 347	\$ 1,900	\$ 1,718	\$ 182

The Company's revenue for YTD 2023 and YTD 2022 came entirely from the San Albino Project.

The increase in revenue of \$10.4 million (increase of 64.55%) for Q4 2023 compared to Q4 2022 is a result of selling 3,525 more ounces in Q4 2023 and realizing a higher average gold price by \$347 (increase of 21.47%) per ounce.

The increase in revenue of \$2.6 million (increase of 4.0%) for YTD 2023 compared to YTD 2022 is a result of selling 2,194 less ounces in YTD 2023 offset by the realization of a higher average gold price by \$182 (increase of 10.6%) per ounce.

The Company sells gold at the spot rate. The average spot gold price for Q4 2023 was \$1,974 (Q4 2022 - \$1,728), up 14.2% over Q4 2022, and closed on December 31, 2023, at \$2,032 per oz, up 13.0% from the closing price on December 31, 2022.



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### Exploration and evaluation expenses

Expenses by property (in \$'000s)	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change	Dec 31, 2023	Dec 31, 2022	Change
El Jicaro	\$ 43	\$ 57	\$ (14)	\$ 224	\$ 61	\$ 163
San Albino	201	355	(154)	971	4,140	(3,169)
Las Conchitas	708	1,931	(1,223)	2,746	6,205	(3,459)
Other	35	708	(673)	415	1,111	(696)
	\$ 987	\$ 3,051	\$ (2,064)	\$ 4,356	\$ 11,517	\$ (7,161)

During Q4 2023 and Q4 2022, expenses continued to be primarily associated with the expansion drilling program at the Las Conchitas property 2 km to the South of San Albino.

During YTD 2023, the expansion drilling program at the Las Conchitas area was coming to an end as the Company prepared the data to develop the resource model which was completed and published in December 2023.

### General and administrative expenses

(in \$'000s)	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change	Dec 31, 2023	Dec 31, 2022	Change
Accounting and legal	\$ 166	\$ 380	\$ (214)	\$ 818	\$ 816	\$ 2
Consulting fees	6	2	4	37	70	(33)
Directors' fees	92	88	4	365	241	124
Depreciation	27	33	(6)	103	59	44
General office expenses	57	34	23	173	203	(30)
Insurance	105	106	(1)	483	418	65
Investor relations and communications	54	82	(28)	157	290	(133)
Rent	1	(6)	7	3	19	(16)
Salaries and benefits	616	319	297	3,581	3,196	385
Stock-based compensation	256	154	102	650	544	106
Telephone and IT services	31	37	(6)	130	140	(10)
Transfer agent fees and regulatory fees	13	6	7	76	86	(10)
Travel	67	50	17	165	150	15
Withholding taxes on Sailfish Loan	82	-	82	453	-	453
	\$ 1,573	\$ 1,285	\$ 288	\$ 7,194	\$ 6,232	\$ 962

Accounting and legal fees: Q4 2023 decreased compared to Q4 2022, in Q4 2022 additional legal advice sought on corporate matters which was not required in Q4 2023. In Q4 2022, additional legal advice was sought with regards to the US sanctions imposed against Nicaragua.

Salaries and benefits: Q4 2023 increased compared to Q4 2022; the Q4 2022 results included a reversal of \$0.5 million of accrued bonuses for non-executive staff.

Increase in stock-based compensation during Q4 2023 compared to Q4 2022 is as a result of 975,000 RSUs and 275,000 DSUs that were granted in the current quarter, that are being expensed using the graded vesting method. No stock-based compensation was granted during Q4 2022.

Director fees: increase in YTD 2023 compared to YTD Q4 2022 arises from the special committee, which was set up in November 2022, and is comprised of two directors with each member of this committee receiving \$8,000 per month.



For the three months and the year ended December 31, 2023

Insurance expenses: increase in YTD 2023 compared to YTD Q4 2022 is in line with the increase of premiums.

Investor relations and communications expenses: decrease in YTD 2023 compared to YTD Q4 2022 is a result of reducing the investor relation fees.

Salaries and benefits: the YTD Q4 2022 amount includes a reversal of \$0.5 million of accrued bonuses for non-executive staff.

Increase in stock-based compensation during YTD 2023 compared to YTD 2022 is as a result of 1,013,829 RSU, 275,000 DSU and 540,000 Options that were granted in the current year. The stock-based compensation is being expensed using the graded vesting method.

During YTD 2023, the Sailfish Loan was extinguished and withholding taxes were paid.

#### Other (expense) income

(in \$000s)	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change	Dec 31, 2023	Dec 31, 2022	Change
Accretion and interest expense	\$ 367	\$ 554	\$ (187)	\$ 1,449	\$ 2,324	\$ (875)
Change in provision for reclamation and rehabilitation	23	(241)	264	31	(185)	216
Change in fair value of derivative liability	632	(1)	633	913	(71)	984
Gain (loss) on gold stream derivative asset	118	27	91	86	(13)	99
Foreign exchange gain (loss)	(235)	67	(302)	(56)	(84)	28
Interest income	(7)	(1)	(6)	(20)	(2)	(18)
	\$ 898	\$ 405	\$ 493	\$ 2,403	\$ 1,969	\$ 434

Accretion and interest expense primarily relates to interest on the Wexford Loan and finance costs on derivative liability. The Company accrued for the cash equivalent of the remaining cash bonus interest of 321.25 oz of gold at the price of gold based on the closing London Bullion Market monthly average. This cash bonus interest is revalued at each quarter end.

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

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



For the three months and the year ended December 31, 2023

## LIQUIDITY AND CAPITAL RESOURCES

### Financial condition

(in \$000s)	Dec 31, 2023		Dec 31, 2022		Change
Cash and cash equivalents	\$	1,498	\$	523	\$ 975
Working capital (deficit)	\$	7,056	\$	(3,252)	\$ 10,308

Cash and cash equivalents increased by \$1.0 million during YTD 2023. Funds generated from operating activities and the additional advance of \$2.0 million received from the Wexford Loan Lenders and the Sailfish Silver Loan of \$6.0 million were utilized to make principal repayments of \$8.9 million on the principal of the Wexford Loan, repayment installments of \$3.0 million on the Sailfish Loan, repayment of \$2.3 million on the Sailfish Silver Loan, purchase the Company's common shares under the NCIB at a cost of \$0.4 million and fund the investing and operating activities.

The working capital increased during YTD 2023 primarily due to realizing a higher average gold price per ounce sold, increased inventory levels, the payment of accounts payable and the Wexford Loan extending the maturity to March 31, 2025. Subsequent to December 31, 2023, the Wexford Loan maturity date was further extended to March 31, 2029.

### Cash flows

(in \$000s)	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change	Dec 31, 2023	Dec 31, 2022	Change
Operating cash flows before changes in working capital	\$ 14,340	\$ 5,381	\$ 8,959	\$ 24,856	\$ 13,146	\$ 11,710
Changes in working capital	(4,705)	(1,590)	(3,115)	(12,385)	3,234	(15,619)
Net cash flows provided by (used in) operating activities	9,635	3,791	5,844	12,471	16,380	(3,909)
Net cash flows provided by (used in) investing activities	(1,514)	(2,144)	630	(4,764)	(8,799)	4,035
Net cash flows provided by (used in) financing activities	(7,281)	(1,111)	(6,170)	(6,752)	(8,986)	2,234
Effect of foreign exchange on cash and cash equivalents	(2)	54	(56)	20	(16)	36
Change in cash and cash equivalents	\$ 838	\$ 590	\$ 248	\$ 975	\$ (1,421)	\$ 2,396

The Company generated positive cash flow from operations of \$9.6 million during Q4 2023, an increase of \$5.9 million compared to Q4 2022. The increase in cash flows provided by operating activities is primarily driven by the increase in revenue offset by the changes in working capital, specifically inventory.

The cash used in investing activities during Q4 2023 decreased by \$0.6 million compared to Q4 2022; investing activities relate to development activities at the San Albino Property in Nicaragua including the purchase of equipment.

Financing activities during Q4 2023 increased by \$6.2 million compared to Q4 2022 and primarily reflects the installment payments of \$1.9 million on the Sailfish Silver Loan, the \$4.9 million repayment of principal on the Wexford Loan and \$0.4 million to purchase the Company's common shares under the NCIB.

The Company generated positive cash flow from operations of \$12.5 million during YTD 2023 however, cash flows from operating activities reduced over the prior year. This was primarily driven by the increase in revenue offset by the changes in non-cash working capital.

The cash used in investing activities during YTD 2023 relates to deferred stripping activities and development activities at the San Albino Property in Nicaragua including the purchase of equipment.



For the three months and the year ended December 31, 2023

Financing activities during YTD 2023 primarily reflect the \$6.0 million funds received from the Sailfish Silver Loan and \$2.0 million from the Wexford Loan Lenders, offset by principal repayments of \$8.9 million on the Wexford Loan and installment payments of \$3.0 million on the Sailfish Loan and \$2.3 million on the Sailfish Silver Loan.

### **Liquidity risk**

The consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that it will be able to meet its existing obligations and commitments and fund ongoing operations in the normal course of business for at least twelve months from December 31, 2023. As at December 31, 2023, the Company has cash and cash equivalents of \$1.5 million and working capital of \$7.1 million.

For YTD 2023, the Company generated operating cash inflows from operating activities of \$12.5 million (YTD 2022 - \$16.4 million) and generated net income of \$6.8 million (YTD 2022 – net loss of \$12.0 million).

During 2020, the Company secured a credit arrangement from its controlling shareholder for \$15.15 million (“Wexford Loan”). The Wexford Loan matures on March 31, 2025 (per the Sixth Waiver) and may be repaid at any time, in whole or in part, at par plus accrued unpaid interest, without penalty or premium. The Wexford Loan had an interest rate of 8.0% per annum until February 23, 2021, increasing to 10% per annum thereafter. The Company paid a non-refundable up-front fee of \$150,000 to the Lenders on the closing of the Wexford Loan. On August 23, 2023, an additional \$2.0 million was advanced to the Company. As at December 31, 2023, the loan facility was fully drawn and the remaining amount owing of \$6.3 million all represent interest. Subsequent to December 31, 2023, the Wexford Loan maturity date was further extended to March 31, 2029.

As the Wexford Loan was not repaid in full on or prior to the first anniversary of the closing date, February 20, 2021, the Company is required to pay to the Lenders a cash bonus interest on the first anniversary of the closing date and on each successive anniversary in an amount equal to the cash equivalent of 500 oz. of gold calculated based on the average Gold Fixing Price in the London Bullion Market during the most recently completed calendar month at the time the payment is made, in accordance with the applicable formula set out in the Wexford Loan agreement. The applicable formula set out in the Wexford Loan Agreement is the principal amount less any principal repayments divided by the total loan facility multiplied by the price of gold based on the closing London Bullion Market monthly average. As at December 31, 2023, the principal was fully repaid.

On August 27, 2021, the Company entered into a loan agreement with Sailfish pursuant to which Sailfish provided an \$8 million unsecured gold-linked term loan to the Company (the “Sailfish Loan”). The proceeds of the Sailfish Loan were used by the Company to pay off loans. The Sailfish Loan was to be repaid with 24 monthly payments, with each monthly payment equal to the cash equivalent of 205 ounces of gold at the average market gold price with a minimum price of \$1,750 and a maximum price of \$2,000.

On March 2, 2023, the Sailfish Loan was modified whereby the remaining seven payments were made in physical silver in lieu of cash. During YTD 2023, the Company made instalment payments totaling \$3.5 million to extinguish the Sailfish Loan. The Company delivered 118,514 oz of silver (\$2.8 million) and made cash payments of \$0.8 million. The Company purchased 95,460 oz of silver for \$2.3 million and utilized 23,054 oz of silver that was produced.

On May 24, 2023, the Company entered into an agreement with Sailfish, whereby Sailfish advanced \$6 million (received) for the delivery of a fixed number of ounces of silver (13,500), on the last day of the month or the gold equivalent, for a period of 24 months (“Silver Loan”). Interest on the Silver Loan is accrued at US Prime (8.25%) plus four percent per annum, calculated daily on the undelivered ounces. Sailfish also has the option, exercisable after 12 months from entering the Silver Loan, to purchase all remaining future silver production from all of the Company’s concessions for an additional \$1 million. As at December 31, 2023, the Company had delivered 108,000 ounces of silver of which 98,120 oz of silver were purchased and 9,880 oz of silver we produced. Subsequent to December 31, 2023, the Company delivered an additional 40,500 ounces of silver.



For the three months and the year ended December 31, 2023

During YTD 2023, the Company made voluntary principal repayments of \$8.9 million on the Wexford Loan; the Company recorded \$0.8 million of accrued interest and cash bonus interest on the Wexford Loan all of which has been expensed.

During YTD 2022, the Company made voluntary principal repayments of \$4.0 million on the Wexford Loan and instalment payments totaling \$4.5 million were made on the Sailfish Loan.

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

#### GR SILVER MINING LTD ("GR SILVER")

On March 31, 2021, the Company completed the transaction with GR Silver pursuant to which GR Silver acquired 100% of the common shares of Mako's wholly-owned subsidiary, Marlin, from the Company. Marlin (incorporated in Canada) is the parent company of Marlin Gold Trading Inc (incorporated in Barbados) and of Oro Gold de Mexico, S.A. de C.V. (incorporated in Mexico) ("Oro Gold"), that owns the La Trinidad mine facilities (collectively, the "Marlin Group"). The Company will continue to be responsible for all necessary reclamation obligations until it receives an acknowledgement from SEMARNAT (the Mexican environmental authority) that Oro Gold's closure plan is complete.

Pursuant to the terms of the Settlement and Release Agreement, Mako made a total payment of \$1.0 million to GR Silver comprised of \$0.5 million cash (paid in February 2024) and the issuance of 296,710 common shares of Mako (issued in March 2024).

#### Outstanding securities

As of the date of this MD&A, the Company had 65,684,283 common shares issued and outstanding, plus 1,051,424 RSUs, 386,264 DSUs and 3,404,354 options outstanding.

#### TRANSACTIONS WITH RELATED PARTIES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company, and comprise the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Directors. The compensation to key management was as follows:

#### Key management compensation

(in \$000s)	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change	Dec 31, 2023	Dec 31, 2022	Change
Director fees	\$ 92	\$ 88	\$ 4	\$ 365	\$ 241	\$ 124
Salaries, consulting and management fees	350	184	166	1,285	1,223	62
Share-based compensation	204	131	73	365	476	(111)
<b>Total</b>	<b>\$ 646</b>	<b>\$ 403</b>	<b>\$ 243</b>	<b>\$ 2,015</b>	<b>\$ 1,940</b>	<b>\$ 75</b>

  

As at	Dec 31, 2023	Dec 31, 2022
Amount included in accounts payable	\$ 23	\$ 56

During Q2 2023, the Company granted bonuses of \$0.4 million to three senior members of management and granted 924,225 RSUs.

During Q1 2022, the Company granted bonuses of \$0.4 million to three senior members of management.



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### Other related party transactions

- (a) Tes-Oro Mining Group, LLC (“Tes-Oro”)  
Tes-Oro is a private company controlled by the Company’s Chief Operating Officer. Tes-Oro is a full-service engineering, procurement and construction management firm working with the Company. During YTD 2023, the Company expensed fees relating to consulting services of \$2,845 (2022 - \$6,141), reclamation and rehabilitation expenses of \$8,555 (2022 - \$21,842) and \$35,318 (2022 - \$84,936) in general office expenses, respectively. Amounts payable to Tes-Oro as at December 31, 2023, were \$nil (December 31, 2022 - \$nil).
- (b) Wexford LP (“Wexford”)  
Wexford is the Company’s controlling shareholder. Except as noted elsewhere in the financial statements, during YTD 2023, the Company expensed fees of \$6,430 related to transaction costs (2022 - \$3,308), respectively. Amounts payable to Wexford as at December 31, 2023, were \$nil (December 31, 2022 - \$nil).
- (c) Sailfish Royalty Corp. (“Sailfish”)  
Sailfish is a publicly traded company related by common shareholders, and a director. In addition to the Sailfish Loan and the Sailfish Silver Loan, during the year ended December 31, 2023, the Company’s subsidiary Nicoz:

#### *Gold sales*

- i. received advances of \$0.5 million (2022 - \$0.6 million) for the purchase of gold ounces;
- ii. sold 1,058 (2022 – 1,467) ounces of gold to Sailfish for \$0.5 million (2022 - \$0.7 million) of which \$0.5 (2022 - \$0.4 million) is recorded as production services revenue and \$0.1 million (2022- \$0.3 million) is included in the gain on gold stream derivative asset disclosed in the statement of income and comprehensive income; and
- iii. sold 198 ounces of gold to Sailfish for \$387,769 which is recorded as revenue.

As at December 31, 2023, a balance of \$0.3 million (2022 - \$23,556) was receivable from Sailfish as is included in receivables.

#### *Royalty*

Sailfish is entitled to a two percent net smelter royalty of the production of all gold and silver ounces, excluding the area of interest, as defined in the amended gold stream agreement entered in to in November 2018.

During the year ended December 31, 2023, a royalty fee of \$0.3 million was owing to Sailfish and is included in production costs in the consolidated statement of income and comprehensible income.

As at December 31, 2023, a balance of \$0.2 million was payable to Sailfish and is included in accounts payable and accrued liabilities.

### PROPOSED TRANSACTIONS

Mako and Goldsource entered into an arrangement agreement (the “Arrangement Agreement”), pursuant to which Mako will acquire all of the issued and outstanding common shares of Goldsource (the “Goldsource Shares”), in exchange for 0.22 common shares of Mako (the “Mako Shares”) for each share of Goldsource held, by way of a plan of arrangement (the “Transaction”).

The issuance of up to 15.2 million Mako Shares is expected.

The Transaction will create a company that will combine Mako’s Nicaraguan gold operations with Goldsource’s Eagle Mountain Gold Project in Guyana, South America.



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Pursuant to the terms and conditions of the Arrangement Agreement, the holders of the issued and outstanding Goldsource Shares will receive 0.2200 of a common share of Mako (each whole share, a “Mako Share”) for each Goldsource Share held (the “Exchange Ratio”). Goldsource stock options (“Goldsource Options”) that are outstanding immediately prior to the completion of the Transaction shall immediately vest and be exchanged for replacement options of Mako exercisable to acquire Mako Shares in accordance with the Exchange Ratio. Outstanding warrants of Goldsource will become exercisable, based on the Exchange Ratio, to purchase Mako Shares on substantially the same terms and conditions. The Transaction will be carried out by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia).

Upon completion of the Transaction, Mako will continue to be listed on the TSXV under the same name and ticker symbol (MKO), and its common shares will continue to be quoted on the OTCQX under the same ticker symbol (MAKOF). Upon completion of the Transaction, the existing shareholders of Mako will own approximately 84% of Mako and the existing shareholders of Goldsource will own approximately 16% of Mako. As a result of the Transaction, Wexford’s current ownership of Mako will be reduced from approximately 54.5% to approximately 45.6%.

The Arrangement Agreement contains customary deal-protection provisions including mutual non-solicitation covenants and a right of either party to match a superior proposal as defined in the Arrangement Agreement. Under certain circumstances, Mako or Goldsource may be entitled to a termination fee of C\$1.4 million.

Officers and directors of Goldsource which hold approximately 4.5% of the outstanding Goldsource Shares and approximately 67.8% of the outstanding Goldsource Options, have entered into voting support agreements pursuant to which they have agreed, among other things, to vote their Goldsource Shares and Goldsource Options in favour of the Transaction.

The completion of the Transaction is subject to a number of terms and conditions, including without limitation the following: (a) approval of the Goldsource securityholders, as described below; (b) approval of the TSXV; (c) approval of the British Columbia Supreme Court; (d) there being no material adverse changes in respect of either Mako or Goldsource; and other standard conditions of closing for a transaction of this nature. There can be no assurance that all of the necessary approvals will be obtained or that all conditions of closing will be satisfied.

The Transaction is subject to the approval at a special meeting of Goldsource securityholders by (i) 66⅔% of the votes cast by Goldsource shareholders, (ii) 66⅔% of the votes cast by Goldsource shareholders and optionholders, voting as a single class, and (iii) a simple majority of the votes cast by Goldsource shareholders, excluding the votes cast by certain persons as required by Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

## **ACCOUNTING CHANGES AND CRITICAL ESTIMATES**

### **Estimates and judgments**

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

- Estimated mineral resources;
- Ore in process;



For the three months and the year ended December 31, 2023

- Judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretation of laws in the countries in which the Company operates ;
- Estimation of the fair value of the Sailfish Silver Loan;
- Judgement in determining that the Sailfish Silver Loan is a derivative;
- Judgement in determining whether non-current assets are impaired; and
- Estimation of the reclamation and remediation provision.

Refer to Note 5 of the consolidated financial statements for the year ended December 31, 2023, for a detailed discussion of these accounting estimates and judgments.

### **CONTROLS AND PROCEDURES**

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

### **DISCLOSURE CONTROLS**

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

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

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

### **NON-IFRS MEASURES**

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

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



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“Cash costs per ounce sold” is production costs, calculated by deducting revenues from silver sales and dividing the sum of mining, milling and mine site administration costs excluding the amounts included in write downs of inventory.

“AISC per ounce sold” includes cash costs (as defined above) and adds the sum of G&A, sustaining capital and certain exploration and evaluation (“E&E”) costs, sustaining lease payments, provision for environmental fees, if applicable, and rehabilitation costs paid, all divided by the number of gold ounces sold. As this measure seeks to reflect the full cost of gold production from current operations, capital and E&E costs related to expansion or growth projects are not included in the calculation of AISC per ounce. Additionally, certain other cash expenditures, including income and other tax payments, financing costs and debt repayments, are not included in AISC per ounce.

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

(in \$000's)	<i>Three months ended</i>		<i>Three months ended</i>		<i>Year ended</i>		<i>Year ended</i>	
	<i>December 31, 2023</i>		<i>December 31, 2022</i>		<i>December 31, 2023</i>		<i>December 31, 2022</i>	
<b>Production costs (GAAP)</b>	\$	9,372	\$	7,120	\$	29,403	\$	30,993
Supporting general and administrative expenses		495		180		2,145		1,635
<b>Cash costs (non-GAAP)</b>	\$	9,867	\$	7,300	\$	31,548	\$	32,628
General and administrative expenses		934		993		4,789		3,812
Sustaining capital expenditures		220		0		658		1,666
Accretion of the asset retirement costs (ARO) (Non-cash)		(12)		0		87		27
Deferred stripping expenses		0		2,281		3,798		4,259
<b>Total AISC (\$)</b>	\$	11,009	\$	10,574	\$	40,880	\$	42,392
Ounces of gold sold	\$	13,481	\$	9,956	\$	34,696	\$	36,890
Cash cost per gold ounce sold	\$	695	\$	715	\$	825	\$	840
AISC per gold ounce sold	\$	817	\$	1,062	\$	1,156	\$	1,149

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

(in 000's)	<i>Three months ended</i>				<i>Year ended</i>			
	<i>Dec 31, 2023</i>		<i>Dec 31, 2022</i>		<i>Dec 31, 2023</i>		<i>Dec 31, 2022</i>	
Net income (loss) after taxes	\$	9,516	\$	(798)	\$	6,799	\$	(11,977)
Income tax expense		816		451		2,084		2,095
Finance cost, net of finance income		367		554		1,449		2,324
Depreciation and amortization		3,335		3,174		13,425		20,405
<b>EBITDA <sup>(1)</sup></b>	\$	14,034	\$	3,381	\$	23,757	\$	12,847
Share-based compensation expense		256		154		650		544
Exploration activities		987		3,051		4,356		11,517
Write-down of inventories		0		1,431		1,169		2,200
Change in provision for reclamation and rehabilitation		23		(203)		31		(185)
<b>ADJUSTED EBITDA <sup>(1)</sup></b>	\$	15,300	\$	7,814	\$	29,963	\$	26,923

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

## RISK AND UNCERTAINTIES

The Company’s principal activity of mineral exploration and exploitation is generally considered to have high risk. It is exposed to a number of risks and uncertainties that are common to other mining exploration and development companies. The industry is capital intensive at all stages and is subject to variations in commodity prices, market



sentiment, inflation and other risks. Until completion of the Marlin Transaction in early November 2018, the Company had no source of revenue other than interest income. Moving forward, the San Albino Property is expected to be largely financed by debt and equity financings. The Company's mineral properties are located in Nicaragua, which exposes the Company to risks associated with possible political or economic instability, changes to applicable laws, and impairment or loss of mining title or other mineral rights.

Some of the other significant risks are:

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

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

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

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

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

competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: regulatory and permitting considerations, financing of the Company's acquisitions and other activities, exploration, development and operation of mining properties 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;
- 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.sedarplus.com](http://www.sedarplus.com).