

FORM 51-102F4

BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

Mako Mining Corp. (formerly named Golden Reign Resources Ltd.) (the “**Company**”)
Suite 501, 595 Howe Street
Vancouver, B.C. V6C 2T5

1.2 Executive Officer

The following executive officer of the Company is knowledgeable about the significant acquisition and this report:

Kevin Bullock, Chief Executive Officer
(416) 408-3703

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

The Company acquired all of the issued and outstanding common shares (the “**Marlin Shares**”) of Marlin Gold Mining Ltd. (“**Marlin**”) by way of a statutory plan of arrangement (the “**Arrangement**”) under section 288 of the *Business Corporations Act* (British Columbia). Marlin’s core asset consists of the producing La Trinidad Gold Mine in Mexico held through Marlin’s wholly-owned subsidiary, Oro Gold de Mexico SA de CV.

2.2 Date of Acquisition

The effective date of the acquisition was November 9, 2018.

2.3 Consideration

Under the Arrangement, 91,234,552 common shares of the Company were issued to Computershare Investor Services Inc. (“**Computershare**”) in trust for the holders of the unexchanged Marlin Shares and will be issued to such holders upon receipt by Computershare of a duly completed letter of transmittal and all documents required thereby in exchange for their Marlin Shares on the basis of 0.5138 common shares of the Company for every Marlin Share held. As a result of completion of the Arrangement, Marlin has become a wholly-owned subsidiary of the Company.

2.4 Effect on Financial Position

The Company does not have any current plans for material changes in the Company’s business affairs or the affairs of Marlin which may have a significant effect on the results of operations and financial position of the Company.

2.5 Prior Valuations

Not applicable.

2.6 Parties to Transaction

As of the closing date of the Arrangement, the transaction was not with an “informed person” of the Company as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*, other than as disclosed herein. However, at the time of entering the definitive agreement for the Arrangement, Marlin was an “informed person” as it was the then owner of more than 10% of the outstanding common shares of the Company. Wexford Capital LP owned approximately 85% of the Marlin Shares and, as a result, was a “control person” and affiliated entity of Marlin. Mr. Akiba Leisman is a director of the Company and was a shareholder of Marlin and was, as a result, also an “informed person” of the Company.

2.7 Date of Report

November 29, 2018.

Item 3 Financial Statements

The following financial statements are contained in Schedule “A” annexed hereto, which forms part of this report:

- (i) audited carve-out financial statements of Marlin for the years ended December 31, 2017 and December 31, 2016, together with the notes thereon; and
- (ii) unaudited carve-out financial statements of Marlin for the three and six months ended June 30, 2018, together with the notes thereon.

Cautionary Note Regarding Forward-Looking Statements

This business acquisition report contains “forward-looking statements” within the meaning of applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the Company’s plans for any material changes in its business affairs or the affairs of Marlin. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to mining operations, including risks related to fluctuations in the price of the primary commodities mined at such operations, changes in laws and regulations including taxation policies, actual results of mining and exploration

activities, changes in project parameters as plans continue to be refined, as well as other risk factors listed from time to time in the Company's reports filed with Canadian securities regulators on SEDAR at www.sedar.com. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the continued operation of the mining operations, no material adverse change in the market price of commodities, that the mining operations will operate in accordance with their public statements and achieve their stated production outcomes, and such other assumptions and factors as set out herein.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements included in this business acquisition report are made as of the date of this business acquisition report and the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation.

SCHEDULE "A"

(see attached)

Marlin Gold Mining Ltd.

Carve-Out

Consolidated Carve-Out Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)



September 26, 2018

Independent Auditor's Report

To the Board of Directors of Marlin Gold Mining Ltd.

We have audited the accompanying consolidated carve-out financial statements of Marlin Gold Mining Ltd. Carve-Out, which comprise the consolidated carve-out statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated carve-out statements of loss and comprehensive loss, cash flow and changes in shareholders' net investment for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated carve-out financial statements

Management is responsible for the preparation and fair presentation of these consolidated carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated carve-out financial statements.

*PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
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We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated carve-out financial statements present fairly, in all material respects, the financial position of Marlin Gold Mining Ltd. Carve-Out as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated carve-out financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Marlin Gold Mining Ltd. Carve-Out's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

MARLIN GOLD MINING LTD. CARVE-OUT
CONSOLIDATED CARVE-OUT STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

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As at	Notes	December 31, 2017 \$	December 31, 2016 \$
ASSETS			
Current assets:			
Cash		967,265	1,703,807
Receivable and refundable taxes	4	10,606,649	6,855,907
Inventories	5	13,580,341	49,948,314
Investment in securities	6	8,536,072	9,134,910
Prepaid expenses, and other		304,938	537,612
		33,995,265	68,180,550
Mineral property, plant and equipment	7	18,639,855	5,861,047
Resource property costs	8	4,483,577	-
Other assets		-	85,598
TOTAL ASSETS		57,118,697	74,127,195
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities		23,506,429	9,713,977
Due to related parties	10	1,383,531	656,682
		24,889,960	10,370,659
Deferred tax liability		167,349	113,613
Provision for reclamation and rehabilitation	11	6,594,350	7,393,826
TOTAL LIABILITIES		31,651,659	17,878,098
SHAREHOLDERS' NET INVESTMENTS	9	25,467,038	56,249,097
TOTAL LIABILITIES AND SHAREHOLDERS' NET INVESTMENTS		57,118,697	74,127,195

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors:

"Akiba Leisman"
 Director (Chair of the audit committee)

"John Pontius"
 Director

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

MARLIN GOLD MINING LTD. CARVE-OUT
CONSOLIDATED CARVE-OUT STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

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For the year ended December 31,	Notes	2017 \$	2016 \$
Revenue		69,259,765	28,393,978
Cost of sales			
Production costs	12 (a)	(29,811,087)	(10,991,034)
Inventory write down	5	(9,607,979)	(8,364,768)
Depreciation, depletion and amortization		(34,806,939)	(11,728,284)
		(74,226,005)	(31,084,086)
Gross loss		(4,966,240)	(2,690,108)
Operating and administrative expenses			
Accounting and legal		(742,621)	(444,707)
Exploration expenses		(660,192)	(21,980)
General administrative expenses	10, 12 (b)	(1,189,601)	(1,018,361)
Impairment of mineral property	7	(14,460,266)	-
Management and consulting fees	10	(3,859,957)	(3,193,782)
Salaries and benefits	9(c) (d) & 10(a)	(87,516)	(286,681)
Transfer agent fees and regulatory fees		(101,851)	(5,584)
		(21,102,004)	(4,971,095)
Other (expenses) and income			
Accretion and interest expense	11	(119,225)	(61,997)
Change in fair value of Deferred Consideration			
Receivable		7,675	21,833
Foreign exchange loss		(4,425,078)	(1,755,924)
Change in fair value of securities	6(b)	(3,364)	8,805
Gain on disposal of securities, net of transaction costs		-	2,199
Interest and other income		101,404	36,704
		(4,438,588)	(1,748,380)
Loss before taxes		(30,506,832)	(9,409,583)
Income tax expense	15	(144,539)	(115,332)
Deferred tax recovery	15	114,971	3,962,917
Net loss for the year		(30,536,400)	(5,561,998)
Other comprehensive (loss) income for the year:			
<i>Items subject to reclassification into statement of loss</i>			
Change in fair value of AFS securities, net of taxes	6 (a)	(1,560,643)	6,203,886
Reclassification of change in fair value of AFS securities		-	373,321
Cumulative translation adjustment, net of taxes		3,007,959	(2,396,626)
Other comprehensive(loss) income for the year:		1,447,316	4,180,581
Comprehensive loss for the year		(29,089,084)	(1,381,417)
Basic and diluted loss from continued operations per share		\$ (0.18)	\$ (0.04)
Weighted average number of shares outstanding		172,102,937	148,391,487

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

MARLIN GOLD MINING LTD. CARVE-OUT
CONSOLIDATED CARVE-OUT STATEMENTS OF CASH FLOW

(Expressed in Canadian Dollars)

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For the year ended December 31,	Notes	2017 \$	2016 \$
Cash provided by (used for):			
Operating Activities			
Net loss for the year		(30,536,400)	(5,561,998)
Non-cash items	13	63,476,893	16,043,496
		32,940,493	10,481,498
Changes in non-cash working capital			
Receivable and refundable taxes		(4,300,732)	(266,522)
Prepaid expenses, and other		229,867	(303,356)
Inventories		(4,280,113)	(4,973,625)
Accounts payable and accrued liabilities		4,250,596	(4,666,249)
Due to / from related parties		726,849	498,014
		29,566,960	769,760
Investing Activities			
Interest received		-	36,704
Proceeds on disposal of securities, net of transaction costs		-	1,483,623
Purchase of investment securities		(1,180,067)	(813,000)
Expenditures on resource property costs		(4,520,031)	-
Expenditures on mineral property, plant and equipment		(23,279,789)	(17,182,105)
Other assets		-	151,687
		(28,979,887)	(16,323,091)
Financing Activities			
Common shares issued, net of share issuance costs		-	20,631,911
Funding from Marlin Gold		(297,609)	(5,104,008)
Common shares purchased and returned to treasury		(980,090)	(907,716)
		(1,277,699)	14,620,187
Net decrease in cash		(690,626)	(933,144)
Cash - beginning of year		1,703,807	2,770,448
Foreign exchange gain on cash		(45,916)	(133,497)
Cash - end of year		967,265	1,703,807

Supplemental disclosure with respect to cash flows (Note 13)

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

MARLIN GOLD MINING LTD. CARVE-OUT
CONSOLIDATED CARVE-OUT STATEMENTS OF CHANGES IN SHAREHOLDERS' NET INVESTMENT
(Expressed in Canadian Dollars)

Shareholders' Net Investment		
	Number of shares	Total \$
Balance, December 31, 2015	115,388,289	41,447,240
Share based payments	-	217,112
Funded by Marlin Gold	57,539,430	15,966,162
Net loss and comprehensive loss	-	(1,381,417)
Balance, December 31, 2016	172,927,719	56,249,097
Share based payments	-	87,516
Funded by Marlin Gold	(1,359,500)	(1,780,491)
Net loss and comprehensive loss	-	(29,089,084)
Balance, December 31, 2017	171,568,219	25,467,038

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

1. NATURE OF OPERATIONS AND GOING CONCERN

On August 7, 2018, Marlin Gold Mining Ltd. (“Marlin Gold”) and Golden Reign Resources Ltd. (“Golden Reign”) entered into a definitive agreement (the “GRR Arrangement Agreement”), whereby Golden Reign will acquire all of the issued and outstanding shares of Marlin Gold by way of plan of arrangement (the “Transaction”). As a condition to closing the Transaction (the “Closing”), Sailfish Royalty Corp. (“Sailfish”) has agreed to restructure its existing gold stream on Golden Reign’s wholly-owned San Albino-Murra Property (“San Albino”) in Nueva Segovia, Nicaragua (“Sailfish Master Agreement”).

As outlined in more detail in Note 3, under the GRR Arrangement Agreement, certain subsidiaries of Marlin Gold will be carved out, herein after referred to as Marlin Gold Mining Ltd. Carve-Out (“Carve-Out”). The Carve-Out will be combined with Golden Reign to form a Combined Company. The main business of the Combined Company will be focused on the development of San Albino and operation of Marlin Gold’s La Trinidad Mine (“La Trinidad”) in Sinaloa, Mexico.

Marlin Gold is a public company listed on the TSX Venture Exchange (“TSX-V”) under the symbol “MLN”. Marlin Gold is incorporated and domiciled in British Columbia, Canada. The address of its registered and head office is Suite 2833 – 595 Burrard Street, Vancouver, B.C. V7X 1J1. Marlin Gold is primarily engaged in the exploration for, development of and production of gold in Mexico and exploration of gold and silver in Arizona.

These consolidated carve-out financial statements have been prepared on the assumption that the Carve-Out will be able to realize its assets and discharge its liabilities in the normal course of business. The Carve-Out incurred a net loss of \$30,536,400 (2016 – \$5,561,998) for the year ended December 31, 2017. As at December 31, 2017, the Carve-Out had a working capital of \$9,105,305. The Carve-Out currently earns operating revenues from the sale of gold bullion. Continued operations of the Carve-Out are dependent upon the Carve-Out’s ability to secure financial support, and in the longer term to generate profits from business operations.

In the event that the cash flows generated from operations are not sufficient to fund operations for the next twelve months, the Carve-Out will need to seek other forms of financing. A number of financing alternatives including, but not limited to, selling an interest in one or more of its properties, entering in a loan or completing an equity financing are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. This matter indicates the existence of material uncertainties that cast significant doubt about the Carve-Out's ability to continue as a going concern.

These consolidated carve-out financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Carve-out be unable to continue in existence. Such adjustments could be material.

These consolidated carve-out financial statements were approved by the board of directors for issue on September 26, 2018.

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS
For the year ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and consolidation

These consolidated carve-out financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”).

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

These carve-out financial statements may not be indicative of the Carve-Out financial performance and do not necessarily reflect what the Carved-Out financial performance, financial position and cash flows would have been had the Carve-out operated as an independent entity during the years presented. The following basis of preparation for the consolidated carve-out statements of financial position, comprehensive loss, changes in equity and cash flows of the Carve-Out have been applied:

- All assets and liabilities directly attributable to the Carve-Out have been allocated to these consolidated carve-out financial statements;
- All expenses directly attributable to the Carve-Out have been allocated to the consolidated carve-out financial statements;
- Expenses related to senior management and their related travel and share-based payments have been allocated on a pro-rata basis to the respective subsidiaries, with the Carve-Out retaining 65% of these costs.
- Common expenses have been allocated on a pro-rata basis to the Carve-Out based on the level of management activities during the applicable years; and
- Income taxes have been calculated as if the Carve-Out had been a separate legal entity and had filed a separate tax return for the periods presented.

These consolidated carve-out financial statements are expressed in Canadian dollars.

The consolidated carve-out financial statements include the accounts of Marlin Gold and the following wholly-owned entities which collectively comprise the Carve-Out:

Name of subsidiary	Referred to as	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Oro Gold de Mexico, S.A. de C.V.	“Oro Gold de Mexico”	Mexico	100%	Holds mineral interests in Mexico
Prestadora de Servicios Zacatecas, S.A. de C.V.	“Prestadora”	Mexico	100%	Performs payroll functions in Mexico
Marlin Gold Trading Inc.	“Marlin Gold Trading”	Barbados	100%	Commodity streaming company

All inter-company transactions, balances, revenue and expenses are eliminated in full on consolidation.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency translation

The Carve-Out's functional and reporting currency is the Canadian dollar. The functional currencies of its subsidiaries are:

- Oro Gold de Mexico, Marlin Gold Trading - US Dollars; and
- Prestadora - Mexican Pesos.

Determination of functional currency involves certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events or conditions which determined the primary economic environment.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The financial statements of the subsidiaries with functional currencies other than Canadian dollar are translated into the Canadian dollar presentation currency as follows:

- Assets and liabilities are translated into the Canadian dollar using exchange rates prevailing at the end of the reporting period.
- Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.
- Exchange differences are recognized in other comprehensive income and accumulated in equity.

Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than a subsidiary's functional currency are recognized in the consolidated statement of loss.

(c) Cash and cash equivalents

Cash and cash equivalents include cash held in bank accounts and highly liquid investments with original maturities of three months or less.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Inventories and inventory valuation

Inventories are valued at the lower of average cost and net realizable value ("NRV"). Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Ore in process inventory consists of stockpiled ore, ore on leach pads, crushed ore, and in-circuit material. Finished metal inventory consists of gold in doré awaiting refinement or bullion.

Ore in process and finished metal costs consist of direct production costs including mining, crushing and processing; site administration costs; and allocated indirect costs, including depreciation and amortization of mineral property, plant and equipment. Inventory costs are charged to production costs on the basis of quantity of metal sold. The Company regularly evaluates and refines estimates used in determining the costs charged to production costs and costs absorbed into inventory carrying values based upon actual gold recoveries and operating plans. NRV is the estimated selling price, less the estimated costs of completion and selling expenses. Any write-downs of inventory to NRV are recorded as cost of sales in the consolidated statement of loss, except prior to commercial production in which case the amounts are capitalized against mine construction and development costs. If there is a subsequent increase in the value of inventories, the previous write-downs to NRV are reversed to the extent that the related inventory has not been sold.

Supplies and spare parts inventory consists of consumables used in operations, such as fuel, chemicals, reagents and spare parts, which are valued at the lower of average cost and NRV and, where appropriate, less a provision for obsolescence. Costs include acquisition, freight and other directly attributable costs. NRV is estimated based on replacement costs.

(e) Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use along with the future cost of dismantling and removing the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs relating to any producing mineral interests are amortized on a unit-of-production basis over the estimated ounces of gold. Costs incurred after the property is placed into production that increase production volume or extend the life of a mine are capitalized.

Amortization is calculated over the useful life on a declining balance basis as follows:

- Equipment - 20 - 45%;
- Producing mineral interest - units-of-production, over estimated proven and probable reserves, resources or metric and
- Vehicles - 30%.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Stripping costs

As part of its mining operations, the Company incurs stripping costs during both the development and production phase. Stripping costs incurred in the development phase of a mine, before commercial production commences, are capitalized as part of the cost of constructing the mine and subsequently amortized over its useful life using a units-of-production method. Stripping costs incurred during the production phase of a mine are considered production costs and included in the cost of inventory produced during the period in which the stripping costs are incurred, unless the stripping activity provides additional access to the ore to be mined in the future, in which case the stripping costs are capitalized. Stripping costs incurred to prepare the ore body for extraction are capitalized as mine development costs (pre-stripping). Capitalized stripping costs are amortized on a unit-of-production basis over the estimated resource of the component to which they relate.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that provides additional access to the identified component of ore, plus an allocation of directly attributable overhead costs.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Company uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of property, plant and equipment in the statement of financial position. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

Estimated recoverable resources are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Resource property costs

Resource property acquisition costs are capitalized. These include any cash consideration and advance royalties paid, and the fair market value of shares issued, if any, on the acquisition of the resource property interest. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Exploration and evaluation expenditures are expensed as incurred.

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, resource property acquisition costs are tested for impairment and then reclassified to mine properties within property, plant and equipment and carried at cost until the properties to which they relate are placed into commercial production, sold, abandoned or determined by management to be impaired in value.

At each reporting date, capitalized resource property acquisition costs are assessed for indicators of impairment. Where a potential impairment is indicated, impairment tests are performed for each area of interest, as described in Note 2(i) of these consolidated carve-out financial statements. To the extent that resource property acquisition costs are not expected to be recovered, they are charged to the consolidated statement of loss.

Proceeds from the sale of properties or cash proceeds received from option payments are recorded as a reduction of the related resource property costs.

(h) Share capital

Common shares are classified as shareholders' net investment. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' net investment. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

(i) Impairment

At each reporting period, management reviews all assets for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing FVLCD, recent market transactions (where available) are taken into account. If no such transactions can be identified, an appropriate valuation model is used. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/cash generating unit ("CGU"). If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of loss for that period. For an asset that does not generate

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Impairment (cont'd)

largely independent cash inflows, the recoverable amount is determined for the CGU to which that asset belongs.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in the consolidated statement of loss for that period. The increased carrying amount due to reversal may not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

(j) Share-based payments

The Company grants stock options and restricted share units ("RSUs") to directors, officers, employees and service consultants. Each tranche in an award is considered a separate award with its own vesting period. Changes to the estimated number of awards that will eventually vest are accounted for prospectively. The Company applies the fair-value method of accounting for share-based compensation. The fair value of stock options is calculated using the Black-Scholes option pricing model ("BS model") with market related inputs as of the date of grant. The fair value of RSUs is the market value of the underlying shares as of the date of grant.

Share-based compensation for employees and others providing similar services is determined based on the grant date fair value. Share-based compensation for non-employees is determined based on the fair value of the goods or services received or option granted measured at the date on which the Company obtains such goods or services. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company's shares on the date of share issuance.

Share-based compensation expense is recognized over each tranche's vesting period, in the consolidated statement of loss or capitalized as appropriate, based on the number of awards expected to vest. The number of stock options expected to vest is adjusted each reporting period. No expense is recognized for stock-based awards that do not ultimately vest.

(k) Provision for reclamation and rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when the environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the dismantling, remediation and ongoing treatment and monitoring of a mine and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operation license conditions and, when applicable, the environment in which the mine operates. Discount rates using a pre-tax rate that reflects the time value of money and the risk associated with the liability are used to calculate the net present value. These costs are capitalized and then charged against the consolidated statement of loss over the

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- (k) Provision for reclamation and rehabilitation (cont'd)
economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating a finance expense in the consolidated statement of loss.

Decommissioning costs are also adjusted at each reporting date for changes in estimates. These may include revised expected cash flows, the timing of the cash flows and discount rate. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in the consolidated statement of loss. The operations of the Company have been, and may in the future be, affected by changes in environmental regulations, including those for site restoration costs.

- (l) Loss per share
Loss per common share is calculated using the weighted average number of common shares outstanding. Diluted loss per share is not presented as it is anti-dilutive.

- (m) Revenue recognition
Revenue from the sale of metals is recognized when the significant risks and rewards of ownership have passed to the buyer; it is probable that economic benefits associated with the transaction will flow to the Company; the sale price can be measured reliably; the Company has no significant continuing involvement; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Proceeds from sales of pre-commercial production are recorded as a reduction of property plant and equipment. Revenue is measured at the fair value of the consideration received or receivable.

- (n) Taxes
Deferred taxes
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable net loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Mining taxes and royalties

Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to taxable income. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognized as current provisions and included in cost of sales.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Taxes (cont'd)

Value added tax ("IVA")

IVA credit refundable is from the Government of Mexico and is currently calculated as 16% of expenditures in Mexico. IVA refunds receivable are reviewed for impairment at each financial reporting date in accordance with the policy for impairment of financial assets.

(o) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: Fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

FVTPL - Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through the consolidated statement of loss. Investments in warrants are included in this category.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Loans and receivables are comprised of cash and receivables.

AFS - AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investment in securities.

Impairment of financial assets - The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is "significant" or "prolonged" based on indicators such as significant adverse changes in the market, economic or legal environment. Any impairment charges are recognized in the consolidated statement of loss.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Derecognition of financial assets and liabilities: Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Any accumulated fair value adjustments recognized in the consolidated statement of other comprehensive loss are then included in net loss. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within other income and finance costs.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial instruments (cont'd)

Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities, and derivative financial liabilities.

Other financial liabilities - Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the consolidated statement of loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable, which are non-interest bearing, and due to related parties.

Derivatives - Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in the consolidated statement of loss.

(p) New accounting standards issued but not yet effective

The IASB issued the following new pronouncements that may affect the Carve-Out's future financial statements. The Carve-Out has evaluated the new standard and does not anticipate any material impact from the adoption of these standards but will continue to monitor as the adoption period approaches.

- IFRS 9: Financial Instruments ("IFRS 9"): This standard replaces the current IAS 39: Financial Instruments Recognition and Measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The effective date of IFRS 9 is January 1, 2018.
- IFRS 15: Revenue from Contracts with Customers ("IFRS 15"): This standard replaces IAS 11: Construction Contracts, IAS 18: Revenue and IFRIC 13: Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. The standard is effective from January 1, 2018.
- IFRS 16: Leases ("IFRS 16"): This standard replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Key sources of estimation uncertainty and critical accounting judgement

The preparation of these consolidated carve-out financial statements requires management to make judgements, 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.

Outlined below are all of the areas which require management to make significant estimates and assumptions in determining carrying values.

Estimated recoverable resources, ore in process and production costs

Recoverable ounces are estimates of the amount of ore that can be economically and legally extracted from the Carve-Out's mining properties. The Carve-Out estimates its recoverable ounces based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable ounces is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, metallurgical recoveries, and production costs along with geological assumptions and judgments made in estimating the size, and grade of the ore body. Changes in the recoverable ounces may impact the carrying value of inventories, operating costs of future periods, mining interests, mine restoration provisions, and depreciation and amortization charges. Marlin Gold does not have proven and probable reserves and monitors the recovery of gold ounces from the leach pad on an ongoing basis and may refine its estimate based on these results. Assumptions used in inventory valuation include tonnes mined, grams of gold per tonne, recovery rate based on the type of ore placed on the leach pad, assays of ore tonnes, solutions and gold on carbon, among others.

Deferred income taxes

The determination of income tax expense and deferred income tax involves 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 Carve-Out operates. The Carve-Out is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred income taxes or the timing of tax payments.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Key sources of estimation uncertainty and critical accounting judgement (cont'd)

Impairment of non-current assets

At each reporting date, the Carve-Out reviews its non-current assets to determine whether there are any indications of impairment. Calculating the estimated recoverable amount for the non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated recoverable resources, estimated future commodity prices, the expected future operating and capital costs and discount rates. Changes in any of the assumptions or estimates used in determining the recoverable amount could impact the impairment analysis.

Reclamation and remediation provisions

Reclamation and remediation provisions represent the present value of estimated future costs for the reclamation of the Carve-Out's mines and properties. These estimates include assumptions as to the cost of services, timing of the reclamation work to be performed, inflation rates, exchange rates and interest rates.

The actual cost to reclaim a mine may vary from the estimated amounts because there are uncertainties in factors used to estimate the cost and potential changes in regulations or laws governing the reclamation of a mine. Management periodically reviews the reclamation requirements and adjusts the liability as new information becomes available and will assess the impact of new regulations and laws as they are enacted.

Critical judgement

Impairment of mineral property plant and equipment and resource property costs.

Critical judgement was applied on the assessment of impairment indicators for the Carve-Out's mineral property plant and equipment and resource property costs. Management determined that there was an impairment indicator during the year due to the reduction of recoverable ounces and therefore completed an impairment assessment for the La Trinidad CGU. The recoverable amount of the La Trinidad Mine was determined as VIU using a discounted cash flow model. Management's impairment evaluation resulted in the identification of an impairment loss of \$14,460,266 for the La Trinidad Mine for the year ended December 31, 2017 (refer to Note 7).

Stripping costs

Significant judgement is required to identify and define the components of the La Trinidad Mine, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. Management has determined that the La Trinidad Mine consists of one component.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset. The Carve-Out considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined over the estimated resource, is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the units-of-production method in determining the depreciable lives of the stripping activity asset.

3. GOLDEN REIGN RESOURCES LTD. AGREEMENTS

Under the terms of the GRR Arrangement Agreement, Golden Reign will acquire all of the outstanding Marlin Gold common shares in exchange for 0.5138 of a Golden Reign common share (each whole common share, a "GRR Share") for each Marlin Gold common share acquired (the "Consideration"). In addition, Marlin Gold will distribute an aggregate of 18,148,654 Golden Reign shares currently held by Marlin Gold to the Marlin Gold shareholders on the basis of 0.1022 Golden Reign shares for each Marlin Gold common share, bringing the total Golden Reign Shares to be received by Marlin Gold shareholders to 0.6160 of a Golden Reign Share for each Marlin Gold common share outstanding at Closing. The Transaction will result in Marlin Gold and three of its subsidiaries, Oro Gold de Mexico, Prestadora and Marlin Gold Trading, becoming wholly-owned subsidiaries of Golden Reign (the "Combined Company"). Termination fees of \$1,000,000 will be paid to Marlin Gold or Golden Reign in certain circumstances should the Transaction not be completed.

Upon completion of the Transaction, it is expected that the shareholders of Marlin Gold, as of the closing time, will own, in aggregate, approximately 45% of the issued and outstanding common shares of the Combined Company (including the current Marlin Gold shareholding of Golden Reign) and the shareholders of Golden Reign, as of the closing time, will own, in aggregate, approximately 55% of the issued and outstanding common shares of the Combined Company.

Under the terms of the GRR Arrangement Agreement, as a condition to Closing, Marlin Gold has agreed to undertake a corporate reorganization, pursuant to which it will:

- (i) sell its Commonwealth silver and gold property in Cochise County, Arizona, to Wexford Capital LP or funds controlled by it ("Wexford"), Marlin's controlling shareholder, which will extinguish all of Marlin Gold's loans and any other debts and liabilities owing to Wexford;
- (ii) as part of the Sailfish Master Agreement, assign to Sailfish its 1% net smelter royalty ("NSR") on the Parral 2 claims on the La Cigarra project owned by Kootenay Silver Inc. (the "La Cigarra Royalty") and its 1.5% NSR on the majority of the concessions at the El Compas project operated by Endeavour Silver Corp. (the "El Compas Royalty"), grant an option to Sailfish to purchase its Gavilanes property in Mexico, and make payments to Sailfish of certain IVA receivables by Oro Gold de Mexico, all as partial consideration for Sailfish agreeing to enter into the amendment to the existing gold stream on San Albino;
- (iii) wind-up certain of its non-material subsidiaries that will not be acquired by Golden Reign under the Transaction; and
- (iv) arrange for the sale of 17,155,191 common shares of Golden Reign, currently held by Marlin Gold, at a price of \$0.1539 on a private placement basis, pursuant to which Wexford will purchase at least 85% of such Golden Reign common shares and an aggregate of at least 993,464 of such Golden Reign common shares will be purchased by current stock option holders of Marlin Gold. The full amount of the gross proceeds from such private placement of \$2,640,184 will remain in Marlin Gold on the Closing of the Transaction.

These pre-Closing transactions being completed by Marlin Gold are collectively referred to herein as the "Marlin Reorganization".

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3. GOLDEN REIGN RESOURCES LTD. AGREEMENTS (cont'd)

The Transaction will be carried out by way of a court-approved plan of arrangement under the Business Corporations Act (British Columbia) and will require the approval of: (i) at least 66 2/3% of the votes cast by the holders of Marlin Gold common shares; and (ii) a simple majority of the votes cast by holders of Marlin Gold common shares after excluding any votes of certain persons required to be excluded, at a special meeting of shareholders currently expected to take place in the fall of 2018. Sailfish to obtain the requisite shareholder approvals in connection with the Sailfish Master Agreement.

These consolidated carve-out financial statements reflect the assets, liabilities, expenses and cash flows of the entities being acquired by Golden Reign on a carve-out basis.

4. RECEIVABLE AND REFUNDABLE TAXES

	December 31, 2017	December 31, 2016
	\$	\$
Value added taxes (IVA)	10,371,481	6,611,120
Deferred Consideration Receivable	89,455	85,598
Other	145,713	159,189
	10,606,649	6,855,907

IVA credit refundable is from the Government of Mexico and is currently calculated as 16% of expenditures in Mexico.

Under the terms of the Sailfish Master Agreement, as described in Note 3, \$3,950,613 (2016 - \$4,187,992) of the IVA receivable is due to Sailfish.

5. INVENTORIES

	December 31, 2017	December 31, 2016
	\$	\$
Ore in process	10,679,097	40,333,791
Finished metal inventory	1,466,564	8,068,561
Supplies and spare parts	1,434,680	1,545,962
	13,580,341	49,948,314

As at December 31, 2017 and 2016, ore in process and finished metal inventory was recorded at net realizable value ("NRV"). For the year ended December 31, 2017, the Carve-Out recorded write downs of \$9,607,979 (2016 - \$8,364,768). The write down for the year ended December 31, 2017 includes an impairment of \$1,488,410 arising from changes in the expected recovery of gold ounces from mineralized material in the stockpile inventory. As at December 31, 2017, ore in process is comprised of stockpile inventory of \$391,483, (December 31, 2016 - \$11,704,652) and leach pad inventory of \$10,287,614 (December 31, 2016 - \$28,629,139).

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6. INVESTMENT IN SECURITIES

	December 31, 2017		December 31, 2016	
	Cost \$	Fair Value \$	Cost \$	Fair value \$
Golden Reign Resources Ltd.				
36,297,264 (December 31, 2016 – 30,9333,333) common shares	5,227,601	8,529,859	4,047,534	9,125,333
Canarc Resources Corp.				
250,000 (December 31, 2016 – 250,000) warrants	10,575	6,213	10,575	9,577
Total	5,238,176	8,536,072	4,058,108	9,134,910

Golden Reign Resources Ltd. (“Golden Reign”)

- (i) On July 10, 2014, Marlin Gold acquired ownership of 21,333,333 common shares (the “Acquired Shares”) of Golden Reign representing 18.51% of the issued and outstanding common shares of Golden Reign at the acquisition date. The Acquired Shares were purchased at a price of \$0.15 per Acquired Share, for aggregate cost of \$3,200,000 and acquisition costs of \$79,534 were incurred. On March 23, 2016, Marlin Gold participated in Golden Reign’s private placement acquiring 9,600,000 common shares for a cost of \$768,000. On January 24, 2017, Marlin Gold purchased 5,363,931 common shares in Golden Reign for cost of \$1,180,067. This brings Marlin Gold’s current shareholding in Golden Reign to 36,297,264 shares and represents an 18.9% ownership in Golden Reign.

Concurrent with the purchase of the Acquired Shares, Marlin Gold, Sailfish and Golden Reign entered into a US\$15,000,000 (the “GRR Purchase Price”) Gold Streaming Arrangement (the “GRR Gold Stream Arrangement”) for the construction and development of Golden Reign’s San Albino gold deposit, located in Nueva Segovia, Nicaragua. The GRR Purchase Price is only due once a preliminary cost assessment report has been provided for the development of the Golden Reign’s San Albino gold deposit and has been approved by Sailfish.

The investment in Golden Reign is classified as AFS and is measured at fair value with changes in fair value recognized in other comprehensive income. For the year ended December 31, 2017, Marlin Gold recorded a loss in the change in fair value of the Golden Reign shares of \$1,775,541 in other comprehensive income, net of taxes of \$214,898.

- (ii) Under the terms of the GRR Arrangement Agreement, as described in Note 3, Marlin Gold will distribute 18,148,654 Golden Reign shares currently held by Marlin Gold to the Marlin Gold shareholders on the basis of 0.1022 Golden Reign Shares for each Marlin Gold common share held. The remaining Golden Reign shares of 18,148,655 will be sold by Marlin Gold and the proceeds are to remain in the Carve-Out to settle outstanding debts.

6. INVESTMENT IN SECURITIES (cont'd)

Golden Reign Resources Ltd. ("Golden Reign") (cont'd)

- (iii) As part of the process of finalizing the GRR Arrangement Agreement, described in Note 3, Marlin Gold entered into a definitive bridge loan agreement for a bridge loan from Marlin Gold to Golden Reign.

On May 15, 2018, Marlin Gold advanced \$4,000,000, having a term of one year and bearing interest at 8% per annum (the "Bridge Loan"). Upon completion of the Transaction, the Bridge Loan will become intercompany debt and will be terminated. In the event that (a) Golden Reign shareholders vote not to approve the Transaction, or (b) the GRR Arrangement Agreement is terminated in accordance with its terms, then all accrued interest under the Bridge Loan will become immediately due and the maturity date of the Bridge Loan will accelerate to the earlier of the original maturity date or the date that is four months from the negative shareholder vote or termination of the GRR Arrangement Agreement.

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7. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mine			
	Property	Equipment	Vehicles	Total
	\$	\$	\$	\$
For the year ended December 31, 2017				
Opening net book value	4,654,537	1,098,049	104,194	5,856,780
Translation adjustment	(1,235,481)	(97,789)	(8,955)	(1,342,225)
Additions	32,914,722	1,060,074	138,458	34,113,254
Write off - fully depreciated	-	(198,572)	-	(198,572)
Impairment	(14,460,266)	-	-	(14,460,266)
Depreciation charge	(5,110,597)	(103,690)	(114,829)	(5,329,116)
Closing net book value	16,762,915	1,758,072	118,868	18,639,855
As at December 31, 2017				
Cost	75,345,999	3,174,741	741,250	79,261,990
Accumulated depreciation	(58,583,084)	(1,416,669)	(622,382)	(60,622,135)
Net book value	16,762,915	1,758,072	118,868	18,639,855
For the year ended December 31, 2016				
Opening net book value	35,946,581	1,068,981	437,037	37,452,599
Translation adjustment	(2,338,058)	(31,731)	(17,129)	(2,386,918)
Additions	20,041,423	162,179	5,289	20,208,891
Depreciation charge	(48,995,409)	(101,380)	(316,736)	(49,413,525)
Closing net book value	4,654,537	1,098,049	108,461	5,861,047
As at December 31, 2016				
Cost	62,069,413	2,506,715	651,786	65,227,914
Accumulated depreciation	(57,414,876)	(1,408,666)	(543,325)	(59,366,867)
Net book value	4,654,537	1,098,049	108,461	5,861,047

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7. MINERAL PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Mine Property

The Trinidad area is located in Sinaloa, Mexico and is comprised of 9 concessions, subject to the following agreements:

Don Paulino Agreement

Certain concessions, including the Trinidad area concessions, Nancy, Santa Cesilia and La Poderosa, are subject to an option to purchase agreement originally dated February 9, 2006, (as amended) (the "Don Paulino Agreement"). Pursuant to the Don Paulino Agreement, Marlin Gold has the option to purchase all the concessions within nine years in consideration of an aggregate payment of US\$600,000 and the grant of a 0.5% to 1.5% NSR payable upon exercise of the option and once Marlin Gold has recovered its initial investment or the mine has been in production for 2 years. The NSR consideration will be 0.5% if the price per ounce of gold is less than US\$400; 1% if the price is greater than US\$400 but less than US\$499.99; and price per ounce of gold is less than US\$400; 1% if the price is greater than US\$400 but less than US\$499.99; and 1.5% if the price is equal or greater than US\$500. The NSR can be purchased by Marlin Gold for US\$1,000,000.

Camargo Agreement

Certain concessions, including La Nueva Trinidad and Nancy, are subject to an option to purchase agreement originally dated June 24, 2005, (as amended) (the "Camargo Agreement"). Pursuant to the Camargo Agreement, Marlin Gold is required to make NSR payments to Minera Camargo S.A. de C.V. ranging from 0.5% to 1.0% payable upon the mine being in commercial production for two years. The NSR consideration will be 0.5% if the price per ounce of gold is less than US\$400 and 1% if the price is greater than US\$400. Each 0.5% NSR can be purchased by Marlin Gold for US\$1,000,000.

Following is a detailed breakdown of the mine property.

	As at December 31, 2016	Additions	Translation adjustment	As at December 31, 2017
	\$	\$	\$	\$
Construction and mine costs	36,814,014	5,500,599	(2,602,190)	39,712,423
Deferred stripping costs	34,358,749	27,858,842	(3,188,537)	59,029,054
Provision for reclamation and rehabilitation	7,195,535	(444,719)	(457,794)	6,293,022
Capitalized borrowing costs	867,747	-	(57,001)	810,746
Pre-commercial production loss	3,634,321	-	(238,733)	3,395,588
Reclassification from resource property costs	720,553	-	(47,332)	673,221
Property acquisition costs	423,833	-	(27,841)	395,992
	84,014,752	32,914,722	(6,619,428)	110,310,046
Depreciation	(57,414,878)	(5,110,597)	3,942,391	(58,583,084)
Impairment	(21,945,337)	(14,460,266)	1,441,556	(34,964,047)
Total Mine Property	4,654,537	13,343,859	(1,235,481)	16,762,915

7. MINERAL PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) Impairment

Marlin Gold conducted an impairment analysis whereby the carrying value of the La Trinidad Mine was compared to the mine's recoverable amount which was determined to be its VIU as at December 31, 2017. In carrying out the review of the La Trinidad Mine for impairment, Marlin Gold utilized discounted cash flow models incorporating estimates and assumptions that included such factors as future production levels, metallurgical recovery estimates, operating and capital costs in its life-of-mine plan, future metal prices, foreign exchange rates and discount rates.

Marlin Gold's estimate of future cash flows is subject to risks and uncertainties and therefore could change in the future if the underlying assumptions change.

The determination of VIU as at December 31, 2017, includes the following key applicable assumptions:

- Gold price per ounce: US\$1,295;
- Operating and capital costs based on the resource report and estimated forecasts;
- Production volume and recoveries as indicated in the life-of-mine plan;
- Mine life until 2019; and
- a pre-tax discount rate 10%

Marlin Gold's analysis concluded that the carrying values of the La Trinidad Mine as at December 31, 2017 was impaired resulting in an impairment charge of \$14,460,266 in the consolidated statement of loss and comprehensive loss.

(c) Sensitivities

The recoverable amount is most sensitive to changes in gold prices. A decrease in gold prices, recovery rates or recoverable ounces could result in Marlin Gold making amendments to the mine plan that would partially offset the effect of lower prices through lower operating and capital costs. Ignoring the impact on the mine plan, in isolation, a US\$50 decrease in gold price assumptions would result in additional reductions in the recoverable amount of approximately \$2.9 million.

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8. RESOURCE PROPERTY COSTS

	December 31, 2017	December 31, 2016
	\$	\$
Opening balance	-	-
Additions	4,520,032	-
Cumulative translation adjustment	(36,455)	-
Closing balance	4,486,577	-

On August 17, 2017, Marlin Gold completed the acquisition of the Gavilanes Property located in Durango State, Mexico from Santacruz Silver Mining Ltd. for total cash consideration of \$4,520,032 (US\$3,573,996). The property is subject to a 3% NSR, up to a maximum of \$2,000,000.

On February 28, 2018, Marlin Gold entered into an option agreement with SilverCrest Metals Inc. whereby Marlin Gold has the option to purchase all the Guadalupe concessions surrounding Gavilanes for US\$500,000, payable as follows: US\$100,000 on signing (paid); US\$100,000 in 12 months; and US\$300,000 in 24 months.

Under the terms of the Sailfish Master Agreement, as described in Note 3, Marlin Gold will assign to Sailfish its 1% NSR on the La Cigarra Royalty and its 1.5% NSR on the El Compas Royalty and grant an option to Sailfish to purchase its Gavilanes property in Mexico.

9. SHAREHOLDERS' NET INVESTMENT

(a) Authorized - Unlimited number of common shares with no par value.

(b) Issued share capital is as follows:

- (i) During the year ended December 31, 2017, Marlin Gold purchased 1,359,500 common shares of Marlin Gold under the normal course issuer bid ("NCIB") for \$980,090. As at December 31, 2017, 1,359,500 common shares acquired by Marlin Gold under the NCIB were cancelled.
- (ii) During the year ended December 31, 2016, Marlin Gold purchased 2,000,000 common shares of Marlin Gold under the NCIB for \$907,716. As at December 31, 2016, 2,000,000 common shares acquired by Marlin Gold under the NCIB were cancelled.
- (iii) For the year ended December 31, 2016, share issue costs of \$385,293 were incurred.
- (iv) On August 24, 2016, Marlin Gold completed a bought deal brokered private placement of 2,430,000 common shares (the "Brokered Offering") with Red Cloud Klondike Strike Inc., for gross proceeds of \$1,215,000. In addition to the Brokered Offering, Marlin Gold also completed, on a non-brokered basis, a subscription for 600,000 common shares for gross proceeds of \$300,000.
- (v) On July 22, 2016, Marlin Gold completed a non-brokered private placement for \$6,500,000 and issued 13,000,000 common shares to the Wexford Spectrum Investors LLC ("WSI") and Wexford Catalyst Trading Limited ("WCT") (together the "Wexford Funds") and existing shareholders of Marlin Gold.

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS
For the year ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

9. SHAREHOLDERS' NET INVESTMENT (cont'd)

(b) Issued share capital is as follows (cont'd):

- (vi) On May 16, 2016, Marlin Gold completed a rights offering for \$13,002,204 and issued 43,340,680 common shares.
- (vii) On January 1, 2016, 168,750 restricted share units ("RSU") vested with a fair value of \$47,250. Refer to Note 9(d).

(c) Stock options

Marlin Gold has a share option plan for its employees, directors, officers and consultants. The plan provides for the issuance of incentive options to acquire up to a total of 10% of the issued and outstanding common shares of Marlin Gold. The exercise price of each option shall not be less than the minimum prescribed amount allowed under the TSX-V. The options can be granted for a maximum term of 5 years with vesting provisions determined by Marlin Gold.

The continuity of incentive stock options issued and outstanding is as follows:

	Number of Options	Weighted Average Exercise Price \$
Outstanding December 31, 2016	6,030,000	0.15
Expired during period	(30,000)	1.10
Outstanding December 31, 2017	6,000,000	0.15

As at December 31, 2017, Marlin Gold has 6,000,000 stock options outstanding, each stock option entitling the holder to purchase a common share at a price of \$0.15 per common share for a period of five years, expiring on February 5, 2021. On the grant date, 300,000 stock options vested immediately, and 300,000 stock options will vest at each quarter commencing on March 31, 2016 with the last tranche vesting on September 30, 2020. The incremental fair value of these options was calculated as \$453,233 using the BS model. As at December 31, 2017, 2,700,000 (December 31, 2017, 1,500,000) options had vested. Marlin Gold recorded share-based payments of \$134,640 (2016 - \$36,893) for the year ended December 31, 2017, which are included in salaries and benefits expense in the consolidated statement of loss and comprehensive loss.

As of December 31, 2017, the following options were outstanding and vested:

Exercise Prices \$	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price \$
0.15*	6,000,000	3,300,000	2.61	0.15

* Subsequent to the year end December 31, 2017, the exercise price of the outstanding options was increased from \$0.15 to \$0.1611 per option.

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS
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9. SHAREHOLDERS' NET INVESTMENT (cont'd)

(d) Restricted Stock Units ("RSU")

On January 1, 2016, 168,750 RSUs vested and on February 5, 2016 Marlin Gold cancelled the remaining 1,181,250 RSUs and issued stock options – see (c) above. As at December 31, 2016 and December 31, 2017, there are no RSU's authorized for issue.

10. RELATED PARTIES

(a) Key management compensation

Key management comprises directors and executive officers. The compensation to key management was as follows:

For the year ended December 31,	2017	2016
Short-term employment benefits		
<i>Director fees</i>	60,000	60,000
<i>Senior management</i>	516,067	517,530
Share-based payments	87,516	217,112
Total	663,583	794,642

Amounts due to key management as at December 31, 2017 were \$56,665 (December 31, 2016 - \$92,637).

(b) Related party transactions

The Carve-Out entered into the following related party transactions:

During the year ended December 31, 2017, fees relating to travel, investor relations and consulting services of \$3,591,975 (US\$2,764,573) (2016 - \$2,229,999 (US\$1,693,427)) were charged by Sonoran Resources, LLC, a full-service engineering, procurement and construction management firm working exclusively with Marlin Gold ("Sonoran"). Sonoran is a private company controlled by one director of Marlin Gold. Charges of \$3,315,384 (US\$2,552,218) (2016 - \$2,045,857 (US\$1,554,190)) are included in consulting fees, travel expenses of \$271,423 (US\$208,270) (2016 - \$184,142 (US\$139,237)) and finance charges of \$5,168 (US\$4,085) (2016 - \$Nil) are included in general expenses.

During the year ended December 31, 2017, fees of \$72,282 (US\$54,640) (2016 - \$991,652 (2016 - US\$749,874)) were charged by Sonoran as part of the working capital paid to advance the Golden Reign's San Albino gold deposit, respectively.

Amounts payable to Sonoran as at December 31, 2017 were \$1,326,866 (US\$1,057,513) (2016 - \$564,074 (US\$420,102)).

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS
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10. RELATED PARTIES (cont'd)

(b) Related party transactions (cont'd)

On February 9, 2018, Marlin Gold terminated the services of Sonoran and negotiated a settlement on the outstanding liability owed by Marlin Gold. Marlin Gold recorded a gain of \$690,847 (US\$548,291) on the settlement of the Sonoran liability outstanding.

(c) Transactions with controlling shareholder

(i) As at December 31, 2017, the Wexford Funds held 145,965,387 common shares of Marlin Gold.

On a non-diluted basis and after giving effect to the above changes in equity, Wexford Funds' ownership percentage has increased from 84.41% to 85.08% of Marlin Gold's issued and outstanding common shares as at December 31, 2017.

(ii) Under a service agreement, effective January 1, 2015, between Marlin Gold and an affiliate of the Wexford Funds, Marlin Gold was charged \$50,913 (US\$39,226) (2016 - \$60,101 (US\$45,377) and for shared office space and administration services for the year ended December 31, 2017.

Amounts payable to the affiliate of the Wexford Funds as at December 31, 2017 were \$Nil (December 31, 2016 - \$Nil).

11. RECLAMATION AND REHABILITATION OBLIGATIONS

The provision for environmental reclamation and rehabilitation as at December 31, 2017 is \$6,594,350 (December 31, 2016 - \$7,393,826). The expected timing of cash flows in respect of the provision is based on the estimated life of the mining operation. The provision was determined using a discount rate of 1.76% (December 31, 2016 - 1.03%) and estimated cash outflows commencing in 2 years (2016 - 2 years) for the La Trinidad Mine.

	\$
Balance – December 31, 2015	4,745,001
Changes in estimate	2,692,171
Accretion expense	61,996
Cumulative translation adjustment	(105,342)
Balance – December 31, 2016	7,393,826
Changes in estimate	(438,650)
Accretion expense	119,225
Cumulative translation adjustment	(480,051)
Balance – December 31, 2017	6,594,350

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS
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12. PRODUCTION COSTS AND GENERAL ADMINISTRATIVE EXPENSES

(a) Production costs is comprised of:

For the year ended December 31,	2017	2016
Mining, crushing and conveying, and processing	\$ 22,159,331	\$ 9,634,791
Mine general and administrative	5,663,598	2,530,358
Laboratory	649,156	263,154
Refining	238,685	31,338
Selling expenses and silver credits	45,643	167,150
Royalty expenses and mining taxes	1,054,674	326,301
less: insurance proceeds received	-	(1,962,058)
	\$ 29,811,087	\$ 10,991,034

(b) General administrative expenses is comprised of:

For the year ended December 31,	2017	2016
Travel and promotion	\$ 310,572	\$ 227,520
Communications and investor relations	436,431	162,797
Office expenses	113,136	192,411
Rent	99,706	146,976
Insurance expense	94,760	195,467
Telephone; IT services and supplies	45,528	18,948
Directors' fees	60,000	60,000
Bank charges and finance costs	29,468	14,242
	\$ 1,189,601	\$ 1,018,361

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS
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13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended December 31,	2017	2016
	\$	\$
The significant non-cash investing transactions consisted of:		
Change in property, plant and equipment included in accounts payable and accrued liabilities	(10,774,303)	-
<hr/>		
For the year ended December 31,	2017	2016
	\$	\$
Non-cash items		
Accretion expense	119,225	61,997
Change in fair value of Deferred Consideration Receivable	(7,675)	(21,833)
Change in fair value of securities	3,364	(8,805)
Deferred tax recovery	(114,971)	(3,962,869)
Depreciation, depletion and amortization	34,806,939	11,734,407
Inventory write down	9,607,979	8,364,768
Impairment of mineral property	14,460,266	-
Gain on disposal of securities	-	(2,199)
Interest and other income	(101,404)	(36,704)
Share-based payments	87,516	217,112
Unrealized foreign exchange	4,615,654	(302,378)
	63,476,893	16,043,496

14. SEGMENT INFORMATION

As at December 31, 2017, the Carve-Out has one business segment, the production of gold and exploration of resources in Mexico. The Carve-Out's principal product is gold doré with the refined gold bullion sold in the London spot market by the subsidiary in Barbados. The gold doré is produced at the La Trinidad Mine in Mexico. All of the Carve-Out's significant non-current assets are located in Mexico.

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS
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15. INCOME TAX EXPENSE AND DEFERRED TAXES

- (a) The tax effects of temporary differences between amounts recorded in the Carve-Out's accounts and the corresponding amounts as computed for income tax purposes gives rise to deferred tax assets and liabilities as follows:

As at December 31,	2017	2016
Non-capital losses carried forward	2,125,818	11,552,656
Property, plant and equipment	-	(13,082)
Special mining royalty	(167,349)	(113,613)
Loans	(1,044,796)	(1,424,070)
Inventories	(597,058)	(8,893,043)
Investments in securities	(445,215)	(659,984)
Other assets	(38,749)	(562,377)
Net deferred tax assets (liabilities)	(167,349)	(113,513)

- (b) The movement in temporary differences during the year is as follows:

As at	December 31, 2016	Recognized in Net Loss	Recognized in OCI	Recognized in CTA	Recognized in Contributed Surplus	December 31, 2017
	\$	\$	\$	\$	\$	\$
Deferred tax assets						
Non-capital losses carried forward	11,552,656	(9,426,838)	-	-	-	2,125,818
Deferred tax liabilities						
Mineral property	(13,082)	13,082	-	-	-	-
Special mining royalty	(113,613)	(63,371)	-	9,635	-	(167,349)
Loans	(1,424,070)	772,614	-	-	(393,340)	(1,044,796)
Inventories	(8,893,043)	8,295,985	-	-	-	(597,058)
Investments in securities	(659,984)	(129)	214,898	-	-	(445,215)
Other assets	(562,377)	523,628	-	-	-	(38,749)
	(11,666,169)	9,541,809	214,898	9,635	(393,340)	(2,293,167)
Net deferred tax assets (liabilities)	(113,513)	114,971	214,898	9,635	(393,340)	(167,349)

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS
For the year ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

15. INCOME TAX EXPENSE AND DEFERRED TAXES (cont'd)

(b) The movement in temporary differences during the year is as follows (cont'd):

As at	December 31, 2015	Recognized in Net Loss	Recognized in OCI	Recognized in CTA	Recognized in Contributed Surplus	December 31, 2016
	\$	\$	\$	\$	\$	\$
Deferred tax assets						
Non-capital losses carried forward	383,100	11,169,556	-	-	-	11,552,656
Deferred tax liabilities						
Mineral property	-	(13,082)	-	-	-	(13,082)
Special mining royalty	(2,079,048)	1,878,733	-	86,702	-	(113,613)
Loans	-	-	-	(1,424,070)	-	(1,424,070)
Inventories	(373,200)	(8,519,843)	-	-	-	(8,893,043)
Investments in securities	-	30	(660,014)	-	-	(659,984)
Other assets	(9,900)	(552,477)	-	-	-	(562,377)
	(2,462,148)	(7,206,639)	(660,014)	(1,337,368)	-	(11,666,169)
Net deferred tax assets (liabilities)	(2,079,048)	3,962,917	(660,014)	(1,337,368)	-	(113,513)

(c) The provision for income taxes differs from the expected amount calculated using the Canadian federal and provincial statutory income tax rates is as follows:

For the year ended December 31,	2017	2016
	\$	\$
Loss for the year	(30,506,832)	(9,409,583)
Canadian statutory tax rate	26.0%	26.0%
Income tax benefit computed at statutory rates	(7,931,776)	(2,446,492)
Change in deferred tax assets not recognized	3,419,688	1,626,269
Effect of change and difference in tax rates	(739,747)	(418,116)
Marlin Gold	1,197,053	(2,299,107)
Foreign exchange	939,929	1,933,494
Mining royalty	500,918	(2,154,570)
Other	(965,090)	127,041
Permanent differences	3,608,593	(216,104)
Income tax expense (recovery)	29,568	(3,847,585)
Disclosed as follows:		
Income tax expense	144,539	115,332
Deferred tax recovery	(114,971)	(3,962,917)
	29,568	(3,847,585)

There has been an income tax rate increase in the province of British Columbia from 11% to 12% which is effective January 1, 2018 due to legislative changes.

16. MANAGEMENT OF FINANCIAL RISK

(a) Overview

The Carve-Out has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about the Carve-Out's exposure to each of these risks, the Carve-Out's objectives, policies and processes for measuring and managing risk, and the Carve-Out's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Carve-Out's risk management framework.

(b) Fair Value of Financial Instruments

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The carrying values, fair market values, and fair value hierarchical classification of the Carve-Out's financial instruments are as follows:

Investment in securities is measured using level 1. The fair value of all other financial instruments, other than marketable securities which are carried at fair value, approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Carve-Out does not have any financial instruments that are measured using level 2 or level 3 inputs.

During the year ended December 31, 2017 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

(c) Credit Risk

Credit risk is the risk of potential loss to the Carve-Out if a customer or third party to a financial instrument fails to meet its contractual obligations. The Carve-Out's credit risk is primarily attributable to cash held by Canadian, Barbadian, and Mexican financial entities. The carrying amount of financial assets recorded in the financial statements represents the Carve-Out's maximum exposure to credit risk.

The Carve-Out limits its exposure to credit risk on liquid financial assets through investing its cash and cash equivalents with high-credit quality financial institutions.

16. MANAGEMENT OF FINANCIAL RISK (cont'd)

(d) Liquidity Risk

Liquidity risk is the risk that the Carve-Out will not be able to meet its financial obligations as they fall due. The Carve-Out manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. Accounts payable and accrued liabilities of \$23,506,429 and due to related parties of \$1,383,531 are due in the first quarter of fiscal 2018.

(e) Market Risk

(i) Foreign Currency Risk

Foreign exchange risk is the risk arising from changes in foreign currency fluctuations. The Carve-Out operates in more than one country. As a result, a portion of the Carve-Out's expenditures, amounts receivable, accounts payable and accruals are denominated in Mexican Pesos and are therefore subject to fluctuation in exchange rates. As at December 31, 2017 a 5% change in the exchange rate between the Mexican peso and the Canadian Dollar would result in a net impact of approximately \$338,000 in the consolidated statement of loss. The Carve-Out does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency rates.

(ii) Interest Rate Risk

The interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Carve-Out is not exposed to interest rate risk.

(iii) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from currency risk or interest rate risk. The Carve-Out's investment in securities is carried at fair value and is therefore directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that a 5% change in market prices would result in a change in the fair value of the Carve-Out's investment in securities of approximately \$426,000.

17. CAPITAL MANAGEMENT

The Carve-Out manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The Carve-Out considers its capital under management to consist of cash and cash equivalents, share capital, and contributed surplus. The Carve-Out manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Carve-Out's assets.

The Carve-Out's objectives of capital management are intended to ensure the entity's ability to support the Carve-Out's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans.

17. CAPITAL MANAGEMENT (cont'd)

To effectively manage the entity's capital requirements, the Carve-Out has in place a planning and budgeting process to help determine the funds required to ensure the Carve-Out has the appropriate liquidity to meet its operating and growth objectives. The Carve-Out may finance acquisition, development and exploration activity through cash flows from operations, joint ventures and by raising debt or share capital when market conditions are suitable.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Carve-Out, is reasonable.

There were no changes in the Carve-Out's approach to capital management during the year ended December 31, 2017.

Marlin Gold Mining Ltd.

Carve-Out

Condensed Interim Consolidated Carve-Out Financial Statements
For the six months ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

MARLIN GOLD MINING LTD. CARVE-OUT
CONDENSED INTERIM CONSOLIDATED CARVE-OUT STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

(Unaudited)

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As at	Notes	June 30, 2018 \$	December 31, 2017 \$
ASSETS			
Current assets:			
Cash		120,508	967,265
Receivable and refundable taxes	4	12,349,173	10,606,649
Inventories	5	20,365,336	13,580,341
Investment in securities	6	6,901,131	8,536,072
Advance to Golden Reign Resources	6	4,040,329	-
Prepaid expenses, and other		284,524	304,938
		44,061,001	33,995,265
Mineral property, plant and equipment	7	24,265,474	18,639,855
Resource property costs	8	4,950,025	4,483,577
Other assets		302	-
TOTAL ASSETS		73,276,802	57,118,697
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities		30,307,599	23,506,429
Due to related parties	10	227,362	1,383,531
		30,534,961	24,889,960
Deferred tax liability		260,934	167,349
Provision for reclamation and rehabilitation	11	6,935,385	6,594,350
TOTAL LIABILITIES		37,731,280	31,651,659
SHAREHOLDERS' NET INVESTMENT	9	35,545,522	25,467,038
TOTAL LIABILITIES AND SHAREHOLDERS' NET INVESTMENTS		73,276,802	57,118,697

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors:

"Akiba Leisman"
 Director (Chair of the audit committee)

"John Pontius"
 Director

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

MARLIN GOLD MINING LTD. CARVE-OUT
CONDENSED INTERIM CONSOLIDATED CARVE-OUT STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

(Unaudited)

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	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2018 \$	2017 \$	2018 \$	2017 \$
Revenue		12,488,903	16,731,175	20,413,438	49,350,466
Cost of sales					
Production costs	12 (a)	(7,212,838)	(6,159,161)	(15,096,129)	(16,001,207)
Inventory write down	5	(1,202,783)	(2,337,176)	(3,268,830)	(3,427,121)
Depreciation, depletion and amortization		(3,647,364)	(7,974,769)	(5,723,128)	(27,376,940)
		(12,062,985)	(16,471,106)	(24,088,087)	(46,805,268)
Gross (loss) gain		425,918	260,069	(3,674,649)	2,545,198
Operating and administrative expenses					
Accounting and legal		(214,539)	(124,790)	(298,871)	(219,045)
Exploration expenses		(15,265)	(163,827)	(286,346)	(171,465)
General administrative expenses	10, 12 (b)	(102,779)	(311,972)	(264,229)	(685,606)
Management and consulting fees	10	(588,905)	(1,044,576)	(842,357)	(1,632,276)
Salaries and benefits	9(c) & 10(a)	(23,327)	(23,980)	(23,327)	(53,713)
Transfer agent fees and regulatory fees		(23,205)	(42,993)	(67,052)	(44,028)
		(968,020)	(1,712,138)	(1,782,182)	(2,806,133)
Other (expenses) and income					
Accretion and interest expense	11	(35,671)	(26,643)	(70,342)	(45,365)
Change in fair value of Deferred Consideration Receivable		(3,320)	(4,780)	1,108	6,132
Foreign exchange (loss) gain		1,164,744	(3,048,734)	3,767,364	(1,625,230)
Change in fair value of securities	6(b)	2,338	(5,159)	(1,564)	(2,277)
Interest and other income		221,780	13,451	252,360	56,221
		1,349,871	(3,071,865)	3,948,926	(1,610,519)
Loss before taxes		807,769	(4,523,934)	(1,507,905)	(1,871,454)
Income tax expense		-	(380,039)	-	(380,039)
Net gain (loss) for the period		807,769	(4,903,973)	(1,507,905)	(2,251,493)
Other comprehensive (loss) income for the period:					
<i>Items not subject to reclassification into statement of loss</i>					
Change in fair value of marketable securities, net of taxes		(362,972)	-	(1,633,376)	(1,594,055)
<i>Items subject to reclassification into statement of loss</i>					
Cumulative translation adjustment, net of taxes		(3,585,015)	2,380,302	(2,712,166)	1,143,231
Other comprehensive loss for the period:		(3,947,987)	2,380,302	(4,345,542)	(450,824)
Comprehensive loss for the period		(3,140,218)	(2,523,671)	(5,853,447)	(2,702,317)
Basic and diluted loss from continued operations per share		\$ 0.00	\$ (0.03)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding		171,568,219	172,098,159	171,568,219	172,510,647

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

MARLIN GOLD MINING LTD. CARVE-OUT
CONDENSED INTERIM CONSOLIDATED CARVE-OUT STATEMENTS OF CASH FLOW

(Expressed in Canadian Dollars)

(Unaudited)

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For the six months ended June 30,	Notes	2018 \$	2017 \$
Cash provided by (used for):			
Operating Activities			
Net loss for the period		(1,507,905)	(2,251,493)
Non-cash items	13	9,744,422	31,194,597
		8,236,517	28,943,104
Changes in non-cash working capital			
Receivable and refundable taxes		(1,402,631)	(4,114,357)
Prepaid expenses, and other		(19,915)	(112,773)
Inventories		(2,218,372)	(9,144,192)
Accounts payable and accrued liabilities		(3,833,865)	13,334,528
Due to / from related parties		(465,322)	(515,665)
		296,412	28,390,645
Investing Activities			
Purchase of investment securities		-	(1,180,067)
Expenditures on resource property costs		(236,604)	-
Expenditures on mineral property, plant and equipment		(12,822,493)	(13,982,065)
Other assets		11,467	(140,008)
		(13,047,630)	(15,302,140)
Financing Activities			
Funded by Marlin Gold		15,908,604	(13,228,925)
Common shares purchased and returned to treasury		-	(768,940)
Advance to Golden Reign Resources		(4,000,000)	-
		11,908,604	(13,997,865)
Net change in cash			
		(842,614)	(909,360)
Cash - beginning of period		967,265	1,703,807
Foreign exchange gain on cash		(4,143)	26,834
Cash - end of period		120,508	821,281

Supplemental disclosure with respect to cash flows (Note 13)

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

**MARLIN GOLD MINING LTD. CARVE-OUT
CONDENSED INTERIM CONSOLIDATED CARVE-OUT STATEMENTS OF CHANGES IN SHAREHOLDERS' NET
INVESTMENT**

*(Expressed in Canadian Dollars)
(Unaudited)*

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Shareholders' Net Investment		
	Number of shares	Total \$
Balance, December 31, 2016	172,927,719	56,147,730
Share based payments	-	53,713
Funded by Marlin Gold	(1,114,000)	(13,982,096)
Net loss and comprehensive loss	-	(2,702,317)
Balance, June 30, 2017	171,813,719	39,517,030
Share based payments	-	33,803
Funded by Marlin Gold	(245,500)	12,302,972
Net loss and comprehensive loss	-	(26,386,767)
Balance, December 31, 2017	171,568,219	25,467,038
Share based payments	-	23,327
Funded by Marlin Gold	-	15,908,604
Net loss and comprehensive loss	-	(5,853,447)
Balance, June 30, 2018	171,568,219	35,545,522

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

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONDENSED INTERIM CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS

For the six months ended June 30, 2018

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(Unaudited)

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1. NATURE OF OPERATIONS AND GOING CONCERN

On August 7, 2018, Marlin Gold Mining Ltd. ("Marlin Gold") and Golden Reign Resources Ltd. ("Golden Reign") entered into a definitive agreement (the "GRR Arrangement Agreement"), whereby Golden Reign will acquire all of the issued and outstanding shares of Marlin Gold by way of plan of arrangement (the "Transaction"). As a condition to closing the Transaction (the "Closing"), Sailfish Royalty Corp. ("Sailfish") has agreed to restructure its existing gold stream on Golden Reign's wholly-owned San Albino-Murra Property ("San Albino") in Nueva Segovia, Nicaragua ("Sailfish Master Agreement").

As outlined in more detail in Note 3, under the GRR Arrangement Agreement, certain subsidiaries of Marlin Gold will be carved out, herein after referred to as Marlin Gold Mining Ltd. Carve-Out ("Carve-Out"). The Carve-Out will be combined with Golden Reign to form a Combined Company. The main business of the Combined Company will be focused on the development of San Albino and operation of Marlin Gold's La Trinidad Mine ("La Trinidad") in Sinaloa, Mexico.

Marlin Gold is a public company listed on the TSX Venture Exchange ("TSX-V") under the symbol "MLN". Marlin Gold is incorporated and domiciled in British Columbia, Canada. The address of its registered and head office is Suite 2833 – 595 Burrard Street, Vancouver, B.C. V7X 1J1. Marlin Gold is primarily engaged in the exploration for, development of and production of gold in Mexico and exploration of gold and silver in Arizona.

These consolidated carve-out financial statements have been prepared on the assumption that the Carve-Out will be able to realize its assets and discharge its liabilities in the normal course of business. The Carve-Out incurred a net gain of \$807,769 and a net loss of \$1,507,905 (2017 – net loss of \$4,903,973 and net loss of \$2,251,493) for the three and six months ended June 30, 2018, respectively. As at June 30, 2018, the Carve-Out had working capital of \$13,526,040. The Carve-Out currently earns operating revenues from the sale of gold bullion. Continued operations of the Carve-Out are dependent upon the Carve-Out's ability to secure additional equity capital or receive other financial support, and in the longer term to generate profits from business operations.

In the event that the cash flows generated from operations are not sufficient to fund operations for the next twelve months, the Carve-Out will need to seek other forms of financing. A number of financing alternatives including, but not limited to, selling an interest in one or more of its properties, entering in a loan or completing an equity financing are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. This matter indicates the existence of material uncertainties that cast significant doubt about the Carve-Out's ability to continue as a going concern.

These consolidated carve-out financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Carve-out be unable to continue in existence. Such adjustments could be material.

These condensed interim consolidated carve-out financial statements were approved by the board of directors for issue on September 26, 2018.

MARLIN GOLD MINING LTD. CARVE-OUT
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2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and consolidation

These condensed interim consolidated carve-out financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standard 34 - Interim Financial Reporting. Therefore, these condensed interim consolidated carve-out financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated carve-out financial statements for the year ended December 31, 2017 (“2017 Financial Statements”), which have been prepared in accordance with IFRS.

The accounting policies applied in preparation of these condensed interim consolidated carve-out financial statements are the same as those applied in the most recent annual consolidated carve-out financial statements and were consistently applied to all the periods presented with the exception of IFRS 9 and IFRS 15, refer to “Adoption of new accounting policies” below.

The following basis of preparation for the consolidated carve-out statements of financial position, comprehensive loss, changes in equity and cash flows of the Carve-Out have been applied:

- All assets and liabilities directly attributable to the Carve-Out have been allocated to these consolidated carve-out financial statements;
- All expenses directly attributable to the Carve-Out have been allocated to the consolidated carve-out financial statements;
- Expenses related to senior management and their related travel and share-based payments have been allocated on a pro-rata basis to the respective subsidiaries, with the Carve-Out retaining 65% of these costs.
- Common expenses have been allocated on a pro-rata basis to the Carve-Out based on the level of management activities during the applicable years; and
- Income taxes have been calculated as if the Carve-Out had been a separate legal entity and had filed a separate tax return for the periods presented.

These condensed interim consolidated carve-out financial statements are expressed in Canadian dollars.

The consolidated carve-out financial statements include the accounts of the following wholly-owned entities which collectively comprise the Carve-Out:

Name of subsidiary	Referred to as	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Oro Gold de Mexico, S.A. de C.V.	“Oro Gold de Mexico”	Mexico	100%	Holds mineral interests in Mexico
Prestadora de Servicios Zacatecas, S.A. de C.V.	“Prestadora”	Mexico	100%	Performs payroll functions in Mexico
Marlin Gold Trading Inc.	“Marlin Gold Trading”	Barbados	100%	Commodity streaming company

All inter-company transactions, balances, revenue and expenses are eliminated in full on consolidation.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Adoption of new accounting policies

The following accounting standards have been adopted as at January 1, 2018 in accordance with the transitional provisions outlined in the respective standards.

IFRS 15 - Revenue from contracts with customers

The standard introduces a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

The Company evaluated the effect the standard had on its sales recorded in its consolidated financial statements and determined there is no impact to the timing or amounts of revenue recognized in the consolidated statement of loss and comprehensive loss.

The following is the accounting policy for revenue recognition under IFRS 15:

Revenue recognition

Revenue from contracts with customers is recognized upon the transfer of control over goods or services to the customer.

IFRS 9 - Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued in July 2014 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. Classification is determined at initial recognition in one of the following categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, Financial Instruments: Disclosures, including the requirement for added disclosures about investments in equity instruments measured at FVOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted the standard on January 1, 2018. Retrospective application was required, but there was no requirement to restate comparative periods disclosed.

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Categories	
	IAS 39	IFRS 9
Cash	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Investment in marketable securities - warrants	FVTPL	FVTPL
Investment in marketable securities - common shares	AFS	FVOCI
Deferred consideration	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Adoption of new accounting policies (cont'd)

The Company has elected to irrevocably designate on transition its investment in common shares marketable securities as FVOCI as they are not considered to be held for trading.

The following is the new accounting policy for financial instruments under IFRS 9:

Financial instruments

The Company recognizes financial assets and liabilities initially at fair value on the balance sheet when the Company becomes party to the contractual provisions of the instrument.

Cash

Cash includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash is classified and measured at amortized cost.

Receivable, accounts payable and accrued liabilities, and due to related parties

Receivable, accounts payable and accrued liabilities, and due to related parties are non-interest bearing and are initially measured at fair value, and are subsequently recorded at amortized cost which approximates fair value due to the short term to maturity. Receivable are classified as financial assets measured at amortized cost and accounts payable and accrued liabilities, and due to related parties, are classified as financial liabilities measured at amortized cost.

Equity investments

Equity investments in entities that are not subsidiaries, joint ventures or investments in associates are classified FVTPL unless they are irrevocably designated, on an individual basis, as FVOCI. These investments are measured at fair value on acquisition and at each reporting date. Any unrealized holding gains and losses related to long-term investments designated as FVOCI included in other comprehensive income ("OCI"). Upon disposal, any accumulated gains and losses remain in equity.

Derivatives

Investments in warrants are classified as derivatives and are measured at fair value using the Black Scholes model ("BS model") with changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

Impairment of financial assets

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Adoption of new accounting policies (cont'd)

Impairment of financial assets (cont'd)

recognition, we measure the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized within other non-operating income. Accumulated gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income.

(c) New accounting standards issued but not yet effective

The IASB issued the following new pronouncements that may affect the Carve-Out's future financial statements. The Carve-Out has evaluated the new standard and does not anticipate any material impact from the adoption of this standard but will continue to monitor as the adoption period approaches.

- IFRS 16: Leases ("IFRS 16"): This standard replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019.

(d) Key sources of estimation uncertainty and critical accounting judgement

In preparing these condensed interim consolidated carve-out financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amounts incurred by the Company may differ from these values.

The significant judgements 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 2017 Financial Statements.

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONDENSED INTERIM CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS

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3. GOLDEN REIGN RESOURCES LTD. AGREEMENTS

Under the terms of the GRR Arrangement Agreement, Golden Reign will acquire all of the outstanding Marlin Gold common shares in exchange for 0.5138 of a Golden Reign common share (each whole common share, a "GRR Share") for each Marlin Gold common share acquired (the "Consideration"). In addition, Marlin Gold will distribute an aggregate of 18,148,654 Golden Reign shares currently held by Marlin Gold to the Marlin Gold shareholders on the basis of 0.1022 Golden Reign shares for each Marlin Gold common share, bringing the total Golden Reign Shares to be received by Marlin Gold shareholders to 0.6160 of a Golden Reign Share for each Marlin Gold common share outstanding at Closing. The Transaction will result in Marlin Gold and three of its subsidiaries, Oro Gold de Mexico, Prestadora and Marlin Gold Trading, becoming wholly-owned subsidiaries of Golden Reign (the "Combined Company"). Termination fees of \$1,000,000 will be paid to Marlin Gold or Golden Reign in certain circumstances should the Transaction not be completed.

Upon completion of the Transaction, it is expected that the shareholders of Marlin Gold, as of the closing time, will own, in aggregate, approximately 45% of the issued and outstanding common shares of the Combined Company (including the current Marlin Gold shareholding of Golden Reign) and the shareholders of Golden Reign, as of the closing time, will own, in aggregate, approximately 55% of the issued and outstanding common shares of the Combined Company.

Under the terms of the GRR Arrangement Agreement, as a condition to Closing, Marlin Gold has agreed to undertake a corporate reorganization, pursuant to which it will:

- (i) sell its Commonwealth silver and gold property in Cochise County, Arizona, to Wexford Capital LP or funds controlled by it ("Wexford"), Marlin's controlling shareholder, which will extinguish all of Marlin Gold's loans and any other debts and liabilities owing to Wexford;
- (ii) as part of the Sailfish Master Agreement, assign to Sailfish its 1% net smelter royalty ("NSR") on the Parral 2 claims on the La Cigarra project owned by Kootenay Silver Inc. (the "La Cigarra Royalty") and its 1.5% NSR on the majority of the concessions at the El Compas project operated by Endeavour Silver Corp. (the "El Compas Royalty"), grant an option to Sailfish to purchase its Gavilanes property in Mexico, and make payments to Sailfish of certain IVA receivables by Oro Gold de Mexico, all as partial consideration for Sailfish agreeing to enter into the amendment to the existing gold stream on San Albino;
- (iii) wind-up certain of its non-material subsidiaries that will not be acquired by Golden Reign under the Transaction; and
- (iv) arrange for the sale of 17,155,191 common shares of Golden Reign, currently held by Marlin Gold, at a price of \$0.1539 on a private placement basis, pursuant to which Wexford will purchase at least 85% of such Golden Reign common shares and an aggregate of at least 993,464 of such Golden Reign common shares will be purchased by current stock option holders of Marlin Gold. The full amount of the gross proceeds from such private placement of \$2,640,184 will remain in Marlin Gold on the Closing of the Transaction.

These pre-Closing transactions being completed by Marlin Gold are collectively referred to herein as the "Marlin Reorganization".

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONDENSED INTERIM CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS

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3. GOLDEN REIGN RESOURCES LTD. AGREEMENTS (cont'd)

The Transaction will be carried out by way of a court-approved plan of arrangement under the Business Corporations Act (British Columbia) and will require the approval of: (i) at least 66 2/3% of the votes cast by the holders of Marlin Gold common shares; and (ii) a simple majority of the votes cast by holders of Marlin Gold common shares after excluding any votes of certain persons required to be excluded, at a special meeting of shareholders currently expected to take place in the fall of 2018. Sailfish to obtain the requisite shareholder approvals in connection with the Sailfish Master Agreement.

These condensed interim consolidated carve-out financial statements reflect the assets, liabilities, expenses and cash flows of the entities being acquired by Golden Reign on a carve-out basis.

4. RECEIVABLE AND REFUNDABLE TAXES

	June 30, 2018	December 31, 2017
	\$	\$
Value added taxes (IVA)	12,213,482	10,371,481
Deferred Consideration Receivable	90,563	89,455
Other	45,128	145,713
	12,349,173	10,606,649

IVA credit refundable is from the Government of Mexico and is currently calculated as 16% of expenditures in Mexico.

Under the terms of the Sailfish Master Agreement, as described in Note 3, \$3,952,098 (December 31, 2017 - \$3,950,613) of the IVA receivable is due to Sailfish.

5. INVENTORIES

	June 30, 2018	December 31, 2017
	\$	\$
Ore in process	17,167,853	10,679,097
Finished metal inventory	1,446,340	1,466,564
Supplies and spare parts	1,751,143	1,434,680
	20,365,336	13,580,341

As at June 30, 2018 and December 31, 2017, ore in process and finished metal inventory was recorded at net realizable value ("NRV"). For the six months ended June 30, 2018, the Carve-Out recorded write downs of \$3,268,830 (2017 - \$3,427,121). As at June 30, 2018, ore in process is comprised of stockpile inventory of \$1,877,315, (December 31, 2017 - \$391,483) and leach pad inventory of \$15,290,538 (December 31, 2017 - \$10,287,614).

MARLIN GOLD MINING LTD. CARVE-OUT
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6. INVESTMENT IN SECURITIES

	June 30, 2018		December 31, 2017	
	Cost \$	Fair Value \$	Cost \$	Fair value \$
Golden Reign Resources Ltd.				
36,297,264 (December 31, 2017 – 36,297,264) common shares	5,227,601	6,896,482	5,227,601	8,529,859
Canarc Resources Corp.				
250,000 (December 31, 2017 – 250,000) warrants	10,575	4,649	10,575	6,213
Total	5,238,176	6,901,131	5,238,176	8,536,072

Golden Reign Resources Ltd. (“Golden Reign”)

- (i) On January 24, 2017, the Company purchased 5,363,931 common shares in Golden Reign for cost of \$1,180,067. As at June 30, 2018, the Company held 36,297,264 (December 31, 2017 - 36,297,264) common shares of Golden Reign representing 18.51% of the issued and outstanding common shares of Golden Reign.

The investment in Golden Reign is classified as FVOCI and is measured at fair value with changes in fair value recognized in other comprehensive income. For the six months ended June 30, 2018, the Company recorded a loss in the change in fair value of the Golden Reign shares of \$1,633,376 (2017 \$1,594,055), in other comprehensive income.

- (ii) On July 10, 2014, the Company, Sailfish and Golden Reign entered into a US\$15,000,000 (the “GRR Purchase Price”) Gold Streaming Arrangement (the “GRR Gold Stream Arrangement”) for the construction and development of Golden Reign’s San Albino gold deposit, located in Nueva Segovia, Nicaragua (“San Albino Property”). The GRR Purchase Price is only due once a preliminary cost assessment report has been provided for the development of the San Albino Property and has been approved by Sailfish.
- (iii) As part of the arrangement agreement entered into with Golden Reign to combine businesses and amend the stream agreement with Sailfish, which is described in Note 3 (refer to GRR Arrangement Agreement), the Company entered into a definitive bridge loan agreement for a bridge loan from the Company to Golden Reign.

On May 15, 2018, the Company advanced \$4,000,000, having a term of one year and bearing interest at 8% per annum (the "Bridge Loan"). Upon completion of the Transaction, the Bridge Loan will become intercompany debt and will be terminated. In the event that (a) Golden Reign shareholders vote not to approve the Transaction, or (b) the GRR Arrangement Agreement is terminated in accordance with its terms, then all accrued interest under the Bridge Loan will become immediately due and the maturity date of the Bridge Loan will accelerate to the earlier of the original maturity date or the date that is four months from the negative shareholder vote or termination of the GRR Arrangement Agreement.

**MARLIN GOLD MINING LTD. CARVE-OUT
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6. INVESTMENT IN SECURITIES (cont'd)

Golden Reign Resources Ltd. ("Golden Reign") (cont'd)

- (iv) Under the terms of the GRR Arrangement Agreement, as described in Note 3, Marlin Gold will distribute 18,148,654 Golden Reign shares currently held by Marlin Gold to the Marlin Gold shareholders on the basis of 0.1022 Golden Reign Shares for each Marlin Gold common share held. The remaining Golden Reign shares of 18,148,655 will be sold by Marlin Gold and the proceeds are to remain in the Carve-Out to settle outstanding debts.

MARLIN GOLD MINING LTD. CARVE-OUT
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7. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mine Property \$	Equipment \$	Vehicles \$	Total \$
For the six months ended June 30, 2018				
Opening net book value	16,762,915	1,758,074	118,866	18,639,855
Translation adjustment	974,879	84,758	6,190	1,065,827
Additions	13,612,285	65,182	-	13,677,467
Depreciation charge	(8,921,443)	(169,140)	(27,092)	(9,117,675)
Closing net book value	22,428,636	1,738,874	97,964	24,265,474
As at June 30, 2018				
Cost	93,113,325	3,400,172	778,060	97,291,557
Accumulated depreciation	(70,684,689)	(1,661,298)	(680,096)	(73,026,083)
Net book value	22,428,636	1,738,874	97,964	24,265,474
For the year ended December 31, 2017				
Opening net book value	4,654,537	1,098,049	122,664	5,875,250
Translation adjustment	(1,235,481)	(97,789)	(8,955)	(1,342,225)
Additions	32,914,722	1,060,076	119,989	34,094,787
Write off - fully depreciated	-	(198,572)	-	(198,572)
Impairment	(14,460,266)	-	-	(14,460,266)
Depreciation charge	(5,110,597)	(103,690)	(114,832)	(5,329,119)
Closing net book value	16,762,915	1,758,074	118,866	18,639,855
As at December 31, 2017				
Cost	75,345,999	3,174,743	741,251	79,261,993
Accumulated depreciation	(58,583,084)	(1,416,669)	(622,385)	(60,622,138)
Net book value	16,762,915	1,758,074	118,866	18,639,855

MARLIN GOLD MINING LTD. CARVE-OUT
NOTES TO THE CONDENSED INTERIM CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS

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7. MINERAL PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Mine Property

The Trinidad area is located in Sinaloa, Mexico and is comprised of 9 concessions, subject to the following agreements:

Don Paulino Agreement

Certain concessions, including the Trinidad area concessions, Nancy, Santa Cesilia and La Poderosa, are subject to an option to purchase agreement originally dated February 9, 2006, (as amended) (the "Don Paulino Agreement"). Pursuant to the Don Paulino Agreement, the Company has the option to purchase all the concessions within nine years in consideration of an aggregate payment of US\$600,000 and the grant of a 0.5% to 1.5% NSR payable upon exercise of the option and once the Company has recovered its initial investment or the mine has been in production for 2 years. The NSR consideration will be 0.5% if the price per ounce of gold is less than US\$400; 1% if the price is greater than US\$400 but less than US\$499.99; and price per ounce of gold is less than US\$400; 1% if the price is greater than US\$400 but less than US\$499.99; and 1.5% if the price is equal or greater than US\$500. The NSR can be purchased by the Company for US\$1,000,000.

Camargo Agreement

Certain concessions, including La Nueva Trinidad and Nancy, are subject to an option to purchase agreement originally dated June 24, 2005, (as amended) (the "Camargo Agreement"). Pursuant to the Camargo Agreement, the Company is required to make NSR payments to Minera Camargo S.A. de C.V. ranging from 0.5% to 1.0% payable upon the mine being in commercial production for two years. The NSR consideration will be 0.5% if the price per ounce of gold is less than US\$400 and 1% if the price is greater than US\$400. Each 0.5% NSR can be purchased by the Company for US\$1,000,000.

Following is a detailed breakdown of the mine property.

	As at December 31, 2017	Additions	Translation adjustment	As at June 30, 2018
	\$	\$	\$	\$
Construction and mine costs	39,712,423	478,118	1,986,682	42,177,223
Deferred stripping costs	59,029,054	13,191,354	3,331,943	75,552,351
Provision for reclamation and rehabilitation	6,293,022	(57,187)	310,784	6,546,619
Capitalized borrowing costs	810,746	-	40,262	851,008
Pre-commercial production loss	3,395,588	-	168,629	3,564,217
Reclassification from resource property costs	673,221	-	33,433	706,654
Property acquisition costs	395,992	-	19,665	415,657
	110,310,046	13,612,285	5,891,398	129,813,729
Depreciation	(58,583,084)	(8,921,443)	(3,180,162)	(70,684,689)
Impairment	(34,964,047)	-	(1,736,357)	(36,700,404)
Total Mine Property	16,762,915	4,690,842	974,879	22,428,636

MARLIN GOLD MINING LTD. CARVE-OUT
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7. MINERAL PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) Impairment

The Company conducted an impairment analysis whereby the carrying value of the La Trinidad Mine was compared to the mine's recoverable amount which was determined to be its VIU as at each reporting period. In carrying out the review of the La Trinidad Mine for impairment, the Company utilized discounted cash flow models incorporating estimates and assumptions that included such factors as future production levels, metallurgical recovery estimates, operating and capital costs in its life-of-mine plan, future metal prices, foreign exchange rates and discount rates.

The Company's estimate of future cash flows is subject to risks and uncertainties and therefore could change in the future if the underlying assumptions change.

The determination of VIU as at June 30, 2018, includes the following key applicable assumptions:

- Gold price per ounce: US\$1,300 (December 31, 2017 - US\$1,295);
- Operating and capital costs based on the resource report and estimated forecasts;
- Production volume and recoveries as indicated in the life-of-mine plan;
- Mine life until 2019; and
- a pre-tax discount rate 10% (December 31, 2017 – 10%)

The Company's analysis concluded that the carrying values of the La Trinidad Mine as at December 31, 2017 was impaired resulting in an impairment charge of \$14,460,266 in the consolidated statement of loss and comprehensive loss. As a result of management completing the impairment analysis, they concluded that there was no impairment as at June 30, 2018.

(c) Sensitivities

The recoverable amount is most sensitive to changes in gold prices. A decrease in gold prices, recovery rates or recoverable ounces could result in the Company making amendments to the mine plan that would partially offset the effect of lower prices through lower operating and capital costs. Ignoring the impact on the mine plan, in isolation, a US\$50 decrease in gold price assumptions would result in additional reductions in the recoverable amount of approximately \$2.9 million.

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8. RESOURCE PROPERTY COSTS

	June 30, 2018	December 31, 2017
	\$	\$
Opening balance	4,483,578	-
Additions	236,604	4,520,032
Cumulative translation adjustment	229,843	(36,455)
Closing balance	4,950,025	4,483,577

On August 17, 2017, the Company completed the acquisition of the Gavilanes Property located in Durango State, Mexico from Santacruz Silver Mining Ltd. for total cash consideration of \$4,520,032 (US\$3,573,996). The property is subject to a 3% NSR, up to a maximum of \$2,000,000.

On February 28, 2018, the Company entered into an option agreement with SilverCrest Metals Inc. whereby the Company has the option to purchase all the Guadalupe concessions surrounding Gavilanes for US\$500,000, payable as follows: US\$100,000 on signing (paid); US\$100,000 in 12 months; and US\$300,000 in 24 months.

Under the terms of the Sailfish Master Agreement, as described in Note 3, Marlin Gold will assign to Sailfish its 1% NSR on the La Cigarra Royalty and its 1.5% NSR on the El Compas Royalty, and grant an option to Sailfish to purchase its Gavilanes property in Mexico.

9. SHAREHOLDERS' NET INVESTMENT

(a) Authorized - Unlimited number of common shares with no par value.

(b) Issued share capital is as follows:

(i) During the year ended December 31, 2017, the Company purchased 1,359,500 common shares of the Company under the normal course issuer bid ("NCIB") for \$980,090. As at December 31, 2017, 1,359,500 common shares acquired by the Company under the NCIB were cancelled.

(c) Stock options

The Company has a share option plan for its employees, directors, officers and consultants. The plan provides for the issuance of incentive options to acquire up to a total of 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the minimum prescribed amount allowed under the TSX-V. The options can be granted for a maximum term of 5 years with vesting provisions determined by the Company.

The continuity of incentive stock options issued and outstanding is as follows:

	Number of Options	Weighted Average Exercise Price \$
Outstanding December 31, 2016	6,030,000	0.15
Expired during period	(30,000)	1.10
Outstanding December 31, 2017 and June 30, 2018	6,000,000	0.15*

* Subsequent to the reporting period, the exercise price of the outstanding options was increased from \$0.15 to \$0.1611 per option.

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9. SHAREHOLDERS' NET INVESTMENT (cont'd)

(c) Stock options (cont'd)

As at June 30, 2018, the Company has 6,000,000 stock options outstanding, each stock option entitling the holder to purchase a common share at a price of \$0.15 per common share for a period of five years, expiring on February 5, 2021. On the grant date, 300,000 stock options vested immediately, and 300,000 stock options will vest at each quarter commencing on March 31, 2016 with the last tranche vesting on September 30, 2020. The incremental fair value of these options was calculated as \$453,233 using the BS model. As at June 30, 2018, 3,300,000 (December 31, 2017, 2,700,000) options had vested. The Company recorded share-based payments of \$16,735 and \$35,887 (2017 - \$36,893 and \$82,636) for the three and six months ended June 30, 2018, respectively, which are included in salaries and benefits expense in the consolidated statement of loss and comprehensive loss.

As of June 30, 2018, the following options were outstanding and vested:

Exercise Prices \$	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price \$
0.15*	6,000,000	3,300,000	2.61	0.15

* Subsequent to the reporting period, the exercise price of the outstanding options was increased from \$0.15 to \$0.1611 per option.

10. RELATED PARTIES

(a) Key management compensation

Key management comprises directors and executive officers. The compensation to key management was as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Short-term employment benefits				
<i>Director fees</i>	15,000	15,000	30,000	30,000
<i>Senior management</i>	106,520	128,635	235,242	231,584
Share-based payments	10,878	23,980	23,327	53,713
Total	132,398	167,615	288,569	315,297

Amounts due to key management as at June 30, 2018 were \$74,165 (December 31, 2017 - \$56,665).

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10. RELATED PARTIES (cont'd)

(b) Related party transactions

The Carve-Out entered into the following related party transactions:

- (i) During the three months ended June 30, 2018, fees relating to travel, investor relations and consulting services of \$Nil (2017 - \$872,125 (US\$645,426)) were charged by Sonoran Resources, LLC, a full-service engineering, procurement and construction management firm working exclusively with the Company ("Sonoran"). Sonoran is a private company that was controlled by one director of the Company. Charges of \$Nil (2017 - \$805,682 (US\$596,030)) are included in consulting fees and travel expenses of \$Nil (2017 - \$66,443 (US\$49,396)) are included in general administrative expenses.

During the six months ended June 30, 2018, fees relating to travel, investor relations and consulting services of \$530,008 (US\$416,965) (2017 - \$1,692,616 (US\$1,265,389)) were charged by Sonoran. Charges of \$511,531 (US\$402,000) (2017 - \$1,532,313 (US\$1,145,218)) are included in consulting fees and travel expenses of \$18,477 (US\$14,965) (2017 - \$160,302 (US\$120,172)) are included in general administrative expenses.

On February 9, 2018, the Company terminated the services of Sonoran and it negotiated a settlement on the outstanding liability owed by the Company. The Company recorded a gain of \$690,847 (US\$548,291) on the settlement of the Sonoran liability outstanding.

Amounts payable to Sonoran as at June 30, 2018 were \$NIL (December 31, 2017 - \$1,326,866 (US\$1,057,513)).

- (ii) During three and six months ended June 30, 2018, fees relating to consulting services of \$269,870 (US\$212,000) and \$487,777 (US\$380,000) and fees for travel expenses of \$20,940 (US\$16,341) and \$39,417 (US\$31,306), respectively were charged by Tes-Oro Mining Group, LLC, a full-service engineering, procurement and construction management firm working exclusively with the Company ("Tes-Oro"). Tes-Oro is a private company controlled by one director of Marlin Gold. Tes-Oro was engaged on February 1, 2018.

Amounts payable to Tes-Oro as at June 30, 2018 were \$153,197.

(c) Transactions with controlling shareholder

- (i) As at June 30, 2018, Wexford Spectrum Investors LLC ("WSI") and Wexford Catalyst Trading Limited ("WCT") (together the "Wexford Funds") held 145,965,387 common shares of the Company.

On a non-diluted basis and after giving effect to the above changes in equity, Wexford Funds' ownership percentage has remained at 85.08% of Marlin Gold's issued and outstanding common shares as at June 30, 2018.

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10. RELATED PARTIES (cont'd)

(c) Transactions with controlling shareholder

(ii) Under a service agreement, effective January 1, 2015, between the Company and an affiliate of the Wexford Funds, the Carve-Out was charged \$18,026 (US\$14,079) (2017 - \$21,647 (US\$16,325)) for shared office space and administration services for the six months ended June 30, 2018.

Amounts payable to the affiliate of the Wexford Funds as at June 30, 2018 were \$Nil (December 31, 2017 - \$Nil).

11. RECLAMATION AND REHABILITATION OBLIGATIONS

The provision for environmental reclamation and rehabilitation as at June 30, 2018 is \$6,935,385 (December 31, 2017 - \$6,594,350). The expected timing of cash flows in respect of the provision is based on the estimated life of the mining operation. The provision was determined using a discount rate of 2.18% (December 31, 2017 – 1.76%) and estimated cash outflows commencing in 1.50 years (2017 - 2 years) for the La Trinidad Mine.

	\$
Balance – December 31, 2016	7,393,826
Changes in estimate	(438,650)
Accretion expense	119,225
Cumulative translation adjustment	(480,051)
Balance – December 31, 2017	6,594,350
Utilized during the period	(44,747)
Accretion expense	70,342
Cumulative translation adjustment	315,440
Balance – June 30, 2018	6,935,385

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12. PRODUCTION COSTS AND GENERAL ADMINISTRATIVE EXPENSES

(a) Production costs is comprised of:

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Mining, crushing and conveying, and processing	\$5,706,200	\$3,840,806	\$11,712,194	\$11,729,883
Mine general and administrative	1,243,509	2,015,128	2,729,000	3,172,898
Laboratory	97,213	250,877	283,608	366,721
Refining	29,073	108,538	57,373,	219,679
Selling expenses and silver credits	(50,789)	(244,298)	7,126	(202,747)
Royalty expenses and mining taxes	187,632	188,110	306,828	714,773
	\$7,212,838	\$6,159,161	\$15,096,129	\$16,001,207

(b) General administrative expenses is comprised of:

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Bank charges and finance costs	\$ (8,270)	\$ 5,241	\$ 14,447	\$ 14,662
Communication and investor relations	30,644	166,176	66,871	300,189
Directors' fees	15,000	15,000	30,000	30,000
Insurance expense	21,579	27,829	30,743	57,911
Office expenses	(17,177)	(5,308)	14,764	59,911
Rent	9,079	8,249	18,116	25,800
Telephone, IT services and supplies	14,986	10,124	14,986	19,422
Travel expenses	36,938	84,661	74,302	168,438
	\$102,779	\$311,972	\$ 264,229	\$ 685,606

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13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the six months ended June 30,	2018	2017
	\$	\$
The significant non-cash investing transactions consisted of:		
Change in property, plant and equipment included in accounts payable and accrued liabilities	10,774,303	(3,546,889)
<hr/>		
For the six months ended June 30,	2018	2017
	\$	\$
Non-cash items		
Accretion expense	70,342	45,365
Change in fair value of Deferred Consideraton Receivable	1,108	(6,132)
Change in fair value of securities	1,564	2,277
Depreciation, depletion and amortization	5,723,128	27,381,166
Gain on the settlement of accounts payable	(690,847)	-
Share-based payments	23,327	53,713
Unrealized foreign exchange	1,346,970	291,087
Write down of inventory to NRV	3,268,830	3,427,121
	9,744,422	31,194,597

14. SEGMENT INFORMATION

As at June 30, 2018, the Carve-Out has one business segment, the production of gold and exploration of resources in Mexico. The Carve-Out's principal product is gold doré with the refined gold bullion sold in the London spot market by the subsidiary in Barbados. The gold doré is produced at the La Trinidad Mine in Mexico. All of the Carve-Out's significant non-current assets are located in Mexico.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The Carve-Out has estimated the fair values of its financial instruments based on appropriate valuation methodologies.

The Carve-out classifies the fair value of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Investment in common shares are measured using level 1 and investments in warrants are measured using level 2. The fair value of all other financial instruments, other than marketable securities which are carried at fair value, approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Carve-Out does not have any financial instruments that are measured using level 3 inputs.

During the six months ended June 30, 2018 there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.