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**NOTICE OF ANNUAL AND SPECIAL MEETING  
AND MANAGEMENT INFORMATION CIRCULAR  
WITH RESPECT TO AN ANNUAL AND SPECIAL MEETING OF  
SHAREHOLDERS  
OF GOLDEN REIGN RESOURCES LTD.**

**RECOMMENDATION TO SHAREHOLDERS:**

**YOUR VOTE IS IMPORTANT, TAKE ACTION AND VOTE TODAY. THE BOARD OF DIRECTORS OF GOLDEN REIGN RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE SHARE ISSUANCE RESOLUTION.**

September 26, 2018

**GOLDEN REIGN RESOURCES LTD.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF  
GOLDEN REIGN RESOURCES LTD.**

**NOTICE IS HEREBY GIVEN** that an annual and special meeting (the “**Meeting**”) of holders of common shares (“**Shareholders**”) of Golden Reign Resources Ltd. (“**Golden Reign**” or the “**Company**”) will be held at the offices of Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario M5H 3C2 on Tuesday, October 30, 2018 at 10:00 a.m. (Toronto time) for the following purposes:

1. to receive and consider the report of the directors and the financial statements of the Company, together with the auditor’s report thereon for the financial years ended April 30, 2018 and 2017;
2. to elect directors for the ensuing year;
3. to appoint the auditors for the ensuing year and fix their remuneration;
4. to consider and, if thought fit, to approve an ordinary resolution approving and ratifying the Company’s currently implemented Stock Option Plan, subject to regulatory approval, as more fully set forth in the information circular accompanying this notice;
5. to consider and, if thought advisable, to pass, with or without variation, a resolution (the “**Share Issuance Resolution**”), the full text of which is set out in Appendix A to the accompanying management information circular of Golden Reign dated September 26, 2018 (the “**Circular**”), authorizing Golden Reign to issue such number of common shares in the capital of the Company (“**Golden Reign Shares**”) as is necessary to allow the Company to acquire 100% ownership of Marlin Gold Mining Ltd. (“**Marlin**”) pursuant to an arrangement transaction (the “**Arrangement**”) in accordance with an arrangement agreement between the Company and Marlin dated August 3, 2018 (the “**Arrangement Agreement**”), as more particularly described in the Circular, including, but not limited to, the issuance of common shares in the capital of the Company to the shareholders of Marlin, including Wexford Capital LP and investment funds controlled by Wexford Capital LP, who will become a new “Control Person” of the Company within the meaning of the TSX Venture Exchange policies, or any other matters contemplated by or related to the Arrangement (as the Arrangement may be, or may have been, modified or amended in accordance with its terms); and
6. to transact such further and other business as may properly be brought before the Meeting or any postponement or adjournment thereof.

Specific details of the matters proposed to be put before the Meeting are set forth in the Circular which accompanies this Notice of Annual and Special Meeting of Shareholders.

In order for the Arrangement to proceed, and in addition to approval by the Court, the Share Issuance Resolution must be approved at the Meeting by a simple majority of the votes cast at the Meeting by Shareholders, present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes cast in respect of Golden Reign Shares held by any “related party”, “interested party” or “joint actor”, all as defined by Multilateral Instrument 61-101, which in this case consists of Marlin as of the date hereof.

The board of directors of Golden Reign (the “**Golden Reign Board**”), based in part on the recommendation of a special committee of the Golden Reign Board (the “**Special Committee**”) and the

fairness opinion received by the Special Committee from PI Financial Corp., has determined that the Consideration (as defined in the Circular) is fair, from a financial point of view, to the Company and that the Arrangement (as defined in the Circular) is in the best interests of Golden Reign and its Shareholders, and **recommends** that the Shareholders vote **FOR** the Share Issuance Resolution. The determination of the Special Committee and the Golden Reign Board is based on various factors described more fully in the accompanying Circular.

The record date for determining the Shareholders entitled to receive notice of and vote at the Meeting is the close of business on September 21, 2018 (the “**Record Date**”). Only Shareholders whose names have been entered in the register of Shareholders as of the close of business on the Record Date are entitled to receive notice of and to vote at the Meeting.

**Your vote is important regardless of the number of Golden Reign Shares you own.** Shareholders are invited to attend the Meeting. Registered Shareholders who are unable to attend the Meeting or any postponement or adjournment thereof in person are requested to complete, date, sign and return the enclosed form of proxy or, alternatively, to vote by telephone, or over the internet, in each case in accordance with the enclosed instructions. To be used at the Meeting, the completed proxy form must be deposited at the office of Computershare Trust Company of Canada, 100 University Avenue 8th Floor, Toronto, Ontario, M5J 2Y1 by mail or the proxy vote is otherwise registered in accordance with the instructions thereon. Non-registered Shareholders who receive these materials through their broker or other intermediary should complete and send the form of proxy or voting instruction form in accordance with the instructions provided by their broker or intermediary. To be effective, a proxy must be received by Computershare not later than 10:00 a.m. (Toronto time) on Friday, October 26, 2018, or in the case of any postponement or adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the postponed or adjourned meeting. **Late proxies may be accepted or rejected by the Chair of the Meeting in his or her discretion, and the Chair is under no obligation to accept or reject any particular late proxy.**

If you have any questions or require assistance, please contact your professional advisor.

DATED this 26th day of September, 2018.

**BY ORDER OF THE BOARD OF  
DIRECTORS OF GOLDEN REIGN  
RESOURCES LTD.**

*“Kevin Bullock”*

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Kevin Bullock  
Chief Executive Officer

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## GLOSSARY OF DEFINED TERMS

**“Acquisition Proposal”** means, with respect to a Party, other than the transactions contemplated by the Arrangement Agreement and other than any transaction involving only a Party and/or one or more of its wholly-owned subsidiaries, any offer, proposal, expression of interest or inquiry from any Person or group of Persons acting jointly or in concert, whether or not in writing and whether or not delivered to the shareholders of a Party, after the date hereof relating to: (a) any acquisition or sale, direct or indirect, of: (i) the assets of that Party and/or one or more of its subsidiaries that, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of that Party and its subsidiaries, taken as a whole, or which contribute 20% or more of the consolidated revenue of a Party and its subsidiaries, taken as a whole (or any lease, long-term supply or off-take agreement, hedging arrangement or other transaction having the same economic effect as a sale of such assets), or (ii) 20% or more of the issued and outstanding voting or equity securities or any securities exchangeable for or convertible into voting or equity securities of that Party or any one or more of its subsidiaries that, individually or in the aggregate, contribute 20% or more of the consolidated revenues or constitute 20% or more of the fair market value consolidated assets of that Party and its subsidiaries, taken as a whole; (b) any take-over bid, tender offer or exchange offer that, if consummated, would result in such Person or group of Persons beneficially owning 20% or more of the issued and outstanding voting or equity securities of any class of voting or equity securities of that Party; (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, joint venture, partnership, liquidation, dissolution or other similar transaction involving that Party or any of its subsidiaries whose assets or revenues, individually or in the aggregate, constitute 20% or more of the consolidated assets or revenues, as applicable, of that Party and its subsidiaries, taken as a whole; (d) any transaction or series of transactions similar to those referred to in paragraphs (a) through (c) above, involving a Party or any of its subsidiaries; (e) any transaction or agreement which could reasonably be expected to materially impede, present or delay the completion of the Arrangement; or (f) any public announcement of an intention to do any of the foregoing. For the purposes of the definition of “Superior Proposal”, reference in the definition of Acquisition Proposal to “20%” shall be deemed to be replaced by “100%”.

**“Amended and Restated Gold Purchase Agreement”** means the revised Gold Purchase Agreement to be entered into between Marlin, Golden Reign, Nicoz, Gold Belt and Sailfish on a certain area of interest within Golden Reign’s San Albino project, pursuant to which, among other things, Nicoz and Gold Belt will grant Sailfish pursuant to a royalty agreement a 2% net smelter returns royalty on gold production from the San Albino-Murra Concession (exclusive of the said area of interest and the El Jicaro Concession).

**“AOI”** means the existing San Albino current area of interest under the Gold Purchase Agreement, see *“The Arrangement – Amended and Restated Gold Purchase Agreement with Sailfish”*.

**“Arrangement”** means the arrangement of Marlin under Section 288 of the BCBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Arrangement Agreement or Section 6.1 of the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Parties, each acting reasonably.

**“Arrangement Agreement”** means the agreement made as of August 3, 2018 between Marlin and Golden Reign, including the schedules thereto, as the same may be supplemented or amended from time to time.

“**BCBCA**” means the *Business Corporations Act* (British Columbia) including all regulations made thereunder, as promulgated or amended from time to time.

“**Bridge Loan Transaction**” has the meaning ascribed thereto under the heading “*Regulatory Matters – Canadian Securities Law Matters – Related Party Transactions under Multilateral Instrument 61-101 – Bridge Loan*”.

“**Business Day**” means a day other than a Saturday, a Sunday or any other day on which commercial banking institutions in Vancouver, British Columbia or in Toronto, Ontario are authorized or required by applicable Law to be closed.

“**Change in Recommendation**” means the circumstances where, prior to Marlin having obtained the Marlin Shareholder Approval or Golden Reign having obtained the Golden Reign Shareholder Approval, as applicable, the board of directors of a Party (a) withdraws, amends, modifies, qualifies, or changes in a manner adverse to the other Party, or publicly propose to or publicly state that it intends to withdraw, amend, modify, qualify or change in a manner adverse to the other Party, its approval or recommendation of the Arrangement; (b) fails to approve or recommend or reaffirm its approval or recommendation of the Arrangement within three (3) Business Days (and in any case prior to the Marlin Meeting and the Golden Reign Meeting) after having been requested in writing by such other Party to do so; or (c) in the event of a publicly announced Acquisition Proposal, fails to approve or recommend or reaffirm its approval or recommendation of the Arrangement within five (5) Business Days after any such announcement of an Acquisition Proposal (it being understood that the taking of a neutral position or no position with respect to an Acquisition Proposal beyond a period of five (5) Business Days after any such announcement of an Acquisition Proposal (or beyond the date which is one day prior to the Marlin Meeting and the Golden Reign Meeting, if sooner) shall be considered an adverse modification).

“**Circular**” means this management information circular of Golden Reign dated September 26, 2018 in connection with the Meeting.

“**Closing**” means the closing of the Transaction.

“**Combined Company**” means Golden Reign following the completion of the Arrangement.

“**Company**” or “**Golden Reign**” means Golden Reign Resources Ltd.

“**Competition Act**” means the *Competition Act* (Canada) including all regulations made thereunder, as promulgated or amended from time to time.

“**Computershare**” Computershare Trust Company of Canada.

“**Consideration**” means 0.5138 of a Golden Reign Share for each Marlin Share.

“**Consideration Shares**” means the consideration to be received by Marlin Shareholders from Golden Reign pursuant to the Plan of Arrangement in respect of each Marlin Share that is issued and outstanding immediately prior to the Effective Time, comprised of 0.5138 of a Golden Reign Share for each Marlin Share, which is intended to result in Marlin Shareholders owning no greater than 45% of the pro forma share capital of Golden Reign upon completion of the Arrangement.

“**Court**” means the Supreme Court of British Columbia.



“**Depository**” means Computershare.

“**Dissenting Shareholder**” means a registered holder of Marlin Shares who has duly and validly exercised the Dissent Rights in respect of the Arrangement Resolution in strict compliance with the Dissent Rights and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights.

“**Dissent Rights**” has the meaning ascribed thereto in Section 4.1 of the Plan of Arrangement.

“**Dissent Shares**” means the Marlin Shares held by Dissenting Shareholders in respect of which such Dissenting Shareholders have given Notice of Dissent.

“**Effective Date**” means the day upon which all of the conditions to completion of the Arrangement as set forth in the Arrangement Agreement have been satisfied or waived and all documents agreed to be delivered hereunder have been delivered to the satisfaction of the parties thereto, acting reasonably, or such other date as Marlin and Golden Reign may agree upon in writing.

“**Effective Time**” means 12:01 a.m. (Vancouver time) on the Effective Date or such other time as Marlin and Golden Reign may agree upon in writing.

“**El Compas Royalty**” means Marlin’s 1.5% net smelter return royalty on the majority of the concessions at the El Compas project operated by Endeavour Silver Corp.

“**Final Order**” means the order of the Court granted pursuant to Section 291 of the BCBCA, in form and substance acceptable to Marlin and Golden Reign, each acting reasonably, approving the Arrangement, after being informed of the intention to rely upon the exemption from registration provided under Section 3(a)(10) of the U.S. Securities Act with respect to the Consideration Shares issued pursuant to the Arrangement, and after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of Marlin and Golden Reign, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided, however, that any such amendment is acceptable to Marlin and Golden Reign, each acting reasonably) on appeal unless such appeal is withdrawn, abandoned or denied.

“**Gold Belt**” means Gold Belt, S.A., a wholly-owned subsidiary of Golden Reign.

“**Gold Purchase Agreement**” means the gold purchase agreement dated July 10, 2014, between Marlin, Golden Reign, Nicoz, Goldbelt and Sailfish on a certain area of interest within Golden Reign’s San Albino project, pursuant to which, among other things, Nicoz and Gold Belt granted Sailfish a stream on gold production for a maximum term of 40 years for an upfront deposit of US\$15.0 million, to be advanced in tranches based on milestones and other conditions precedent.

“**Golden Reign Board**” means the board of directors of Golden Reign as the same is constituted from time to time.

“**Golden Reign Disclosure Letter**” means the disclosure letter executed by Golden Reign and delivered to Marlin prior to or concurrently with the execution of the Arrangement Agreement.

“**Golden Reign Fairness Opinion**” means the fairness opinion received from PI Financial to the effect that, as of the date of such opinion, and subject to the assumptions, limitations and qualifications

contained therein, the Consideration to be paid by Golden Reign pursuant to the Arrangement is fair, from a financial point of view, to Golden Reign.

“**Golden Reign Option Plan**” means the stock option plan of Golden Reign last re-approved by Shareholders on January 30, 2017 and to be re-approved and ratified at the Meeting.

“**Golden Reign Options**” means options to purchase Golden Reign Shares, issued pursuant to the Golden Reign Option Plan.

“**Golden Reign Registered Shareholder**” means the registered holders of Golden Reign Shares.

“**Golden Reign Shares**” means the common shares in the authorized share capital of Golden Reign.

“**Golden Reign Supporting Shareholders**” means those senior officers and directors of Golden Reign who have entered into the Golden Reign Voting Agreements.

“**Golden Reign Voting Agreements**” means the voting agreements (including all amendments thereto) between Marlin and the Golden Reign Supporting Shareholders setting forth the terms and conditions upon which they have agreed, among other things, to vote their Golden Reign Shares in favour of the Share Issuance Resolutions.

“**Golden Reign Termination Payment Event**” has the meaning ascribed thereto under the heading *The Arrangement Agreement – Termination Payments – Golden Reign Termination Payment Event*.

“**Governmental Entity**” means (i) any multinational or supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency including any taxing authority under the authority of any of the foregoing, (ii) any self-regulatory organization or stock exchange, including the TSXV, (iii) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; and (iv) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of such entities or other bodies pursuant to the foregoing.

“**GRR Distribution Share**” means the Golden Reign Shares currently held by Marlin to be distributed to the Marlin Shareholders pursuant to Section 3.1(b) of the Plan of Arrangement. See also “*The Arrangement – Marlin Reorganization*”.

“**IFRS**” means International Financial Reporting Standards, as incorporated in the CPA Canada Handbook at the relevant time applied on a consistent basis.

“**Interim Order**” means the interim order of the Court to be issued following the application therefor contemplated by Section 2.2 of the Arrangement Agreement, after being informed of the intention to rely upon the exemption from registration under Section 3(a)(10) of the U.S. Securities Act with respect to the Golden Reign Shares issued pursuant to the Arrangement, in form and substance acceptable to Marlin and Golden Reign, each acting reasonably, providing for, among other things, the calling and holding of the Marlin Meeting, as such order may be affirmed, amended, modified, supplemented or varied by the Court with the consent of both Marlin and Golden Reign, each acting reasonably.

“**IVA Receivables**” means the Mexican value add tax receivables held by Oro Gold Mexico as disclosed in the Marlin Disclosure Letter.

“**Key Regulatory Approvals**” means those sanctions, rulings, consents, orders, exemptions, permits and other approvals of Governmental Entities, necessary to proceed with the transactions contemplated by the Arrangement Agreement and the Plan of Arrangement, including but not limited to (i) in relation to Marlin, the approval of the TSXV in respect of the Arrangement and the grant of the Interim Order and the Final Order, and (ii) in relation to Golden Reign, the approval of the TSXV for the issuance and listing of the Consideration Shares.

“**La Cigarra Royalty**” means a 1% net smelter return royalty held by Marlin on the Parral 1 and Parral 2 claims on the La Cigarra project owned by Kootenay Silver Inc.

“**La Trinidad**” means Marlin’s La Trinidad gold mine located in Sinaloa, Mexico, comprised of nine mineral concession claims owned or operated by Marlin.

“**Law**” means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended.

“**Management Proxyholders**” has the meaning ascribed thereto under the heading “*Management Information Circular – Appointment of Proxyholder*”.

“**Marlin**” means Marlin Gold Mining Ltd.

“**Marlin Arrangement Resolution**” means the resolution of the Marlin Shareholders approving the Arrangement and related transactions to be considered at the Marlin Meeting.

“**Marlin Board**” means the board of directors of Marlin as the same is constituted from time to time.

“**Marlin Disclosure Letter**” means the disclosure letter executed by Marlin and delivered to Golden Reign prior to or concurrently with the execution of the Arrangement Agreement.

“**Marlin Fairness Opinion**” means the fairness opinion received from the Marlin Financial Advisor to the effect that, as of the date of such opinion, and subject to the assumptions, limitations and qualifications contained therein, the Consideration to be received by the Marlin Shareholders is fair, from a financial point of view, to such Marlin Shareholders.

“**Marlin Financial Advisor**” means Red Cloud Klondike Strike Inc.

“**Marlin Gold Trading**” means Marlin Gold Trading Inc., a wholly-owned subsidiary of Marlin existing under the laws of Barbados.

“**Marlin Meeting**” means the special meeting of Marlin Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Marlin Arrangement Resolution.

“**Marlin Non-Core Assets**” means the La Cigarra Royalty, the Commonwealth Project and the EI Compas Royalty, EDM Oro and Marlin Gold US.

“**Marlin Options**” means, at any time, stock options to acquire Marlin Shares granted under the Marlin Stock Option Plan which are, at such time, outstanding and unexercised, whether or not vested.

“**Marlin Private Placement**” has the meaning ascribed thereto under the heading “*The Arrangement – Marlin Reorganization*”.

“**Marlin Reorganization**” means the reorganization currently being undertaken by Marlin to be completed by Marlin prior to the Effective Time, including, without limitation, the disposition of Marlin’s Non-Core Assets and the settlement and extinguishment of the Wexford Loans. See “*The Arrangement – Marlin Reorganization*”.

“**Marlin Shareholders**” means the holders of Marlin Shares.

“**Marlin Shares**” means common shares in the authorized share capital of Marlin, as constituted immediately prior the Effective Time as set forth in the Plan of Arrangement.

“**Marlin Stock Option Plan**” means the stock option plan of Marlin last re-approved by Marlin Shareholders on December 14, 2017.

“**Marlin Termination Payment Event**” has the meaning ascribed thereto under the heading “*The Arrangement Agreement – Termination Payments – Marlin Termination Payment Event*”.

“**Marlin Voting Agreements**” means the voting agreements (including all amendments thereto) between Golden Reign and the Marlin Supporting Shareholders setting forth the terms and conditions upon which they have agreed, among other things, to vote their Marlin Shares in favour of the Marlin Arrangement Resolution.

“**Master Agreement**” means the master agreement between Sailfish, Marlin, Oro Gold Mexico, Golden Reign, Nicoz and Gold Belt, entered into concurrently with the Arrangement Agreement, setting out the terms and conditions on which Marlin, Golden Reign, Nicoz and Gold Belt will enter into the Amended and Restated Stream Agreement in connection with and as a condition of the closing of the Arrangement.

“**Material Adverse Effect**” means, in respect of any Person, any change, effect, event or circumstance that is, or could reasonably be expected to be, material and adverse to the business, condition (financial or otherwise), properties, assets (tangible or intangible), liabilities (whether absolute, accrued, conditional or otherwise), operations or results of operations of such Person and its subsidiaries, taken as a whole, other than any change, effect, event or circumstance relating to or affecting, as applicable (i) the Canadian economy, political conditions (including the outbreak of war or any acts of terrorism) or securities markets in general, (ii) any of the industries in which a Person or any of its subsidiaries operate; (iii) any change in applicable Laws (other than orders, judgments or decrees against such Person or any of its subsidiaries), or (iv) a change in the market trading price or volume of that Person that is either (A) related to the Arrangement Agreement and the transactions contemplated by the Arrangement Agreement or the announcement thereof, or (B) primarily a result of a change, effect, event or occurrence excluded from this definition of Material Adverse Effect referred to in clause (i), (ii) or (iii) above; provided, however, that the effect referred to in clause (i), (ii) or (iii) above does not primarily relate only to (or have the effect of primarily relating only to) such Person and its subsidiaries, taken as a whole, or

disproportionately adversely affect such Person and its subsidiaries, taken as a whole, compared to other companies of similar size operating in the industry in which such Person and its subsidiaries operate.

“**Meeting**” means the annual and special meeting of Golden Reign Shareholders, including any adjournment or postponement thereof, called for the purpose of considering, among other matters, the Share Issuance Resolution.

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“**New Marlin Shares**” means the new common shares in the capital of Marlin to be created pursuant to a reorganization of capital by Marlin within the meaning of Section 86 of the Tax Act in accordance with the Plan of Arrangement, and which will have attached thereto the same rights and privileges as the issued and outstanding Marlin Shares immediately prior to the Effective Time.

“**NGOs**” means non-governmental organizations.

“**Nicoz**” means Nicoz Resources S.A., a wholly-owned subsidiary of Golden Reign.

“**NOBOs**” means non-objecting beneficial owners.

“**Nominee**” has the meaning ascribed thereto under the heading “*Management Information Circular – Non-Registered Holders*”.

“**Notice of Meeting**” means the notice of meeting accompanying the Circular.

“**OBOs**” means objecting beneficial owners.

“**Option Plan Resolution**” the ordinary resolutions of Shareholders to re-approve and ratify the Golden Reign Option Plan.

“**Oro Gold Mexico**” means Oro Gold de Mexico SA de CV, a direct and indirect wholly-owned subsidiary of Marlin existing under the laws of Mexico.

“**Outside Date**” means November 30, 2018 or such later date as may be agreed to in writing by the Parties.

“**Participation Rights Agreement**” has the meaning ascribed thereto under the heading “*Regulatory Matters – Canadian Securities Law Matters – Connected Transaction under Multilateral Instrument 61-101*”.

“**Parties**” means, collectively, Marlin and Golden Reign and “**Party**” means any one of them.

“**Permit**” means any license, permit, certificate, consent, order, grant, approval, agreement, classification, restriction, registration or other Authorization of, from or required by any Governmental Entity.

“**PI Financial**” means PI Financial Corp.

“**Plan of Arrangement**” means the plan of arrangement of Marlin, substantially in the form of Schedule A hereto, and any amendments or variations thereto made from time to time in accordance with the

Arrangement Agreement, the Plan of Arrangement or upon the direction of the Court in the Interim Order or the Final Order with the consent of the Parties, each acting reasonably.

“**Private Placement**” has the meaning ascribed thereto under the heading “*The Arrangement – Marlin Reorganization*”.

“**Record Date**” means September 21, 2018.

“**Related Parties**” has the meaning ascribed thereto under the heading “*Regulatory Matters – Canadian Securities Law Matters – Related Party Transactions under Multilateral Instrument 61-101*”.

“**RESP’s**” means a registered education savings plan.

“**Responding Party**” has the meaning ascribed thereto under the heading “*The Arrangement Agreement – Right to Match*”.

“**Response Period**” has the meaning ascribed thereto under the heading “*The Arrangement Agreement – Right to Match*”.

“**RRIF’s**” means a registered retirement income fund.

“**RRSP’s**” means a registered retirement savings plan.

“**Sailfish**” means Sailfish Royalty Corp.

“**San Albino**” means Golden Reign’s San Albino deposit on the San Albino-Murra concession in the Nueva Segovia department of the Republic of Nicaragua.

“**Securities Laws**” means the Securities Act, the U.S. Securities Act, and U.S. Exchange Act, together with all other applicable state, federal and provincial securities Laws, and the rules and regulations and published policies of the securities authorities thereunder, as now in effect and as they may be promulgated or amended from time to time, and includes the rules and policies of the TSXV.

“**Share Issuance Resolution**” means the ordinary resolutions of Shareholders approving the transaction and the issuance of Consideration Shares at the Golden Reign Meeting, substantially in the form and content set out in Schedule.

“**Shareholder Approval**” means the approval by the Shareholders of the Share Issuance Resolution, the Option Plan Resolution and the resolutions related to the annual general business of the Company at the Meeting.

“**Shareholders**” means the holders of Golden Reign Shares.

“**Solicited Party**” has the meaning ascribed thereto under the heading “*The Arrangement Agreement – Responding to Acquisition Proposals*”.

“**Special Committee**” means the special committee comprised of three independent Golden Reign directors.

“**Superior Proposal**” means any bona fide Acquisition Proposal made in writing by a third party or third parties acting jointly or in concert with one another, who deal at arm’s length to Marlin or Golden Reign,

as the case may be, after the date hereof that, in the good faith determination of the Marlin Board or the Golden Reign Board, as applicable, after receipt of advice from its outside financial advisor and legal counsel: (i) is reasonably capable of being completed in accordance with its terms without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal; (ii) in respect of which any required financing to complete such Acquisition Proposal has been demonstrated to be available; (iii) is not subject to a due diligence or access condition; (iv) did not result from a material breach of Article 7 of the Arrangement Agreement, by the receiving Party or its representatives; (v) in the case of a transaction that involves the acquisition of common shares of a Party, is made available to all Marlin Shareholders or Shareholders, as the case may be, on the same terms and conditions; (vi) failure to recommend such Acquisition Proposal to the Marlin Shareholders or Shareholders, as the case may be, would be inconsistent with the Marlin Board's fiduciary duties or the Golden Reign Board's fiduciary duties; and (vii) taking into account all of the terms and conditions of such Acquisition Proposal, if consummated in accordance with its terms (but not assuming away any risk of non-completion), would result in a transaction more favourable to its shareholders, taken as a whole, from a financial point of view, than the Arrangement (after taking into account any adjustment to the terms and conditions of the Arrangement proposed by the other Party pursuant to Section 7.3 of the Arrangement Agreement).

“**Tax**” and “**Taxes**” means any and all domestic and foreign federal, state, provincial, territorial, municipal and local taxes, assessments and other governmental charges, duties, impositions and liabilities imposed by any Governmental Entity, including without limitation pension plan contributions, tax instalment payments, unemployment insurance contributions and employment insurance contributions, workers' compensation and deductions at source, including taxes based on or measured by gross receipts, income, profits, sales, capital, use, and occupation, and including goods and services, value added, ad valorem, sales, capital, transfer, franchise, non-resident withholding, customs, payroll, recapture, employment, excise and property duties and taxes, together with all interest, penalties, fines and additions imposed with respect to such amounts.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

“**Tax Returns**” means all returns, reports, declarations, elections, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed by Law in respect of Taxes.

“**Terminating Party**” has the meaning ascribed thereto in Subsection 7.3(a) of the Arrangement Agreement.

“**Termination Payment**” means an amount equal to \$1,000,000.

“**Transaction**” means the transactions contemplated by the Arrangement Agreement.

“**TSXV**” means TSX Venture Exchange.

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended and the rules and regulations promulgated thereunder.

“**Wexford**” means Wexford Capital LP, including its managed funds as the context requires.

“**Wexford Funds**” means, collectively, private investment funds controlled and managed by Wexford.

“**Wexford Loans**” means any and all outstanding term facilities, loans or any form of indebtedness entered into between Marlin and the Wexford Funds, or any other investment funds management by Wexford, owing to Wexford from Marlin or any of its affiliated entities as of the date of the Arrangement Agreement.

“**Wexford Transaction**” has the meaning ascribed thereto under the heading “*The Arrangement – Marlin Reorganization*”.



## MANAGEMENT INFORMATION CIRCULAR

### Information Contained in this Circular

**This Circular is delivered in connection with the solicitation of proxies by and on behalf of management of Golden Reign for use at the Meeting and any adjournment or postponement thereof. No person is authorized to give any information or make any representation not contained or incorporated by reference in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized or as being accurate. For greater certainty, to the extent that any information provided Golden Reign's website is inconsistent with this Circular, you should rely on the information provided in this Circular.**

The information contained in this Circular is given as at September 26, 2018, except where otherwise noted.

The information concerning Marlin contained in this Circular has been provided by Marlin for inclusion in this Circular. Although Golden Reign has no knowledge that any statements contained herein taken from or based on such sources are untrue or incomplete, Golden Reign assumes no responsibility for the accuracy or completeness of the information taken from or based upon such sources or for any failure by Marlin to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Golden Reign.

This Circular does not constitute the solicitation of an offer to purchase, or the making of an offer to sell, any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation or offer is not authorized or in which the person making such solicitation or offer is not qualified to do so or to any person to whom it is unlawful to make such solicitation or offer.

Information contained in this Circular should not be construed as legal, tax or financial advice and Shareholders are urged to consult their own professional advisors in connection therewith.

All references in this Circular to the approval of the Golden Reign Board refers to the approval of the Golden Reign Board, with Mr. Akiba Leisman having recused himself and abstained.

Descriptions in this Circular of the terms of the Arrangement Agreement and the Plan of Arrangement are summaries of the terms of those documents and qualified in their entirety by reference to the full text of those documents. Shareholders should refer to the full text of each of the Arrangement Agreement and the Plan of Arrangement for complete details of those documents. The full text of the Arrangement Agreement may be viewed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Plan of Arrangement is appended hereto as Appendix B.

### Defined Terms

This Circular contains defined terms. For a list of the defined terms used herein but not otherwise defined, see the "*Glossary of Defined Terms*" in this Circular.

### Forward-Looking Information

Certain statements and information contained herein and in the documents incorporated by reference are not based on historical facts and constitute forward-looking information within the meaning of Canadian and United States Securities Laws. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on various assumptions such as with respect to the expected timing for the required approvals and completion of the

Arrangement, the expected benefits of the Arrangement, the synergies and financial impact of the Arrangement, the expected ownership in the Combined Company upon completion of the Arrangement, the anticipated board and management team following completion of the Arrangement, the effect of the Arrangement on Golden Reign's and Marlin's plans with respect to their properties, the delisting of the Marlin Shares from the TSXV following the Arrangement and the future financial or operating performance of the Combined Company and its subsidiaries. Often, but not always, forward-looking statements can be identified by the use of words and phrases such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. the receipt of all required approvals, the satisfaction of the terms and conditions of the Arrangement, that the Arrangement will be completed within the expected time frame at the expected cost and that the Company and Marlin will not fail to complete the Arrangement for any other reason, including but not limited to the matters discussed under the "*Risks Factors - Risk Factors Related to the Arrangement*" section of this Circular.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Golden Reign to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the satisfaction of the conditions to complete the Arrangement including the approval of the Share Issuance Resolution by the Shareholders, the approval of the Arrangement by the Marlin Shareholders, the Court, and the TSXV, the receipt of all required approvals to complete the Arrangement, the anticipated Effective Date of the Arrangement and the absence of any event, change or other circumstances that could give rise to the termination of the Arrangement Agreement, the delay in or increase in cost of completing the Arrangement and the failure to complete the Arrangement for any other reason and the risks described under "*Risk Factors - Risk Factors Related to the Arrangement*" in this Circular. Additional risks and uncertainties regarding the Company are described in its most recent Annual Information Form filed by Golden Reign for the year ended April 30, 2017 and Annual Management Discussion and Analysis for the year ended April 30, 2018, which are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements are provided to help Shareholders understand Golden Reign's views of the impact of the Arrangement on its business and prospects. Forward-looking statements contained herein are made as of the date of this Circular and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results, except as may be required by applicable Securities Laws. There can be no assurance that forward-looking 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.

### **Appointment of Proxyholder**

The purpose of a proxy is to designate persons who will vote the proxy on a Shareholder's behalf in accordance with the instructions given by the shareholder in the proxy. The persons whose names are printed in the enclosed form of proxy are officers or directors of Golden Reign (the "**Management Proxyholders**").

**A Shareholder has the right to appoint a person other than a Management Proxyholder, to represent the Shareholder at the Meeting by striking out the names of the Management Proxyholders and by inserting the desired person's name in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a Shareholder.**

### **Voting By Proxy**

**Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting.** Shares represented by a properly executed proxy will be voted or be withheld from voting on each matter referred to in the Notice of Meeting in accordance with the instructions of the Shareholder on any ballot that may be called for and if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

**If a Shareholder does not specify a choice and the shareholder has appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote FOR the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.**

**The enclosed form of proxy also gives discretionary authority to the person named therein as proxyholder with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters which may properly come before the Meeting.** At the date of this Circular, management of Golden Reign knows of no such amendments, variations or other matters to come before the Meeting.

### **Completion and Return of Proxy**

Completed forms of proxy must be deposited at the office of Golden Reign's registrar and transfer agent, Computershare Trust Company of Canada, 100 University Avenue 8th Floor, Toronto, Ontario, M5J 2Y1, not later than 10:00 a.m. (Toronto time) on October 26, 2018 or forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, unless the chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

### **Non-Registered Holders**

**Only Shareholders whose names appear on the records of Golden Reign as the registered holders of shares or duly appointed proxyholders are permitted to vote at the Meeting.** Most shareholders of Golden Reign are "non-registered" shareholders because the shares they own are not registered in their names but instead registered in the name of a nominee such as a brokerage firm through which they purchased the shares; bank, trust company, trustee or administrator of self-administered RRSP's, RRIF's, RESP's and similar plans; or clearing agency such as The Canadian Depository for Securities Limited (a "**Nominee**"). If you purchased your shares through a broker, you are likely an unregistered holder.

In accordance with securities regulatory policy, Golden Reign has distributed copies of the Meeting materials, being the Notice of Meeting, this Circular and the proxy, to the Nominees for distribution to non-registered holders.

Nominees are required to forward the Meeting materials to non-registered holders to seek their voting instructions in advance of the Meeting. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your Golden Reign Shares are voted at the Meeting.

If you, as a non-registered holder, wish to vote at the Meeting in person, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the Meeting.

Non-registered holders who have not objected to their Nominee disclosing certain ownership information about themselves to Golden Reign are referred to as “non-objecting beneficial owners (“NOBOs”). Those non-registered holders who have objected to their Nominee disclosing ownership information about themselves to Golden Reign are referred to as “objecting beneficial owners” (“OBOs”).

Golden Reign is not sending the Meeting materials directly to NOBOs in connection with the Meeting, but rather has distributed copies of the Meeting materials to the Nominees for distribution to NOBOs.

Golden Reign intends to pay for Nominees to deliver the Meeting materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* to OBOs.

#### **Notice-and-Access**

Golden Reign is not sending the Meeting materials to shareholders using “notice-and-access”, as defined under NI 54-101.

#### **Revocability of Proxy**

Any registered Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a registered Shareholder, his attorney authorized in writing or, if the registered shareholder is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a proxy by instrument in writing, including a proxy bearing a later date. The instrument revoking the proxy must be deposited at the registered office of Golden Reign at 595 Howe Street, Suite 501, Vancouver, British Columbia, V6C 2T5, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting.

## **GOLDEN REIGN SHAREHOLDERS – QUESTIONS AND ANSWERS ABOUT THE ARRANGEMENT AND THE GOLDEN REIGN MEETING**

*The information contained below is of a summary nature and therefore is not complete and is qualified in its entirety by the more detailed information contained elsewhere in this Circular, including the Appendices hereto, all of which are important and should be reviewed carefully. Capitalized terms used in these questions and answers but not otherwise defined herein have the meanings set forth in the “Glossary of Defined Terms” in this Circular.*

### **Q&A on the Arrangement**

**Q: Where and when will the Meeting be held?**

A: The Meeting will be held at the offices of Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario M5H 3C2, on Tuesday, October 30, 2018 at 10:00 a.m. (Toronto time).

**Q: What are Shareholders being asked to vote on?**

A: Shareholders are being asked to vote on a resolution to approve the issuance by Golden Reign of the Golden Reign Shares necessary to give effect to the Arrangement, which includes the issuance of Golden Reign Shares to Wexford who is a “related party” to Golden Reign (as such term is defined in MI 61-101) and who will become a new “control person” of Golden Reign pursuant to the policies of the TSXV. Shareholders are also being asked to vote on the Option Plan Resolution and other resolutions related to the annual general business of the Company as further described in the Circular.

See “*The Arrangement – Required Approvals – Shareholder Approval*”, “*General Information Concerning the Meeting and Voting – Particulars of Matters to be Acted Upon at the Meeting*”, “*Regulatory Matters - Related Party Transactions under Multilateral Instrument 61-101*” and “*Regulatory Matters – Minority Approval*”.

**Q: What will Marlin Shareholders receive from Golden Reign for their Marlin Shares under the Arrangement?**

A: Under the Arrangement, each Marlin Shareholder will receive from Golden Reign, subject to the terms of the Plan of Arrangement, 0.5138 of Golden Reign Share for each Marlin Share held.

In addition to the Golden Reign Shares to be issued from treasury by Golden Reign to the Marlin Shareholders, as part of the Marlin Reorganization that will be undertaken prior to completion of the Arrangement, Marlin will distribute an aggregate of 18,148,654 Golden Reign Shares currently held by Marlin to the Marlin Shareholders on the basis of 0.1022 of a Golden Reign Share for each Marlin Share.

See “*The Arrangement – Description of the Arrangement*” and “*The Arrangement - Marlin Reorganization*”.

**Q: What will happen to my Golden Reign Shares if the Arrangement is completed?**

A: Shareholders will continue to own their existing Golden Reign Shares.

**Q: What is the maximum number of Golden Reign Shares issuable pursuant to the Arrangement?**

A: The maximum number of Golden Reign Shares issuable pursuant to the Arrangement is approximately 91,234,551 Golden Reign Shares. This number reflects the Golden Reign Shares issuable in exchange for approximately 177,568,219 Marlin Shares that are expected to be outstanding at the Effective Time. Following completion of the Arrangement, former Shareholders are expected to own approximately 55% of the Golden Reign Shares and former Marlin Shareholders are expected to own approximately 45% of the Golden Reign Shares (including the Golden Reign Shares such Marlin Shareholders held prior to completion of the Arrangement).

**Q: Does the Golden Reign Board support the Arrangement?**

A: Yes. The Golden Reign Board determined (with Mr. Akiba Leisman having recused himself and abstained), based, in part, on the unanimous recommendation of the Special Committee (i) that the Consideration is fair to the Company and the Arrangement is in the best interests of Golden Reign and its Shareholders, (ii) that Golden Reign should enter the Arrangement Agreement, and (iii) to recommend that the Shareholders vote FOR the Share Issuance Resolution.

Prior to entering into the Arrangement Agreement, the Golden Reign Board established the Special Committee, comprised of Braam Jonker (Chairman), Rael Lipson and William Meyer, each an independent director of Golden Reign, to assist in negotiating the Arrangement Agreement and to advise the Golden Reign Board with respect to any recommendation that the Golden Reign Board should make to the Shareholders.

The Special Committee unanimously determined that the Consideration is fair to the Company and is in the best interests of Golden Reign. The Special Committee then unanimously recommended that the Golden Reign Board approve the proposed Arrangement Agreement and that the Golden Reign Board recommend that the Shareholders approve the Share Issuance Resolution.

See *“The Arrangement – Background to the Arrangement”*, *“The Arrangement – Recommendation of the Golden Reign Board”* and *“The Arrangement – Reasons for the Recommendations of the Golden Reign Board”*.

**Q: What approvals are required of Shareholders at the Meeting?**

A: To be effective, the Share Issuance Resolution must be approved by a simple majority of the votes cast at the Meeting by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding votes cast in respect of Golden Reign Shares held by any interested party, related party or joint actor (all as defined in M1 61-101), which in this case consists of Marlin as of the date of this Circular. Neither Wexford nor Akiba Leisman currently own any Golden Reign Shares. In addition, the Option Plan Resolution and the other resolutions related to the annual general business of the Company must be approved by a simple majority of the votes cast at the Meeting by Shareholders present in person or represented by proxy and entitled to vote at the Meeting.

See *“The Arrangement – Required Approvals – Shareholder Approval”*, *“General Information Concerning the Meeting and Voting – Particulars of Matters to be Acted Upon at the Meeting”*, *“Regulatory Matters - Related Party Transactions under Multilateral Instrument 61-101”* and *“Regulatory Matters – Minority Approval”*.

Marlin has entered into the Marlin Voting Agreements with all of the Golden Reign Supporting Shareholders, pursuant to which the Golden Reign Supporting Shareholders have agreed, subject to the terms and conditions of their respective Marlin Voting Agreements, to vote their Golden Reign Shares in favour of the Share Issuance Resolution. As of the date of the Arrangement Agreement, Golden Reign Supporting Shareholders collectively beneficially owned or exercised control or direction over, in aggregate, 29,227,845 Golden Reign Shares and 12,890,000 Golden Reign Options, representing approximately 15.2% of the outstanding Golden Reign Shares on a non-diluted basis and approximately 20.2% of the outstanding Golden Reign Shares assuming the exercise or conversion of their Golden Reign Options.

See “*The Arrangement – Voting Agreements*”.

**Q: What other approvals are required for the Arrangement?**

Marlin Shareholders must approve a resolution approving the Arrangement and certain connected transactions by the affirmative vote of: (i) at least two-thirds of the votes cast by Marlin Shareholders present in person or represented by proxy and entitled to vote at the special meeting of Marlin Shareholders; and (ii) a simple majority of the votes cast by holders of Marlin Shares after excluding any votes of certain persons required to be excluded under MI 61-101.

In addition, the Arrangement must be approved by the Court. The Court will be asked to make an order approving the Arrangement and to determine that the Arrangement, after considering the substantive and procedural aspects of the transaction, is fair and reasonable to the Marlin Shareholders. Marlin will apply to the Court for this order if the Shareholders approve the Share Issuance Resolution at the Meeting and the Marlin Shareholders approve the Marlin Arrangement Resolution at the Marlin Meeting.

The Arrangement and the transactions contemplated thereby are subject to regulatory approval, including the approval of the TSXV in respect of the issuance of Golden Reign Shares to Marlin Shareholders.

See “*The Arrangement – Required Approvals – Court Approval*” and “*The Arrangement – Required Approvals – Marlin Shareholder Approval*”.

**Q: When will the Arrangement become effective?**

A: Subject to obtaining the Court approval as well as the satisfaction of all other conditions precedent, if Marlin Shareholders approve the Marlin Arrangement Resolution and the Shareholders approve the Share Issuance Resolution, it is anticipated that the Arrangement will be completed in early November, 2018.

**Q: What will happen to Golden Reign if the Arrangement is completed?**

A: If the Arrangement is completed, Golden Reign and Marlin (post-completion of the Marlin Reorganization) will combine their respective businesses through Golden Reign’s acquisition of all of the outstanding Marlin Shares and Marlin will become a direct wholly-owned subsidiary of Golden Reign.

See “*Information Relating to the Combined Company*”.

**Q: Are Shareholders entitled to Dissent Rights?**

A: No. Shareholders are not entitled to Dissent Rights. Marlin is the company being “arranged” under the applicable Securities Laws and, accordingly, only the Marlin Shareholders are entitled to Dissent Rights.

**Q: What will happen if the Marlin Arrangement Resolution is not approved or the Arrangement is not completed for any reason?**

A: If the Marlin Arrangement Resolution is not approved or the Arrangement is not completed for any reason, the Arrangement Agreement may be terminated. In certain circumstances, including, among other things, if either Marlin or Golden Reign accepts a competing offer that the Marlin Board or the Golden Reign Board, as applicable, concludes is superior to the Arrangement, Marlin or Golden Reign, as applicable, will be required to pay a termination fee of \$1,000,000 in connection with such termination. In certain other circumstances, Golden Reign or Marlin, as applicable, will be required to pay for expenses the other party has incurred in respect of the Arrangement up to a maximum of \$300,000. The other circumstances under which the \$1,000,000 termination fee is payable or the \$300,000 expenses reimbursement is payable are reciprocal.

See “*The Arrangement Agreement – Termination of the Arrangement Agreement*”.

#### **Q&A on Proxy Voting**

**Q: Who is entitled to vote at the Meeting?**

A: The record date for determining the Shareholders entitled to receive notice of and to vote at the Meeting is September 21, 2018. Only Shareholders of record as of the close of business on the Record Date are entitled to receive notice of and to vote at the Meeting. Each Shareholder is entitled to one vote in respect of each Golden Reign Share held.

**Q: What do I need to do now in order to vote on the Share Issuance Resolution?**

A: You should carefully read and consider the information contained in this Circular. Registered Shareholders should then vote by completing, dating and signing the enclosed form of proxy or, alternatively, by telephone, or over the internet, in each case in accordance with the enclosed instructions.

To vote by telephone, Shareholders should call Computershare Investor Services Inc. at 1-866-732-8683. Shareholders will need to enter the 15-digit control number provided on the form of proxy to identify themselves as shareholders on the telephone voting system.

To vote over the internet, Shareholders should go to [www.investorvote.com](http://www.investorvote.com). Shareholders will need to enter the 15-digit control number provided on the form of proxy to identify themselves as shareholders on the voting website.

To be used at the Meeting, the completed proxy form must be deposited at the office of Computershare Trust Company of Canada, 100 University Avenue 8th Floor, Toronto, Ontario, M5J 2Y1 by mail or the proxy vote is otherwise registered in accordance with the instructions thereon. To be effective, a proxy must be received by Computershare not later than 10:00 a.m. (Toronto time) on October 26, 2018, or in the case of any postponement or adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the postponed or adjourned Meeting. Late proxies may be accepted or rejected by the Chair of the Meeting in his or her discretion, and the Chair is under no obligation to accept or reject any particular late proxy.



If you hold your Golden Reign Shares through an Intermediary, please follow the instructions provided by such Intermediary to ensure that your vote is counted at the Meeting.

See “*General Information Concerning the Meeting and Voting – Voting by Proxies*”.

**Q: Should I send in my proxy now?**

A: Yes. Once you have carefully read and considered the information contained in this Circular, to ensure your vote is counted, you need to complete and submit the enclosed form of proxy or, if applicable, provide your Intermediary with voting instructions. You are encouraged to vote well in advance of the proxy cut-off at 10:00 a.m. (Toronto time) on October 26, 2018 (or if the Meeting is postponed or adjourned, not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the postponed or adjourned meeting).

**Q: What happens if I sign the form of proxy sent to me?**

A: Signing and depositing the enclosed form of proxy gives authority to the person(s) designated by management of Golden Reign on such form to vote your Golden Reign Shares at the Meeting. If the instructions in a proxy given to Golden Reign’s management are specified, the Golden Reign Shares represented by such proxy will be voted FOR or AGAINST or WITHHELD the resolutions, as applicable, in accordance with your instructions on any poll that may be called for. If a choice is not specified, the Golden Reign Shares represented by a proxy given to Golden Reign’s management will be voted **FOR** the approval of the Share Issuance Resolution, the Option Plan Resolution and all other resolutions as described in this Circular.

See “*General Information Concerning the Meeting and Voting – Voting by Proxies*”.

**Q: Can I appoint someone other than the person(s) designated by management of Golden Reign to vote my Golden Reign Shares?**

A: Yes. A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for him, her or it and on his, her or its behalf at the Meeting other than the persons designated in the form of proxy and may exercise such right by inserting the name in full of the desired person in the blank space provided in the form of proxy and striking out the names now designated.

See “*General Information Concerning the Meeting and Voting – Voting by Proxies*”.

**Q: What if amendments are made to these matters or if other matters are brought before the Meeting?**

A: The form of proxy accompanying this Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the Golden Reign Notice of Meeting and any other matters that may properly come before the Meeting or any postponement or adjournment thereof. As at the date of this Circular, Golden Reign’s management is not aware of any such amendments or variations, or of other matters to be presented for action at the Meeting. However, if any amendments to matters identified in the accompanying Golden Reign Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any postponement or adjournment thereof, the Golden Reign Shares represented by properly executed proxies given in favour of the person(s) designated by management of Golden Reign in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

See “*General Information Concerning the Meeting and Voting – Voting by Proxies*”.

**Q: Can I change my vote after I have submitted my proxy?**

A: Yes. In addition to revocation in any other manner permitted by Law, a Golden Reign Registered Shareholder executing the enclosed form of proxy has the power to revoke it by depositing an instrument in writing executed by the Shareholder or his or her legal representative authorized in writing or, where the Shareholder is a corporation, by the corporation or a representative of the corporation. To be valid, an instrument of revocation must be received at Golden Reign’s registered and principal office by fax at (604) 685-4675, or by mail or by hand at 595 Howe Street, Suite 501, Vancouver, British Columbia, V6C 2T5, at any time up to and including the last business day preceding the day of the Meeting, or in the case of any postponement or adjournment of the Meeting, the last business day preceding the day of the postponed or adjourned Meeting, or delivered to the Chair of the Meeting on the day fixed for the Meeting, and prior to the start of the Meeting or any postponement or adjournment thereof.

**Only Registered Shareholders have the right to revoke a proxy. Beneficial Shareholders who wish to change their vote must in sufficient time in advance of the Meeting, arrange for their respective Intermediaries to change their vote and if necessary revoke their proxy in accordance with the revocation procedures.**

See “*General Information Concerning the Meeting and Voting – Revocability of Proxies*”.

**Q: Who will count the votes?**

A: Golden Reign’s transfer agent, Computershare, will count and tabulate the votes received for the Meeting.

**Q: If my Golden Reign Shares are held by my Intermediary, will they vote my Golden Reign Shares?**

A: An Intermediary will vote the Golden Reign Shares held by you only if you provide instructions to them on how to vote. Without instructions, those Golden Reign Shares will not be voted. Shareholders should instruct their Intermediaries to vote their Golden Reign Shares on their behalf by following the directions provided to them by their Intermediaries. Unless your Intermediary gives you its proxy to vote the Golden Reign Shares at the Meeting, you cannot vote those Golden Reign Shares owned by you at the Meeting.

See “*General Information Concerning the Meeting and Voting – Voting of Golden Reign Shares Owned by Beneficial Shareholders*”.

**Q: Who can help answer my questions?**

A: If you have any questions about this Circular or the matters described in this Circular, please contact your professional advisor. Shareholders who would like additional copies of this Circular, without charge, or have additional questions about the procedures for voting Golden Reign Shares, should contact their broker.

## SUMMARY

*The following is a summary of certain information contained elsewhere in, or incorporated by reference into, this Circular, including the Appendices hereto. Certain capitalized terms used in this summary are defined in the “Glossary of Defined Terms” or elsewhere in this Circular. This summary is qualified in its entirety by the more detailed information appearing elsewhere, or incorporated by reference, in this Circular.*

### **The Meeting**

#### ***Purpose of the Meeting***

The purpose of the Meeting is for Shareholders to consider and, if thought advisable, approve the Share Issuance Resolution, the Option Plan Resolution and all other resolutions related to the annual general business of the Company as set forth in this Circular.

#### ***Date, Time and Place***

The Meeting will be held at the offices of Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario M5H 3C2 on Tuesday, October 30, 2018 at 10:00 a.m. (Toronto time).

#### ***Record Date***

The record date for determining the Shareholders entitled to receive notice of and to vote at the Meeting is September 21, 2018. Only Shareholders of record as of the close of business on the Record Date are entitled to receive notice of and to vote at the Meeting.

### **The Arrangement**

On August 3, 2018, Golden Reign and Marlin entered into the Arrangement Agreement to combine their respective businesses in a “merger of equals” type transaction. Under the Arrangement Agreement, Golden Reign agreed to acquire all of the outstanding Marlin Shares. Each Marlin Shareholder will be entitled to receive from Golden Reign 0.5138 of a Golden Reign Share in exchange for each Marlin Share held. Under the Arrangement Agreement, Marlin has agreed to, among other things, call the Marlin Meeting to seek approval of Marlin Shareholders for the Marlin Arrangement Resolution and, if approved, apply to the Court for the Final Order, and Golden Reign has agreed to, among other things, call the Meeting to seek approval of Shareholders of the Share Issuance Resolution. See also “*The Arrangement – Marlin Reorganization*”.

See “*The Arrangement Agreement*”.

### **Recommendation of the Special Committee**

The Special Committee appointed by the Golden Reign Board was formed to, among other things, assist with the negotiation of the terms of the acquisition proposal to received from Marlin to combined the businesses of Golden Reign and Marlin, and any other proposals received, and to make recommendations to the Golden Reign Board with respect to any such proposal, including with respect to any recommendation that the Golden Reign Board should make to Shareholders in respect of such proposal. After careful consideration, including a thorough review of the Arrangement Agreement, the advice of PI Financial and the Golden Reign Fairness Opinion, as well as a thorough review of other matters, including the matters discussed under the heading “*The Arrangement – Reasons for the Arrangement,*” and taking into account the best interests of Golden Reign and the impact on stakeholders

of Golden Reign and consultation with financial and legal advisors, the Special Committee unanimously determined that the Consideration is fair to the Company and that the Arrangement is in the best interests of Golden Reign. Accordingly, the Special Committee unanimously recommended that the Golden Reign Board recommend that the Shareholders approve the Share Issuance Resolution and that the Golden Reign Board approve the Arrangement Agreement and the Plan of Arrangement.

See “*The Arrangement – Special Committee*” and “*The Arrangement – Golden Reign Fairness Opinion*”.

### **Recommendation of the Golden Reign Board**

After careful consideration, including consultation with legal advisors and PI Financial, presentations from the Special Committee and receipt of the recommendations of the Special Committee, the Golden Reign Board determined that the Arrangement is in the best interests of Golden Reign. The Golden Reign Board recommends that Shareholders vote **FOR** the Share Issuance Resolution.

### **Reasons for the Arrangement and Recommendations**

In making its recommendations, the Special Committee and the Golden Reign Board consulted with Golden Reign’s management, PI Financial, legal counsel, and reviewed a significant amount of information and performed financial, technical and legal due diligence with the help of its advisors and experts and considered a number of factors, including those listed below. The following includes forward-looking information and readers are cautioned that actual results may vary.

In making its determinations and recommendations, the Special Committee and the Golden Reign Board considered and relied upon a number of substantive factors, including, among others:

- *Significant Anticipated Synergies.* Following completion of the Arrangement, former Shareholders are expected to own approximately 55% of the Golden Reign Shares, and therefore will share in anticipated enhanced organic growth opportunities and synergies of the Combined Company. See “*Forward-Looking Information*”.
- *Stronger Financial Position.* The Combined Company is expected to have a stronger financial position and greater resources than Golden Reign alone. See “*Information Relating to the Combined Company*”.
- *Strong Management Ability and Skills.* The Combined Company will have an experienced management team with a strong knowledge of the mining industry.
- *Golden Reign Fairness Opinion.* The Special Committee received the Golden Reign Fairness Opinion that concluded that, in the opinion of PI Financial, as at August 2, 2018 and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Consideration to be paid by Golden Reign pursuant to the Arrangement is fair, from a financial point of view, to the Company. See “*The Arrangement – Golden Reign Fairness Opinion*” and “*Appendix C – Golden Reign Fairness Opinion*”.
- *Negotiated Transaction* – The Arrangement Agreement was the result of a comprehensive negotiation process with respect to the key elements of the Arrangement Agreement and Plan of Arrangement, which includes terms and conditions that are reasonable in the judgment of the Special Committee. The Special Committee took an active and independent role in negotiating the material terms of the Arrangement Agreement and the negotiation of the Consideration.

- *Shareholder Approval* – The Share Issuance Resolution must be approved by the minority approval required pursuant to MI 61-101 and the policies of the TSXV. See “*Regulatory Matters – Related Party Transactions under Multilateral Instrument 61-101*” and “*Regulatory Matters – Minority Approval*”.
- *Voting Agreements*. As of August 3, 2018, the Marlin Supporting Shareholders, who in the aggregate held approximately 85.8% of the outstanding Marlin Shares on a non-diluted basis, have entered into the Golden Reign Voting Agreements pursuant to which they have agreed, among other things, to vote in favour of the Marlin Arrangement Resolution and the Golden Reign Supporting Shareholders, who in the aggregate held approximately 14.9% of the Golden Reign Shares on a non-diluted basis, have entered into the Marlin Voting Agreements pursuant to which they have agreed, among other things to vote in favour of the Share Issuance Resolution.
- *Extensive Due Diligence*. Golden Reign’s management team and third party advisors completed a detailed due diligence review on Marlin.
- *Regulatory Approval* – The Arrangement must be approved by the Court, which will consider, among other things, the fairness and reasonableness of the Arrangement.
- *Other Factors*. The Golden Reign Board also considered the Arrangement with reference to the current economic, industry and market trends affecting each of Golden Reign and Marlin in their respective markets, information concerning the business, operations, property, assets, financial condition, operating results and prospects of each of Golden Reign and Marlin and the then historical trading prices of the Golden Reign Shares and the Marlin Shares.

The Golden Reign Board also considered a variety of risks and other potentially negative factors relating to the Arrangement including those matters described under the heading “*Risk Factors*”.

In making its determinations and recommendations, the Golden Reign Board also observed that a number of procedural safeguards were and are present to permit the Golden Reign Board to represent effectively the interests of Golden Reign, Shareholders and Golden Reign’s other stakeholders. In the course of their deliberations, the Golden Reign Board and the Special Committee, in consultation with the Company’s management and their legal and financial advisors, also considered a number of potential issues regarding and risks (as described in greater detail under the heading “*Risk Factors - Risk Factors Related to the Arrangement*”) relating to the Arrangement, including:

1. the risks to the Company and the Shareholders if the Arrangement is not completed, including the costs to the Company in pursuing the Arrangement, the repayment of the Bridge Loan (see “*Regulatory Matters – Canadian Securities Law Matters – Related Party Transactions under Multilateral Instrument 61-101 – Bridge Loan*”) and the diversion of the Company’s management from the conduct of the Company’s business in the ordinary course;
2. the terms of the Arrangement Agreement restricting the Company from soliciting third parties to make an Acquisition Proposal and the specific requirements regarding what constitutes a Superior Proposal;
3. the terms of the Arrangement Agreement that require the Company to conduct its business in the ordinary course and prevent the Company from taking certain specified actions, which may delay or prevent the Company from taking certain actions to advance its property pending consummation of the Arrangement;

4. the Termination Fee payable to Marlin in certain circumstances, including if the Company enters into an agreement in respect of a Superior Proposal;
5. the conditions to Marlin's obligations to complete the Plan of Arrangement;
6. the right of Marlin to terminate the Arrangement Agreement under certain circumstances;
7. the contemplated participation rights arrangements with Wexford;

The Golden Reign Board's and the Special Committee's reasons for recommending the approval of the Share Issuance Resolution include certain assumptions relating to forward-looking information, and such information and assumptions, are subject to various risks. The Special Committee and the Golden Reign Board believed that, overall, the anticipated benefits of the Arrangement to Golden Reign outweighed these risks and negative factors. See "*Forward-Looking Statements*" and "*Risk Factors - Risk Factors Related to the Arrangement*" in this Circular.

The foregoing summary of the information and factors considered by the Golden Reign Board and the Special Committee is not intended to be exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Arrangement, neither the Golden Reign Board nor the Special Committee found it practical to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching its conclusion and recommendation. Their recommendations were made after considering all of the above-noted factors and in light of the Golden Reign Board's and the Special Committee's knowledge of the business, financial condition and prospects of Golden Reign, and was also based on the advice of financial advisors and legal advisors and the Special Committee. In addition, individual members of the Golden Reign Board and the Special Committee may have assigned different weights to different factors.

### **Golden Reign Fairness Opinion**

The Special Committee received the Golden Reign Fairness Opinion that concluded that, in the opinion of PI Financial, as at August 2, 2018 and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Consideration to be paid by Golden Reign pursuant to the Arrangement is fair, from a financial point of view, to the Company.

See "*The Arrangement – Golden Reign Fairness Opinion*" and "*Appendix C - Golden Reign Fairness Opinion*".

### **Effects of the Arrangement**

If the Marlin Arrangement Resolution and the Share Issuance Resolution are passed, the Arrangement is approved by the Court and all of the other conditions to closing of the Arrangement are satisfied, Marlin and Golden Reign will combine their respective businesses through Golden Reign's acquisition of all of the outstanding Marlin Shares, other than Dissent Shares which will be transferred to Marlin and cancelled. Each Marlin Shareholder will be entitled to receive 0.5138 of a Golden Reign Share in exchange for each Marlin Share held. If the Arrangement is completed, Marlin will become a direct wholly-owned subsidiary of Golden Reign with existing Shareholders and Marlin Shareholders owning approximately 55% and 45% of the Combined Company, respectively.

See "*The Arrangement – Description of the Arrangement*".

If approved, the Arrangement will become effective at the Effective Time on a date to be determined not later than the Outside Date, or such later date as may be agreed to in writing by Marlin

and Golden Reign. At the Effective Time, the following will be deemed to occur in the following order without any further authorization, act or formality:

At the Effective Time:

- (a) each Marlin Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to Golden Reign and Golden Reign shall thereupon be obliged to pay the amount therefor determined and payable in accordance with the Plan of Arrangement, and the name of such holder shall be removed from the central securities register for Marlin as a holder of Marlin Shares and Golden Reign shall be recorded as the registered holder of the Marlin Shares so transferred and shall be deemed to be the legal owner of such Marlin Shares;
- (b) Marlin will undertake a reorganization of capital within the meaning of Section 86 of the Tax Act, which reorganization will occur in the following sequential order:
  - (i) one minute following the Effective Time, the identifying name of the Marlin Shares will be changed from “Common Shares” to “Class A Common Shares” and the special rights and restrictions attached to such shares will be amended to provide that each Marlin Share is entitled to two (2) votes at any meeting of the shareholders of Marlin; and to reflect such amendments, Marlin’s articles will be deemed to be amended by adding a new Section 28 as set out in Appendix “A” to the Plan of Arrangement and Marlin’s notice of articles will be deemed to be amended accordingly;
  - (ii) two minutes following the Effective Time, the New Marlin Shares, being shares without par value, will be created as a class, the identifying name of the New Marlin Shares will be “Common Shares” and the maximum number of New Marlin Shares which Marlin will be authorized to issue will be unlimited;
  - (iii) three minutes following the Effective Time, each outstanding Marlin Share will be exchanged (without any further act or formality on the part of a Marlin Shareholder), free and clear of all Encumbrances, for one (1) New Marlin Share and 0.1022 of a GRR Distribution Share (provided that if the foregoing would result in the issuance of a fraction of a GRR Distribution Share, then the number of GRR Distribution Shares otherwise issued will be rounded down to the nearest whole number of GRR Distribution Shares) and the Marlin Shares will thereupon be cancelled, and:
    - i) the holders of Marlin Shares will cease to be holders thereof and cease to have any rights or privileges as holders of Marlin Shares;
    - ii) the holders’ name will be removed from the central securities register of Marlin; and
    - iii) each Marlin Shareholder will be deemed to be the holder of the New Marlin Shares and the GRR Distribution Shares exchanged for the Marlin Shares, in each case free and clear of any Liens, and will be entered into the central securities register of Marlin and Golden Reign, as the case may be, as the registered holder thereof;

and the capital of Marlin in respect of the New Marlin Shares will be an amount equal to the paid-up capital for the purposes of the Tax Act in respect of the Marlin Shares immediately prior to the Effective Time, less the fair market value of the GRR Distribution Shares distributed on such exchange; and

- (iv) four minutes following the Effective Time, the authorized share capital of Marlin will be amended to eliminate the Marlin Shares, and the notice of articles of Marlin will be deemed to be amended accordingly; and
  - (v) the capital of Marlin in respect of the New Marlin Shares will be an amount equal to the paid-up capital for the purposes of the Tax Act in respect of the Marlin Shares immediately prior to the Effective Time, less the fair market value of the GRR Distribution Shares distributed on such exchange;
- (c) five minutes following the Effective Time, each outstanding New Marlin Share (other than New Marlin Shares held by Golden Reign or any affiliate thereof) will, without further act or formality by or on behalf of a holder of New Marlin Shares, be irrevocably assigned and transferred by the holder thereof to Golden Reign (free and clear of all Liens) in exchange for 0.5138 of a Golden Reign Share for each New Marlin Share held, and
- (i) the holders of such New Marlin Shares shall cease to be the holders thereof and to have any rights as holders of such New Marlin Shares other than the right to receive 0.5138 of a Golden Reign Share for each New Marlin Share assigned and transferred in accordance with the Plan of Arrangement;
  - (ii) such holders' name shall be removed from the central securities register for the New Marlin Shares maintained by or on behalf of Marlin; and
  - (iii) Golden Reign shall be deemed to be the transferee and the legal and beneficial holder of such New Marlin Shares (free and clear of all Liens) and shall be entered as the registered holder of such New Marlin Shares in the central securities register for the New Marlin Shares maintained by or on behalf of Marlin.

The maximum number of Golden Reign Shares issuable by Golden Reign pursuant to the Arrangement is approximately 91,234,551 Golden Reign Shares, based on an aggregate 177,568,219 Marlin Shares that are expected to be outstanding as of the Effective Time. Following completion of the Arrangement, former Shareholders are expected to own approximately 55% of the Golden Reign Shares and former Marlin Shareholders are expected to own approximately 45% of the Golden Reign Shares (including the Golden Reign Shares held by such Marlin Shareholders prior to the completion of the Arrangement)..

See "*The Arrangement – Description of the Arrangement*".

### **Marlin Shareholder Approval**

To be effective, the Marlin Arrangement Resolution must be approved, with or without variation, by the affirmative vote of (i) at least two-thirds of the votes cast on the Marlin Arrangement Resolution by Marlin Shareholders present in person or represented by proxy and entitled to vote at the Marlin Meeting; and (ii) a simple majority of the votes cast by holders of Marlin Shares after excluding any votes of certain persons required to be excluded under MI 61-101.



See *“The Arrangement – Required Approvals – Marlin Shareholder Approval”*.

### **Shareholder Approval**

The Share Issuance Resolution must be approved at the Meeting by a simple majority of the votes cast at the Meeting by Shareholders, present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes cast in respect of Golden Reign Shares held by any “related party”, “interested party” or “joint actor” (as such terms are defined in MI 61-101), which in this case consists of Marlin. Wexford does not currently own any Golden Reign Shares nor does Akiba Leisman.

Pursuant to the TSXV Corporate Finance Policies as part of the Share Issuance Resolution, Shareholders will also be asked to approve the anticipated creation of new “Control Person” of the Combined Company to be created upon the completion of the Arrangement. After giving effect to the Arrangement, Wexford is expected to own approximately 38% (on an undiluted basis) of the common shares of the Combined Company.

See *“The Arrangement – Required Approvals – Shareholder Approval” “Regulatory Matters – Related Party Transactions under Multilateral Instrument 61-101”*.

### **Voting Agreements**

On August 3, 2018, Marlin entered into the Marlin Voting Agreements with each of the Golden Reign Supporting Shareholders, and Golden Reign entered into the Golden Reign Voting Agreements with each of the Marlin Supporting Shareholders, pursuant to which such securityholders have agreed, among other things and subject to the terms and conditions of their respective Voting Agreements, to vote their Marlin Shares in favour of the Marlin Arrangement Resolution and to vote their Golden Reign Shares in favour of the Share Issuance Resolution, as applicable.

See *“The Arrangement – Voting Agreements”*.

### **Court Approval and Completion of the Arrangement**

The Arrangement requires approval by the Court under Division 5 of Part 9 of the BCBCA. Prior to the mailing of this Circular, Marlin obtained the Interim Order providing for the calling and holding of the Marlin Meeting and other procedural matters.

Subject to the approval of the Marlin Arrangement Resolution by Marlin Shareholders at the Marlin Meeting and the approval of the Share Issuance Resolution by Shareholders at the Meeting, the hearing in respect of the Final Order is expected to take place on or about November 1, 2018 at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, or as soon thereafter as is reasonably practicable.

The Court will consider, among other things, the substantive and procedural fairness and reasonableness of the Arrangement and the rights of every person affected. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. The Court has further been advised that the Court’s approval of the Arrangement (including the fairness thereof) will form a basis for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof with respect to the New Marlin Shares and GRR Distribution Shares to be received by Marlin Shareholders in exchange for their Marlin Shares and the Golden Reign Shares to be received by the holders of New Marlin Shares in exchange for their New Marlin Shares pursuant to the Arrangement. If the hearing is postponed, adjourned or rescheduled then, subject to further direction of the Court, only those persons having previously served a Response in compliance with the Interim Order will be given notice of the new date.

Although Marlin and Golden Reign's objective is to have the Effective Date occur as soon as possible after the Marlin Meeting and the Meeting, the Effective Date could be delayed for a number of reasons, including, but not limited to, an objection before the Court at the hearing of the application for the Final Order or any delay in obtaining any required regulatory approvals or clearances. Marlin or Golden Reign may determine not to complete the Arrangement without prior notice to, or action on the part of, Marlin Shareholders or the Shareholders.

See "*The Arrangement – Required Approvals – Court Approval*".

### **Stock Exchange Listing and Reporting Issuer Status**

The Golden Reign Shares currently trade on the TSXV under the symbol "GRR". Golden Reign has applied to the TSXV to list the Golden Reign Shares issuable to Marlin Shareholders under the Arrangement. It is a condition of closing that Golden Reign will have obtained approval of the TSXV for the listing of the Golden Reign Shares to be issued pursuant to the Arrangement, subject only to the customary listing conditions of the TSXV. Following completion of the Arrangement, it is expected that the Marlin Shares will be de-listed from the TSXV and Marlin will make an application to cease to be a reporting issuer under applicable Securities Laws.

See "*The Arrangement – Effects of the Arrangement - Stock Exchange Listing and Reporting Issuer Status*".

### **Procedure for the Arrangement to Become Effective**

The Arrangement is proposed to be carried out pursuant to Division 5 of Part 9 of the BCBCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- the Marlin Shareholder Approval and the Shareholder Approval must be obtained;
- the Court must grant the Final Order approving the Arrangement; and
- all conditions precedent to the Arrangement as more particularly described in the Arrangement Agreement must be satisfied or waived by the appropriate party.

### **Information Relating to the Combined Company**

The Combined Company, through Golden Reign as the parent company, will operate both of the businesses of Golden Reign and Marlin. The Combined Company will be a publicly-traded mining company engaged in the exploration, development and operation of mineral projects in Nicaragua and Mexico. The main business of the Combined Company will be focused on the development of Golden Reign's wholly-owned San Albino-Murra Property ("**San Albino**") in Nueva Segovia, Nicaragua and operation of Marlin's La Trinidad Mine ("**La Trinidad**") in Sinaloa, Mexico. The Combined Company is expected to create a focussed precious metals exploration and development company with an unencumbered high margin asset in San Albino in Nicaragua, immediate production and cash flow from La Trinidad in Mexico, cash flow growth, no debt, geographic diversification and significant exploration potential. Additionally, the restructuring of the San Albino gold stream pursuant to the Amended and Restated Gold Purchase Agreement is expected to provide mutual benefits to the Combined Company and Sailfish, providing exposure to a highly prospective gold district in Nicaragua, as well as a more diversified suite of assets. It is anticipated that, following the completion of the Transaction, the Combined Company will then be in a position to begin construction of a 500tpd mine at San Albino and grow production and cash flow to fund exploration of the highly prospective 138km<sup>2</sup> high-grade gold camp in Nicaragua. The senior management of Golden Reign following completion of the Arrangement will consist of Kevin Bullock as Chief Executive Officer, Scott Kelly as Interim Chief Financial Officer

and Jesse Muñoz as Chief Operating Officer. The principal executive office and headquarters of the Combined Company will be in Vancouver, British Columbia.

See “*Information Relating to the Combined Company*”.

Following completion of the Arrangement, the board of directors of the Combined Company will initially be comprised of seven directors, three of whom will be nominated by Golden Reign (which are expected to be Kevin Bullock, Rael Lipson and John Conlon), three of whom shall be nominated by Marlin (which are expected to be Akiba Leisman, Cesar Gonzalez and John Pontius) and one additional nominee whom will be nominated by Golden Reign and Marlin jointly and whom shall act as Non-Executive Chairman of the newly constituted Golden Reign Board (expected to be John Hick).

See “*Governance and Management of the Combined Company*”.

### **Information Relating to Marlin**

Marlin is a corporation existing under the BCBCA and maintains its principal and head office at 2833 -595 Burrard Street, Box 49195, Vancouver, British Columbia, V7X 1J1. Marlin is a publicly-traded growth-oriented gold and silver mining company focused on the Americas.

See “*Appendix D – Information Relating to Marlin*”.

### **Risk Factors**

There are a number of risk factors relating to the Arrangement, the Combined Company, the business of Marlin, the business of Golden Reign and the Golden Reign Shares all of which should be carefully considered by Shareholders. See “*Risk Factors*” and “*Appendix D – Information Relating to Marlin – Risk Factors*”.

### **Canadian Securities Law Matters**

The Golden Reign Shares to be issued in exchange for Marlin Shares pursuant to the Arrangement will be issued in reliance upon exemptions from the prospectus requirements of securities legislation in each province of Canada in which Golden Reign is a reporting issuer. Subject to certain disclosure and regulatory requirements and to customary restrictions applicable to distributions of shares that constitute “control distributions”, Golden Reign Shares issued pursuant to the Arrangement will be freely tradable and may be resold in each province and territory in Canada.

### **United States Securities Law Matters**

The Golden Reign Shares to be received by holders in exchange for their New Marlin Shares pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or any state securities laws, and such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act set forth in Section 3(a)(10) thereof on the basis of the approval of the Court.

The Golden Reign Shares to be received by the holders of New Marlin Shares upon completion of the Arrangement may be resold without restriction in the United States, except in respect of resales by persons who are “affiliates” (within the meaning of Rule 144 under the U.S. Securities Act) of Golden Reign at the time of such resale or who have been affiliates of Golden Reign within 90 days before such resale.

## THE ARRANGEMENT

### Background to the Arrangement

The Arrangement is a result of negotiations among representatives of Golden Reign and Marlin and their respective legal and financial advisors and the independent special committees. The following is a summary of the principal meetings, discussions and activities that preceded the execution of the Arrangement Agreement, and the subsequent public announcement of the Arrangement.

Marlin is a significant shareholder of Golden Reign and was previously the parent company of Sailfish, of which it owned as to 100% of the issued and outstanding common shares. At the end of 2017, Marlin spun-out Sailfish as a stand-alone public company as further discussed below. See “*Regulatory Matters – Related Party Transactions under Multilateral Instrument 61-101*.”

Golden Reign and its subsidiaries are party to the Gold Purchase Agreement with Marlin and Sailfish, which was first entered into in July 2014 and pre-dated Mr. Kevin Bullock, Chief Executive Officer of Golden Reign, joining Golden Reign. Since early 2016, the senior management teams of each of Golden Reign and Marlin had been considering different scenarios whereby the cumbersome Gold Purchase Agreement could be restructured in order to develop San Albino in Nicaragua as a 500 tonne per day, unencumbered, open pit gold mine. Considering the state of the current economic, industry and market trends, the management teams of Golden Reign and Marlin were considering combining the businesses in order to provide some, or all, of the capital required in order to construct the San Albino Gold Mine without the restrictive terms and conditions of the Gold Purchase Agreement.

On July 6, 2017, Mr. Akiba Leisman, Interim Chief Executive Officer of Marlin, approached Mr. Kevin Bullock, Chief Executive Officer of Golden Reign, with the idea of merging Golden Reign and Marlin and restructuring the stream on San Albino held by Sailfish and all of the debt of Marlin held by Marlin’s controlling shareholder Wexford and its affiliates. Mr. Leisman informed Mr. Bullock that Sailfish publicly announced an acquisition of an additional significant royalty from a third party, and subsequent to the completion of this acquisition, Marlin would spin-out Sailfish to Marlin shareholders by the end of October 2017. Furthermore, Mr. Leisman indicated that if the Gold Purchase Agreement and indebtedness owing to Wexford or its affiliates were to be restructured, it would be significantly easier if it were announced prior to the completion of the Sailfish spin-out. After some preliminary discussions, both parties agreed to revisit conversations about a merger after the spin-out of Sailfish was complete.

In early November 2017, after a delay in the Sailfish spin-out which postponed the anticipated closing date of the spin-out to the end of December 2017, Mr. Leisman again approached Mr. Bullock with the idea of merging Golden Reign and Marlin and restructuring the stream and Wexford debt.

On November 28, 2017, Mr. Bullock carried out a site visit to Marlin’s Commonwealth Project in Arizona and, on November 29, 2017, reviewed the significant aspects of the La Trinidad Gold Mine in Mexico with the mine operations team and management in the Tucson offices of Marlin.

After a review of Marlin’s exploration and development properties, the La Trinidad Gold Mine and Marlin’s corporate financial reports, on December 5, 2017, Golden Reign held a Golden Reign Board meeting to consider the merits of the proposed merger. Mr. Leisman declared his conflict of interest as Interim Chief Executive Officer of Marlin and recused himself from all current and future discussions and voting on any matters related to any proposed transaction with Marlin. The remaining Golden Reign Board members determined that a merger with Marlin, through which it would acquire all of its current properties, was not in the best interests of Golden Reign or its stakeholders at such time.

After the spin-out of Sailfish was complete, Mr. Braam Jonker, Golden Reign's independent non-Executive Chairman, called Mr. Leisman on December 28, 2017 to see if there was a mutually beneficial way of moving San Albino forward. Mr. Leisman and Mr. Jonker agreed to schedule a meeting the following month to discuss the matter further.

On January 25, 2018, Mr. Bullock and Mr. Jonker flew to New York to have further discussions with Mr. Leisman regarding a way forward with the development of San Albino. It was proposed by Mr. Leisman that, with the spin-out of Sailfish completed, Golden Reign should now consider acquiring Marlin following a reorganization by Marlin. The reorganization would allow Golden Reign to acquire only Marlin's key operating asset, La Trinidad. The reorganization would also result in a debt free, working capital neutral company. Further, Sailfish would also agree to renegotiate the Gold Purchase Agreement.

On February 6, 2018, a subsequent meeting was held between Mr. Bullock and Mr. Leisman in Toronto to continue discussions regarding a proposed transaction, and a site visit to La Trinidad was set up for late February, 2018.

On February 21, 2018, Mr. Bullock carried out a site visit to La Trinidad in Mexico. Mr. Bullock reported to the Golden Reign Board his findings during the visit and noted that the idea of an acquisition or merger following a reorganization of Marlin looked to be of merit and something the Company should now consider further.

On February 26, 2018, a meeting was held in Florida between Mr. Bullock, Mr. Leisman and Mr. Jonker at which high-level, general terms of a potential arrangement between the companies were discussed.

Although significant due diligence had been carried out by each of Golden Reign and Marlin previously in connection with the entering into of the Gold Purchase Agreement, each party undertook additional financial, tax, legal and corporate due diligence on each other in connection with a possible transaction, which continued through the execution of the Arrangement Agreement on August 3, 2018.

Over the next two months, throughout March and April 2018, negotiations in connection with a possible transaction between Golden Reign and Marlin, led by independent non-executive Chairman Mr. Jonker on behalf of Golden Reign, and involving Mr. Bullock, were ongoing.

On March 19, 2018, Marlin submitted a draft, non-binding memo proposal to the Golden Reign Board for the acquisition by Golden Reign of all of the common shares of Marlin, following a proposed reorganization of Marlin, substantially on the high-level terms that had previously been discussed by Marlin, Mr. Jonker and management of Golden Reign. On the basis of the draft proposal being in-line with previous discussions between the parties, Golden Reign gained more certainty as to the merits of proceeding with a possible transaction with Marlin and undertook a process to retain a financial advisor and establish an independent special committee of the Golden Reign Board to consider the draft proposed terms of a transaction.

On April 30, 2018, Marlin submitted draft documentation in connection with a bridge loan from Marlin to Golden Reign, as well as a draft mutual confidentiality and non-disclosure agreement.

Following the establishment of the Special Committee and retaining PI Financial discussed below, management of Golden Reign with the assistance of the Special Committee, PI Financial and legal counsel to Golden Reign, negotiated the terms of a non-binding proposal in the form of a non-binding

letter of intent (the “**Letter of Intent**”) through mid-May 2018. Also during this timeframe, Golden Reign, together with its legal counsel, negotiated the terms of the proposed bridge loan and mutual confidentiality and non-disclosure agreement.

The Golden Reign Board concluded that it would be in Golden Reign’s best interests and in the interests of its shareholders to explore the possibility of a transaction with Marlin. The Golden Reign Board further concluded, having regard to the actual conflict of interests of Mr. Leisman in any potential transaction with Marlin, it would be appropriate to establish a special committee comprised of independent directors.

After reviewing the independence and impartiality of the potential members to comprise the special committee, on May 3, 2018, the Golden Reign Board resolved to formally appoint the Special Committee comprised of Messrs. Braam Jonker (Chairman), Rael Lipson and William Meyer. The mandate of the Special Committee provided, among other things, that the Special Committee would assist in negotiating the definitive terms of the proposed transaction with Marlin and certain ancillary transactions involving Sailfish and Wexford, would consider any alternatives to the proposed transaction with Marlin and would make recommendations to the Golden Reign Board. See “*Arrangement – Golden Reign Special Committee*”. Also at the May 3, 2018 meeting, the Golden Reign Board discussed the entering into of a bridge loan from Marlin to the Golden Reign of \$4,000,000, having a term of one year and bearing interest at 8% per annum, substantially as set forth in a draft loan agreement (the “**Bridge Loan Agreement**”) that was circulated to the Golden Reign Board and the Special Committee for review and consideration. See “*Regulatory Matters – Canadian Securities Law Matters – Related Party Transactions under Multilateral Instrument 61-101 – Bridge Loan*”.

On May 2, 2018, the Golden Reign Board and the proposed members of the Special Committee received a thorough memo from legal counsel to Golden Reign setting out duties of the board and the special committee, including directors’ fiduciary duties, for review and consideration and legal counsel was available for any questions or clarifications required.

In May, 2018, Golden Reign negotiated the terms of a financial advisory arrangement with PI Financial, who was ultimately retained to provide financial advice and to provide a fairness opinion to the Special Committee. A formal engagement letter was signed with PI Financial on May 14, 2018.

Following several status updates regarding the negotiations of a proposed transaction provided by the Special Committee to the Golden Reign Board (other than Mr. Leisman), on May 14, 2018, the Special Committee resolved to recommend to the Golden Reign Board the entering into by Golden Reign of a non-binding letter of intent (the “**Letter of Intent**”) with Marlin, Sailfish and Wexford Capital LP setting out the agreed upon indicative terms of a business combination of the Golden Reign’s wholly-owned San Albino Project and Marlin’s La Trinidad Mine, substantially in the form of the draft Letter of Intent circulated to the Special Committee for review and consideration, the restructuring of the gold stream under the Gold Purchase Agreement, substantially on the terms set forth in the Letter of Intent, the proposed name change of Golden Reign to “Mako Mining Corp.” and the entering into of the Bridge Loan Agreement evidencing the bridge loan from Marlin to the Golden Reign of \$4,000,000, having a term of one year and bearing interest at 8% per annum, substantially as set forth in the Bridge Loan Agreement previously reviewed and discussed for consideration back on May 3, 2018. Upon the recommendation of the Special Committee, the Golden Reign Board approved the indicative terms of the proposed transaction set out in the Letter of Intent, as well as the entering into of the Bridge Loan Agreement and all such matters related thereto.

The Bridge Loan Agreement, the Letter of Intent, as well as the mutual confidentiality and non-disclosure agreement were signed on the night of May 14, 2018, and a joint press release of Golden Reign, Marlin and Sailfish announcing the execution of the Letter of Intent, the Bridge Loan Agreement and ancillary matters thereto, was issued on the morning of May 15, 2018 prior to the opening of trading on the TSXV.

The negotiations and definitive documentation drafting following the execution of the Letter of Intent were complex in order to settle the terms of the final binding Arrangement Agreement and Plan of Arrangement, which included the terms of the Marlin Reorganization, as well as a master agreement to include the proposed final terms of the Amended and Restated Gold Purchase Agreement as well as certain royalty agreements and other ancillary matters related to the Marlin Reorganization and the renegotiated stream arrangement with Sailfish. As a result, the parties issued joint press release announcements on June 28, July 3 and July 20, 2018 to update the market on the extension of the expiry of the Letter of Intent and expected timeframe for entering into of the definitive Arrangement Agreement. A close to final draft of the Arrangement Agreement and Plan of Arrangement was ready for review and approval in late July, 2018.

On August 2, 2018, a meeting of the Golden Reign Special Committee was held. At the request of the Golden Reign Special Committee, PI Financial made a presentation outlining its analysis and the factors that it took into account in providing its opinion as to the fairness from a financial point of view to Golden Reign of the Consideration to be paid for the acquisition of Marlin. After presenting its analysis, PI Financial provided its oral opinion to the Special Committee that, subject to the assumptions, qualifications, limitations and other matters disclosed to the Special Committee, the Consideration to be paid by Golden Reign pursuant to the Arrangement is fair, from a financial point of view, to the Company. See "*The Arrangement - Golden Reign Fairness Opinion*". The Special Committee considered and discussed the PI Financial presentation, and the benefits that could accrue to shareholders of Golden Reign by completing the Arrangement and asked questions of the representatives of PI Financial as well as Cassels Brock & Blackwell LLP present at the meeting. The Special Committee took part in careful and comprehensive deliberations, including consideration of the materials provided to the Special Committee in connection with the oral fairness opinion delivered by PI Financial to the Special Committee today relating to the proposed Arrangement and the terms of the draft Arrangement Agreement provided to the Special Committee for review in connection with this meeting, and had a comprehensive discussion regarding due diligence matters in connection with the due diligence findings based on a review of Marlin and its business, as well as a discussion of the qualitative and quantitative factors related to the proposed Arrangement and the key benefits and risks of the transaction, including those noted under the heading "*The Arrangement – Reasons for the Arrangement*". Following thorough discussions and deliberations, the Special Committee unanimously resolved to recommend that the Golden Reign Board approve and enter into the Arrangement Agreement and all ancillary documents and agreements contemplated by the terms of the Arrangement Agreement, and that the Golden Reign Board recommend to the Shareholders that they vote in favour of the applicable transactions.

Later in the day on August 2, 2018, a Golden Reign Board meeting was held (without Mr. Leisman who had declared his conflict of interest and recused himself) and Mr. Jonker, the Chairman of the Special Committee, provided an overview of the Arrangement Agreement and the Golden Reign Fairness Opinion that was delivered and discussed the meeting of the Special Committee held earlier that day. The Golden Reign Board took part in careful and comprehensive deliberations, including consideration of the report provided by Mr. Jonker in his capacity as Chairman of the Special Committee with respect to the oral fairness opinion delivered by PI Financial to the Special Committee relating to the proposed Arrangement and due diligence matters in connection with the due diligence findings based on a review of Marlin and its business. A representative of Cassels Brock & Blackwell LLP, counsel to

Golden Reign, was also present at the meeting to answer questions of the board members. The Golden Reign Board discussed the terms of the proposed Arrangement and the draft Arrangement Agreement and, based on such deliberations and the recommendations of the Special Committee and on its own deliberations, resolved that the Arrangement is in the best interests of Golden Reign, to recommend to the Shareholders that they vote in favour of the transaction as applicable, and that the Arrangement and the execution and delivery and performance of the Arrangement Agreement, substantially in the form circulated to the Golden Reign Board for review, with all such edits as may be deemed necessary, be approved.

Following the above-noted meetings, counsel to Golden Reign and to Marlin continued to finalize the Arrangement Agreement and ancillary documents, and the Arrangement Agreement was subsequently signed by all parties thereto on the night of August 3, 2018. The Golden Reign Voting Agreements and the Marlin Voting Agreements were also entered into at this time.

A joint press release announcing the signing of the definitive Arrangement Agreement was issued on the morning of August 7, 2018, prior to the opening of trading on the TSXV.

### **Recommendation of the Golden Reign Board**

After careful consideration, including consultation with its legal and financial advisors, a review of the Arrangement Agreement and receiving a verbal report and recommendation regarding the oral fairness opinion of PI Financial delivered to the Golden Reign Special Committee (subsequently confirmed in writing), the Golden Reign Board determined that the Arrangement is in the best interests of Golden Reign. **Accordingly, the Golden Reign Board approved the Arrangement Agreement and the performance of the transactions contemplated therein and recommends that Shareholders vote FOR the Share Issuance Resolution.**

### **Reasons for the Arrangement and the Recommendations**

In making its recommendations, the Special Committee and the Golden Reign Board consulted with Golden Reign's management, PI Financial, legal counsel, and reviewed a significant amount of information and performed financial, technical and legal due diligence with the help of its advisors and experts and considered a number of factors, including those listed below. The following includes forward-looking information and readers are cautioned that actual results may vary.

In making its determinations and recommendations, the Special Committee and the Golden Reign Board considered and relied upon a number of substantive factors, including, among others:

- *Significant Anticipated Synergies.* Following completion of the Arrangement, former Shareholders are expected to own approximately 55% of the Golden Reign Shares, and therefore will share in anticipated enhanced organic growth opportunities and synergies of the Combined Company. See "*Forward-Looking Information*".
- *Stronger Financial Position.* The Combined Company is expected to have a stronger financial position and greater resources than Golden Reign alone. See "*Information Relating to the Combined Company*".
- *Strong Management Ability and Skills.* The Combined Company will have an experienced management team with a strong knowledge of the mining industry.
- *Golden Reign Fairness Opinion.* The Special Committee received the Golden Reign Fairness Opinion that concluded that, in the opinion of PI Financial, as at August 2, 2018 and based



upon and subject to the assumptions, limitations and qualifications set forth therein, the Consideration to be paid by Golden Reign pursuant to the Arrangement is fair, from a financial point of view, to the Company. See “*The Arrangement – Golden Reign Fairness Opinion*” and “*Appendix C – Golden Reign Fairness Opinion*”.

- *Negotiated Transaction* – The Arrangement Agreement was the result of a comprehensive negotiation process with respect to the key elements of the Arrangement Agreement and Plan of Arrangement, which includes terms and conditions that are reasonable in the judgment of the Special Committee. The Special Committee took an active and independent role in negotiating the material terms of the Arrangement Agreement and the negotiation of the Consideration.
- *Shareholder Approval* – The Share Issuance Resolution must be approved by the minority approval required pursuant to MI 61-101 and the policies of the TSXV. See “*Regulatory Matters – Related Party Transactions under Multilateral Instrument 61-101*” and “*Regulatory Matters – Minority Approval*”.
- *Voting Agreements*. As of August 3, 2018, the Marlin Supporting Shareholders, who in the aggregate held approximately 85.8% of the outstanding Marlin Shares on a non-diluted basis, have entered into the Golden Reign Voting Agreements pursuant to which they have agreed, among other things, to vote in favour of the Marlin Arrangement Resolution and the Golden Reign Supporting Shareholders, who in the aggregate held approximately 15.2% of the Golden Reign Shares on a non-diluted basis, have entered into the Marlin Voting Agreements pursuant to which they have agreed, among other things to vote in favour of the Share Issuance Resolution.
- *Extensive Due Diligence*. Golden Reign’s management team and third party advisors completed a detailed due diligence review on Marlin.
- *Regulatory Approval* – The Arrangement must be approved by the Court, which will consider, among other things, the fairness and reasonableness of the Arrangement.
- *Other Factors*. The Golden Reign Board also considered the Arrangement with reference to the current economic, industry and market trends affecting each of Golden Reign and Marlin in their respective markets, information concerning the business, operations, property, assets, financial condition, operating results and prospects of each of Golden Reign and Marlin and the then historical trading prices of the Golden Reign Shares and the Marlin Shares.

The Golden Reign Board also considered a variety of risks and other potentially negative factors relating to the Arrangement including those matters described under the heading “*Risk Factors*”.

In making its determinations and recommendations, the Golden Reign Board also observed that a number of procedural safeguards were and are present to permit the Golden Reign Board to represent effectively the interests of Golden Reign, Shareholders and Golden Reign’s other stakeholders. In the course of their deliberations, the Golden Reign Board and the Special Committee, in consultation with the Company’s management and their legal and financial advisors, also considered a number of potential issues regarding and risks (as described in greater detail under the heading “*Risk Factors- Risk Factors Related to the Arrangement*”) relating to the Arrangement, including:

1. the risks to the Company and the Shareholders if the Arrangement is not completed, including the costs to the Company in pursuing the Arrangement, the repayment of the Bridge Loan and the

- diversion of the Company's management from the conduct of the Company's business in the ordinary course;
2. the terms of the Arrangement Agreement restricting the Company from soliciting third parties to make an Acquisition Proposal and the specific requirements regarding what constitutes a Superior Proposal;
  3. the terms of the Arrangement Agreement that require the Company to conduct its business in the ordinary course and prevent the Company from taking certain specified actions, which may delay or prevent the Company from taking certain actions to advance its property pending consummation of the Arrangement;
  4. the Termination Fee payable to Marlin in certain circumstances, including if the Company enters into an agreement in respect of a Superior Proposal;
  5. the conditions to Marlin's obligations to complete the Plan of Arrangement;
  6. the right of Marlin to terminate the Arrangement Agreement under certain circumstances; and
  7. the contemplated participation rights arrangements with Wexford.

The Golden Reign Board's and the Special Committee's reasons for recommending the approval of the Share Issuance Resolution include certain assumptions relating to forward-looking information, and such information and assumptions, are subject to various risks. The Special Committee and the Golden Reign Board believed that, overall, the anticipated benefits of the Arrangement to Golden Reign outweighed these risks and negative factors. See "*Forward-Looking Statements*" and "*Risk Factors - Risk Factors Related to the Arrangement*" in this Circular.

The foregoing summary of the information and factors considered by the Golden Reign Board and the Special Committee is not intended to be exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Arrangement, neither the Golden Reign Board nor the Special Committee found it practical to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching its conclusion and recommendation. Their recommendations were made after considering all of the above-noted factors and in light of the Golden Reign Board's and the Special Committee's knowledge of the business, financial condition and prospects of Golden Reign, and was also based on the advice of financial advisors, legal advisors and the Special Committee. In addition, individual members of the Golden Reign Board and the Special Committee may have assigned different weights to different factors.

### **Golden Reign Fairness Opinion**

The following is only a summary of the Golden Reign Fairness Opinion. The Golden Reign Fairness Opinion has been prepared as of August 2, 2018 for the use of the Special Committee and for inclusion in this Circular. The Golden Reign Fairness Opinion was permitted to be, and was, relied upon by the Special Committee in reaching its own conclusion to recommend the Golden Reign Board approve the recommendation to the Shareholders that they approve the Share Issuance Resolution. The following summary is qualified in its entirety by the full text of the Golden Reign Fairness Opinion. A copy of the Golden Reign Fairness Opinion is attached hereto as Appendix C and forms part of this Circular. **Shareholders are urged to read the full text of the Golden Reign Fairness Opinion and should consider the same in its entirety. The Golden Reign Fairness Opinion does not constitute a**

**recommendation to any Shareholder as to how such Shareholder should vote in respect of the Share Issuance Resolution.**

On August 2, 2018, PI Financial delivered to the Special Committee its oral opinion, later confirmed in writing, that, as of such date, and subject to the assumptions, limitations and qualifications to be set out in the Golden Reign Fairness Opinion, that the Consideration to be paid by Golden Reign pursuant to the Arrangement is fair, from a financial point of view, to the Company.

The Golden Reign Fairness Opinion was provided for the use of the Special Committee in its evaluation of the Arrangement and may not be used or relied upon for any other purpose. The Golden Reign Fairness Opinion is not to be construed as a valuation of Marlin, Golden Reign, or any of their assets, liabilities or securities or as a recommendation as to how any Shareholders should vote with respect to the Arrangement. The Golden Reign Fairness Opinion does not address the relative merits of the Arrangement as compared to other transactions or business strategies that might be available to Golden Reign. The Golden Reign Fairness Opinion may not be used by any other person or relied upon by any other person other than the Special Committee, and does not confer any rights or remedies upon any employee, creditor, shareholder or other equity holder of Golden Reign or any other party.

PI Financial was formally engaged by Golden Reign through an agreement between Golden Reign and PI Financial effective May 14, 2018, to, among other things, provide financial advice and assistance to the Special Committee in evaluating the Arrangement. The terms of the engagement agreement provide that PI Financial will receive a fixed fee for its services, a portion of which is payable on delivery of the Golden Reign Fairness Opinion and a portion of which is contingent on the successful completion of the Arrangement or certain other events. PI Financial is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by Golden Reign in certain circumstances.

The full text of the Golden Reign Fairness Opinion which sets out, among other things, the assumptions made, information reviewed and matters considered by PI Financial in rendering the Golden Reign Fairness Opinion, as well as the limitations and qualifications to which the opinion is subject, is attached as Appendix C to this Circular. Shareholders are urged to read the Golden Reign Fairness Opinion in its entirety. The summary of the Golden Reign Fairness Opinion in this Circular is qualified in its entirety by reference to the full text of such opinion.

**Description of the Arrangement**

*The following description of the Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement which is attached as Appendix B to this Circular.*

If approved, the Arrangement will become effective at the Effective Time (which is expected to be at 12:01 a.m. (Vancouver time) on a date to be determined not later than November 30, 2018, or such later date as may be agreed to in writing by Marlin and Golden Reign). The following will be deemed to occur in the following sequence, in each case effective on the Effective Date as at the specified time set out below, without any further authorization, act or formality:

At the Effective Time:

- (a) each Marlin Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to Golden Reign and Golden Reign shall thereupon be obliged to pay the amount therefor determined and payable in accordance with the Plan of Arrangement, and the name of such holder shall be removed from the central securities register for Marlin as a holder of Marlin Shares and Golden Reign shall be recorded as the registered holder of

the Marlin Shares so transferred and shall be deemed to be the legal owner of such Marlin Shares;

- (b) Marlin will undertake a reorganization of capital within the meaning of Section 86 of the Tax Act, which reorganization will occur in the following sequential order:
- (i) one minute following the Effective Time, the identifying name of the Marlin Shares will be changed from “Common Shares” to “Class A Common Shares” and the special rights and restrictions attached to such shares will be amended to provide that each Marlin Share is entitled to two (2) votes at any meeting of the shareholders of Marlin; and to reflect such amendments, Marlin’s articles will be deemed to be amended by adding a new Section 28 as set out in Appendix “A” to the Plan of Arrangement and Marlin’s notice of articles will be deemed to be amended accordingly;
  - (ii) two minutes following the Effective Time, the New Marlin Shares, being shares without par value, will be created as a class, the identifying name of the New Marlin Shares will be “Common Shares” and the maximum number of New Marlin Shares which Marlin will be authorized to issue will be unlimited;
  - (iii) three minutes following the Effective Time, each outstanding Marlin Share will be exchanged (without any further act or formality on the part of a Marlin Shareholder), free and clear of all Encumbrances, for one (1) New Marlin Share and 0.1022 of a GRR Distribution Share (provided that if the foregoing would result in the issuance of a fraction of a GRR Distribution Share, then the number of GRR Distribution Shares otherwise issued will be rounded down to the nearest whole number of GRR Distribution Shares) and the Marlin Shares will thereupon be cancelled, and:
    - i) the holders of Marlin Shares will cease to be holders thereof and cease to have any rights or privileges as holders of Marlin Shares;
    - ii) the holders’ name will be removed from the central securities register of Marlin; and
    - iii) each Marlin Shareholder will be deemed to be the holder of the New Marlin Shares and the GRR Distribution Shares exchanged for the Marlin Shares, in each case free and clear of any Liens, and will be entered into the central securities register of Marlin and Golden Reign, as the case may be, as the registered holder thereof;and the capital of Marlin in respect of the New Marlin Shares will be an amount equal to the paid-up capital for the purposes of the Tax Act in respect of the Marlin Shares immediately prior to the Effective Time, less the fair market value of the GRR Distribution Shares distributed on such exchange; and
  - (iv) four minutes following the Effective Time, the authorized share capital of Marlin will be amended to eliminate the Marlin Shares, and the notice of articles of Marlin will be deemed to be amended accordingly; and
  - (v) the capital of Marlin in respect of the New Marlin Shares will be an amount equal to the paid-up capital for the purposes of the Tax Act in respect of the

Marlin Shares immediately prior to the Effective Time, less the fair market value of the GRR Distribution Shares distributed on such exchange;

- (c) five minutes following the Effective Time, each outstanding New Marlin Share (other than New Marlin Shares held by Golden Reign or any affiliate thereof) will, without further act or formality by or on behalf of a holder of New Marlin Shares, be irrevocably assigned and transferred by the holder thereof to Golden Reign (free and clear of all Liens) in exchange for 0.5138 of a Golden Reign Share for each New Marlin Share held, and
- (i) the holders of such New Marlin Shares shall cease to be the holders thereof and to have any rights as holders of such New Marlin Shares other than the right to receive 0.5138 of a Golden Reign Share for each New Marlin Share assigned and transferred in accordance with the Plan of Arrangement;
  - (ii) such holders' name shall be removed from the central securities register for the New Marlin Shares maintained by or on behalf of Marlin; and
  - (iii) Golden Reign shall be deemed to be the transferee and the legal and beneficial holder of such New Marlin Shares (free and clear of all Liens) and shall be entered as the registered holder of such New Marlin Shares in the central securities register for the New Marlin Shares maintained by or on behalf of Marlin.

#### **Procedure for the Arrangement to Become Effective**

The Arrangement is proposed to be carried out pursuant to Division 5 of Part 9 of the BCBCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- the Marlin Shareholder Approval and the Shareholder Approval must be obtained;
- the Court must grant the Final Order approving the Arrangement;
- all conditions precedent to the Arrangement further described in the Arrangement Agreement including receipt of necessary regulatory approvals must be satisfied or waived by the appropriate Party; and
- if applicable, the Final Order and related documents, in the form prescribed by the BCBCA, must be filed with the Registrar.

#### **Completion of the Arrangement**

Although Marlin's and Golden Reign's objective is to have the Effective Date occur as soon as possible after the Marlin Meeting and the Meeting, the Effective Date could be delayed for a number of reasons, including, but not limited to, an objection before the Court at the hearing of the application for the Final Order or any delay in obtaining any required regulatory approvals or clearances. Marlin or Golden Reign may determine not to complete the Arrangement without prior notice to or action on the part of Marlin Shareholders or Shareholders. See "*The Arrangement Agreement – Termination of the Arrangement Agreement*".

## **Voting Agreements**

On August 3, 2018, in connection with the Arrangement, each of the Golden Reign Supporting Shareholders entered into a voting agreement with Marlin, and each of the Marlin Supporting Shareholders entered into a voting agreement with Golden Reign.

See “*Intention of Marlin Directors, Marlin Executive Officers and Marlin Majority Shareholders*”.

### ***Marlin Voting Agreements***

Under the Marlin Voting Agreements, each of the Golden Reign Supporting Shareholders have severally agreed, subject to the terms and conditions of the Marlin Voting Agreements, among other things, to vote in favour of the Share Issuance Resolution, all of the Golden Reign Shares currently legally or beneficially owned, directly or indirectly, or controlled or directed, directly or indirectly, by such Golden Reign Supporting Shareholder and, such Golden Reign Shares, together with any Golden Reign Options legally or beneficially owned, directly or indirectly, or controlled or directed, directly or indirectly, by a Golden Reign Supporting Shareholder.

Except as otherwise noted in the Marlin Voting Agreements, each Marlin Voting Agreement will be terminated and be of no further force or effect upon the earliest of:

- the written agreement of Marlin and the Golden Reign Supporting Shareholder;
- written notice by the Golden Reign Supporting Shareholder to Marlin if (A) any of the representations and warranties of Marlin in the Marlin Voting Agreement are not true and correct in all material respects; or (B) Marlin has not complied with its covenants to a Golden Reign Supporting Shareholder contained in Marlin Voting Agreement and such breach or such default has or may have an adverse effect on the consummation of the transactions contemplated by the Arrangement Agreement; provided that the same has not been cured by Marlin within 10 business days of the date such notice was received by Marlin;
- written notice by Marlin to the Golden Reign Supporting Shareholder if (A) any of the representations and warranties of the Golden Reign Supporting Shareholder in the Marlin Voting Agreement are not true and correct in all material respects; or (B) the Golden Reign Supporting Shareholder has not complied with its covenants to Marlin contained in the Marlin Voting Agreement and such breach or such default has or may have an adverse effect on the consummation of the transactions contemplated by the Arrangement Agreement; provided that the same has not been cured by the Golden Reign Supporting Shareholder within 10 business days of the date such notice was received by Marlin;
- the termination of the Arrangement Agreement in accordance with its terms;
- the Outside Date; or
- the Effective Date.

Under the Marlin Voting Agreements, Marlin has covenanted that it will not (a) impose additional condition to completion of the Arrangement, or (b) other than as contemplated in the Arrangement Agreement, otherwise vary the Arrangement or any terms or conditions thereof in a manner that is adverse to Shareholders.

### ***Golden Reign Voting Agreements***

Under the Golden Reign Voting Agreements, each of the Marlin Supporting Shareholders have severally agreed, subject to the terms and conditions of the Golden Reign Voting Agreements, among other things, to vote in favour of the Marlin Arrangement Resolution, all of the Marlin Shares currently legally or beneficially owned, directly or indirectly, or controlled or directed, directly or indirectly, by such Marlin Supporting Shareholder and, such Marlin Shares, together with any Marlin Options legally or beneficially owned, directly or indirectly, or controlled or directed, directly or indirectly, by a Marlin Supporting Shareholder.

Except as otherwise noted in the Golden Reign Voting Agreements, each Golden Reign Voting Agreement will be terminated and be of no further force or effect upon the earliest of:

- the written agreement of Golden Reign and the Marlin Supporting Shareholder;
- written notice by the Marlin Supporting Shareholder to Golden Reign if (A) any of the representations and warranties of Golden Reign in the Golden Reign Voting Agreement are not true and correct in all material respects; or (B) Golden Reign has not complied with its covenants to a Marlin Supporting Shareholder contained in the Golden Reign Voting Agreement and such breach or such default has or may have an adverse effect on the consummation of the transactions contemplated by the Arrangement Agreement; provided that the same has not been cured by Golden Reign within 10 business days of the date such notice was received by Golden Reign;
- written notice by Golden Reign to the Marlin Supporting Shareholder if (A) any of the representations and warranties of the Marlin Supporting Shareholder in the Golden Reign Voting Agreement are not true and correct in all material respects; or (B) the Marlin Supporting Shareholder has not complied with its covenants to Golden Reign contained in the Golden Reign Voting Agreement and such breach or such default has or may have an adverse effect on the consummation of the transactions contemplated by the Arrangement Agreement; provided that the same has not been cured by the Marlin Supporting Shareholder within 10 business days of the date such notice was received by Golden Reign;
- the termination of the Arrangement Agreement in accordance with its terms;
- the Outside Date; or
- the Effective Date.

Under the Golden Reign Voting Agreements, Golden Reign has covenanted that it will not (a) decrease the consideration payable per Marlin Share pursuant to the Arrangement; (b) change the amount or form of consideration payable pursuant to the Arrangement (other than to increase the total consideration per Marlin Share or to add additional consideration); (c) impose additional conditions to completion of the Arrangement; or (d) other than as contemplated in the Arrangement Agreement, otherwise vary the Arrangement or any terms or conditions thereof in a manner that is adverse to shareholders of Marlin.

## **Required Approvals**

### ***Court Approval***

The Arrangement requires approval by the Court under Division 5 of Part 9 of the BCBCA. Prior to the mailing of this Circular, Marlin obtained the Interim Order providing for the calling and holding of the Marlin Meeting and other procedural matters.

Subject to the approval of the Marlin Arrangement Resolution by Marlin Shareholders at the Marlin Meeting and the approval of the Share Issuance Resolution by Shareholders at the Meeting, the hearing in respect of the Final Order is expected to take place on or about November 1, 2018 at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, or as soon thereafter as is reasonably practicable.

### ***Marlin Shareholder Approval***

To be effective, the Marlin Arrangement Resolution must be approved, with or without variation, by the affirmative vote of (i) at least two-thirds of the votes cast by Marlin Shareholders present in person or represented by proxy and entitled to vote at the special meeting of Marlin Shareholders; and (ii) a simple majority of the votes cast by holders of Marlin Shares after excluding any votes of certain persons required to be excluded under MI 61-101.

### ***Shareholder Approval***

Since the issuance of Golden Reign Shares under the Arrangement including to Marlin each represent a related party transaction under MI 61-101, MI 61-101 requires that the Share Issuance Resolution be approved by a majority of the minority of the Shareholders present or represented by proxy and entitled to vote at the Meeting. Accordingly, the Share Issuance Resolution must be approved by a simple majority of the votes cast by Shareholders present or represented by proxy and entitled to vote at the Meeting, excluding votes cast by the related parties, interested parties and their affiliates, associates, related parties and joint actors. Accordingly, Golden Reign will exclude the votes attaching to the Golden Reign Shares beneficially owned or controlled by Marlin and its affiliates, associates, related parties and joint actors, for the purposes of determining whether minority approval of the Share Issuance Resolution has been obtained. To the knowledge of Golden Reign, as at the date hereof, Marlin and its affiliates, associates, related parties and joint actors hold, directly or indirectly, or exercise control over 36,297,309 Golden Reign (representing approximately 18.9% of the issued and outstanding Golden Reign Shares). Such shares will be excluded from the “minority approval” vote conducted pursuant to MI 61-101. Neither Wexford nor Akiba Leisman own any Golden Reign Shares as of the date of this Circular. See “*Regulatory Matters – Related Party Transactions under Multilateral Instrument 61-101*” and “*Regulatory Matters – Minority Approval*”.

Following completion of the Arrangement, it is anticipated that Wexford will become a “Control Person” of the Combined Company. Accordingly, pursuant to the TSXV Corporate Finance Policies, as part of the Share Issuance Resolution, Shareholders will also be asked to approve the potential creation of such new Control Person of Golden Reign, to be created upon the completion of the Arrangement. After giving effect to the Arrangement, Wexford is expected to own 38% (on an undiluted basis) of the common shares of the Combined Company.

The Gold Reign Board has considered options available to Golden Reign and believes that the Arrangement represents the best option available to Shareholders. The Golden Reign Board has approved the Arrangement and recommends that Shareholders vote in favour of it. Unless otherwise indicated, the



persons designated as proxyholders in the accompanying form of proxy will vote the Golden Reign Shares represented by such form of proxy, properly executed, for the Share Issuance Resolution.

To the extent that Shareholder approval for the Transaction is not obtained at the Meeting, the Transaction will be terminated and will not proceed.

### ***Right to Dissent***

Shareholders are not entitled to Dissent Rights in respect of the Arrangement. Marlin is the company being “arranged” under applicable Securities Laws and, accordingly, only Marlin Shareholders are entitled to Dissent Rights.

### **Marlin Reorganization**

Under the terms of the Arrangement Agreement, as a condition to Closing, Marlin has agreed to undertake a corporate reorganization, pursuant to which it will (i) sell certain assets, including the Commonwealth silver and gold property in Cochise County, Arizona, to the Wexford Funds, which will extinguish all of Marlin’s loans and any other debts and liabilities owing to the Wexford Funds (which debts and liabilities equal to approximately US\$74,623,733 as of the date of this Circular) (the “**Wexford Transaction**”); (ii) assign to Sailfish its 1% net smelter return royalty on the Parral 2 claims on the La Cigarra project owned by Kootenay Silver Inc. (the “**La Cigarra Royalty**”) and its 1.5% net smelter return royalty on the majority of the concessions at the El Compas project operated by Endeavour Silver Corp. (the “**El Compas Royalty**”), and grant an option to Sailfish to purchase its Gavilanes property in 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 approximately 18,148,655 Golden Reign Shares, currently held by Marlin, at a price of \$0.1539 on a private placement basis, pursuant to which the Wexford Funds will purchase 15,500,000 Golden Reign Shares and an aggregate of 2,100,000 Golden Reign Shares will be acquired by current stock option holders of Marlin, consisting of Akiba Leisman, Marlin’s Executive Chairman, and Cesar Gonzalez, Marlin’s VP Corporate Development using a portion of the cash bonus to be paid to such executives by Marlin (collectively, the “**Marlin Private Placement**”). Akiba Leisman and Cesar Gonzalez will each receive a bonus payment from Marlin in an aggregate amount equal to \$1,119,494 prior to the completion of the Arrangement, which they will use to exercise their Marlin Options and to participate in the Marlin Private Placement. Approximately US\$2.164 million in proceeds from the Marlin Private Placement will remain in the Combined Company on the Closing of the Arrangement.

As a result of the Marlin Reorganization, Golden Reign will acquire Marlin and certain of its material subsidiaries on a debt free and working capital neutral basis.

### **Amended and Restated Gold Purchase Agreement with Sailfish**

Another key condition to the closing of the Arrangement is that Golden Reign and its subsidiaries, Marlin and Sailfish enter into a mutually acceptable agreement to restructure the existing gold stream on San Albino (the “**Amended and Restated Gold Purchase Agreement**”). Accordingly, concurrent with the signing of the Arrangement Agreement, Golden Reign and its subsidiaries, Marlin and one of its material subsidiaries and Sailfish have entered into a master agreement (the “**Master Agreement**”) whereby the parties have agreed: (a) to the substantial form of and the terms and conditions of the Amended and Restated Gold Purchase Agreement, equivalent to a 3% net smelter returns royalty, to be entered into effective as of the closing of the Transaction, with respect to the AOI, which includes as a schedule to the Amended and Restated Gold Purchase Agreement, the substantial form of and terms and

conditions of a new royalty agreement to be entered into between Golden Reign and its subsidiaries, and Sailfish, with respect to a 2% net smelter returns royalty on production from the San Albino concession (exclusive of the AOI) and the El Jicaro concession; (b) that Marlin will make cash payments to Sailfish in respect of any amounts recovered by Marlin in certain lawsuits Marlin has filed against the Mexican tax authority for the purpose of obtaining previously denied Mexican value added tax refunds for an aggregate of 37,379,097 Mexican pesos (7,490,437 Mexican pesos of which have already been received), before certain interest and inflation adjustments and applicable legal fees; (c) that Sailfish will extinguish Golden Reign's prepayment liability of approximately US\$1.1 million associated with the existing gold stream on San Albino prior to Closing; (d) that Sailfish's existing funding obligation of approximately US\$13.9 million will be eliminated prior to Closing; and (e) to the substantial form of and the terms and conditions of certain assignment, option and royalty agreements, that will be entered into as partial consideration to be paid to Sailfish in consideration for entering into the Amended and Restated Gold Purchase Agreement. Such agreements provide for Marlin's assignment to Sailfish, for no additional consideration, of the El Compas Royalty and La Cigarra Royalty in Mexico. Such agreements also provide for Marlin's agreement to option its Gavilanes property in Mexico, to a designee of Sailfish, for a purchase price of US\$1.00.

The execution of the Amended and Restated Gold Purchase Agreement is conditional upon, among other things, Sailfish receiving approval from its disinterested shareholders to the transactions contemplated by the Master Agreement.

### **Effects of the Arrangement**

The purpose of the Arrangement is to combine the respective businesses of Marlin and Golden Reign. The Arrangement is to be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement. Upon completion of the Arrangement, the businesses of Marlin and Golden Reign will be combined through the acquisition by Golden Reign of all of the issued and outstanding Marlin Shares and Marlin will become a wholly-owned subsidiary of Golden Reign with existing Shareholders and Marlin Shareholders owning approximately 55% and 45% of the Combined Company, respectively.

### ***Marlin Shareholders***

Pursuant to the Arrangement, in connection with the acquisition of Marlin by Golden Reign, each Marlin Shareholder (other than any Dissenting Shareholder) immediately prior to the Effective Time will receive the Consideration in exchange for each Marlin Share held.

### ***Stock Exchange Listing and Reporting Issuer Status***

The Golden Reign Shares currently trade on the TSXV under the symbol "GRR". Golden Reign has applied to the TSXV to list the Golden Reign Shares issuable to Marlin Shareholders under the Arrangement. It is a condition of closing that Golden Reign will have obtained approval of the TSXV for the listing of the Golden Reign Shares to be issued pursuant to the Arrangement, subject only to the customary listing conditions of the TSXV. See "*Regulatory Matters – Stock Exchange Approval*".

Following completion of the Arrangement, it is expected that the Marlin Shares will be de-listed from the TSXV and Marlin will make an application to cease to be a reporting issuer under applicable Securities Laws.

## **Share Ownership in Marlin**

As of the date of this Circular, Golden Reign does not own, directly or indirectly, or exercise control or direction over, any Marlin Shares. Golden Reign has not purchased or sold any securities of Marlin during the 12 months preceding the announcement of the Arrangement.

As of the date of this Circular, the directors and executive officers (which excludes those officers who are not “executive officers”) of Marlin and their associates and affiliates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of approximately 1,161,260 Marlin Shares and 6,000,000 Marlin Options, representing approximately 0.7% of the outstanding Marlin Shares on a non-diluted basis, and approximately 4.2% of the outstanding Marlin Shares assuming the exercise of their Marlin Options. All of the Marlin Shares held by the directors and officers of Marlin will be treated in the same fashion under the Arrangement as Marlin Shares held by every other Marlin Shareholder. The Marlin Options will either be exercised or cancelled prior to completion of the Arrangement.

The following table sets out the Marlin Shares and Marlin Options beneficially owned, directly or indirectly, or over which control or direction was exercised, by the directors and executive officers of Marlin, or their respective associates or affiliates, as of the date of this Circular:

Name	Position with Marlin	Marlin Shares	Securities of Marlin Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised <sup>(1)(2)</sup>		
			% Marlin Shares Outstanding	Marlin Options	% Marlin Options Outstanding
Jesse Munõz	Director and Interim Chief Operating Officer	22,500	0.0%	Nil	Nil
Akiba Leisman	Executive Chairman and Interim Chief Executive Officer	745,000	0.4%	4,500,000	75%
John Pontius	Director	50,000	0.0%	Nil	Nil
Caesar Gonzalez	Vice President, Corporate Development	343,750	0.2%	1,500,000	25%
Scott Kelly	Chief Financial Officer	Nil	Nil	Nil	Nil

**Notes:**

- (1) The information as to securities of Marlin beneficially owned or over which control or direction is exercised, not being within the knowledge of Marlin, has been furnished by the respective directors and officers.
- (2) All individuals have signed a Golden Reign Voting Agreement.

The directors and officers of Marlin entered into the Golden Reign Voting Agreements pursuant to which they agreed to vote their Marlin Shares in favour of the Marlin Arrangement Resolution. See “*The Arrangement – Voting Agreements – Golden Reign Voting Agreements*”.

## **Intention of Marlin Directors, Marlin Executive Officers and Marlin Major Shareholders**

All of the Marlin directors and executive officers (which excludes those officers who are not “executive officers”), who as of the date of the Arrangement Agreement beneficially owned or exercised control or direction over in the aggregate 1,161,250 Marlin Shares and 6,000,000 Marlin Options, representing approximately 0.7% of the outstanding Marlin Shares on a non-diluted basis, and approximately 4.2% of the outstanding Marlin Shares assuming the exercise of their Marlin Options, have each entered into the Golden Reign Support Agreements with Golden Reign pursuant to which they have agreed, subject to the terms and conditions thereof, to vote their Marlin Shares in favour of the Marlin Arrangement Resolution.

In addition, the Wexford Funds, which, as of the date of the Arrangement Agreement, beneficially owned or exercised control or direction over in the aggregate 145,965,387 Marlin Shares and no Marlin Options representing approximately 85% of the outstanding Marlin Shares on a non-diluted basis, have entered into Marlin Support Agreements with Golden Reign pursuant to which they have agreed, subject to the terms and conditions thereof, to vote their Marlin Shares in favour of the Marlin Arrangement Resolution.

### **Intention of Golden Reign Directors and Golden Reign Executive Officers**

All of the Golden Reign directors and executive officers (which excludes those officers who are not “executive officers”), who as of the date of the Arrangement Agreement beneficially owned or exercised control or direction over in the aggregate 29,227,845 Golden Reign Shares and 12,890,000 Golden Reign Options, representing approximately 15.2% of the outstanding Golden Reign Shares on a non-diluted basis, and approximately 20.2% of the outstanding Golden Reign Shares assuming the exercise or conversion of their Golden Reign Options have each entered into Marlin Voting Agreements with Marlin pursuant to which they have agreed, subject to the terms and conditions thereof, to vote their Golden Reign Shares in favour of the Share Issuance Resolution.

### **Depository**

Marlin and Golden Reign have retained the services of the Depository for the receipt of the Letter of Transmittal and the Marlin Share Certificate(s) (if applicable) and for the delivery of the Consideration in exchange for the Marlin Shares under the Arrangement. The Depository will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities, including liabilities under Securities Laws and expenses in connection therewith.

### **Expenses of the Arrangement**

Marlin and Golden Reign have agreed in the Arrangement Agreement that each party will pay all costs and expenses incurred by such party with respect to the Arrangement. The estimated costs to be incurred by each of Marlin and Golden Reign with respect to the Arrangement and related matters including, without limitation, financial advisory, proxy solicitation, accounting and legal fees, the costs of preparation, printing and mailing of this Circular and other related documents and agreements, and stock exchange and regulatory filing fees, are estimated to be approximately \$500,000 and \$700,000, respectively.

## **INFORMATION RELATING TO THE COMBINED COMPANY**

The following section of this Circular contains forward-looking information. Readers are cautioned that actual results may vary. See “*Forward-Looking Information*”.

### **Overview and Description of the Business**

The Combined Company, through Golden Reign as the parent company, will operate both of the businesses of Golden Reign and Marlin. Kevin Bullock, as Chief Executive Officer, will lead the Combined Company, while drawing upon the extensive strategic, operating and financial experience of both Golden Reign and Marlin.

The Combined Company will be a publicly-traded mining company engaged in the exploration, development and operation of mineral projects in Nicaragua and Mexico. The main business of the Combined Company will be focused on the development of San Albino in Nueva Segovia, Nicaragua and operation of Marlin’s La Trinidad Mine in Sinaloa, Mexico. The Combined Company is expected to

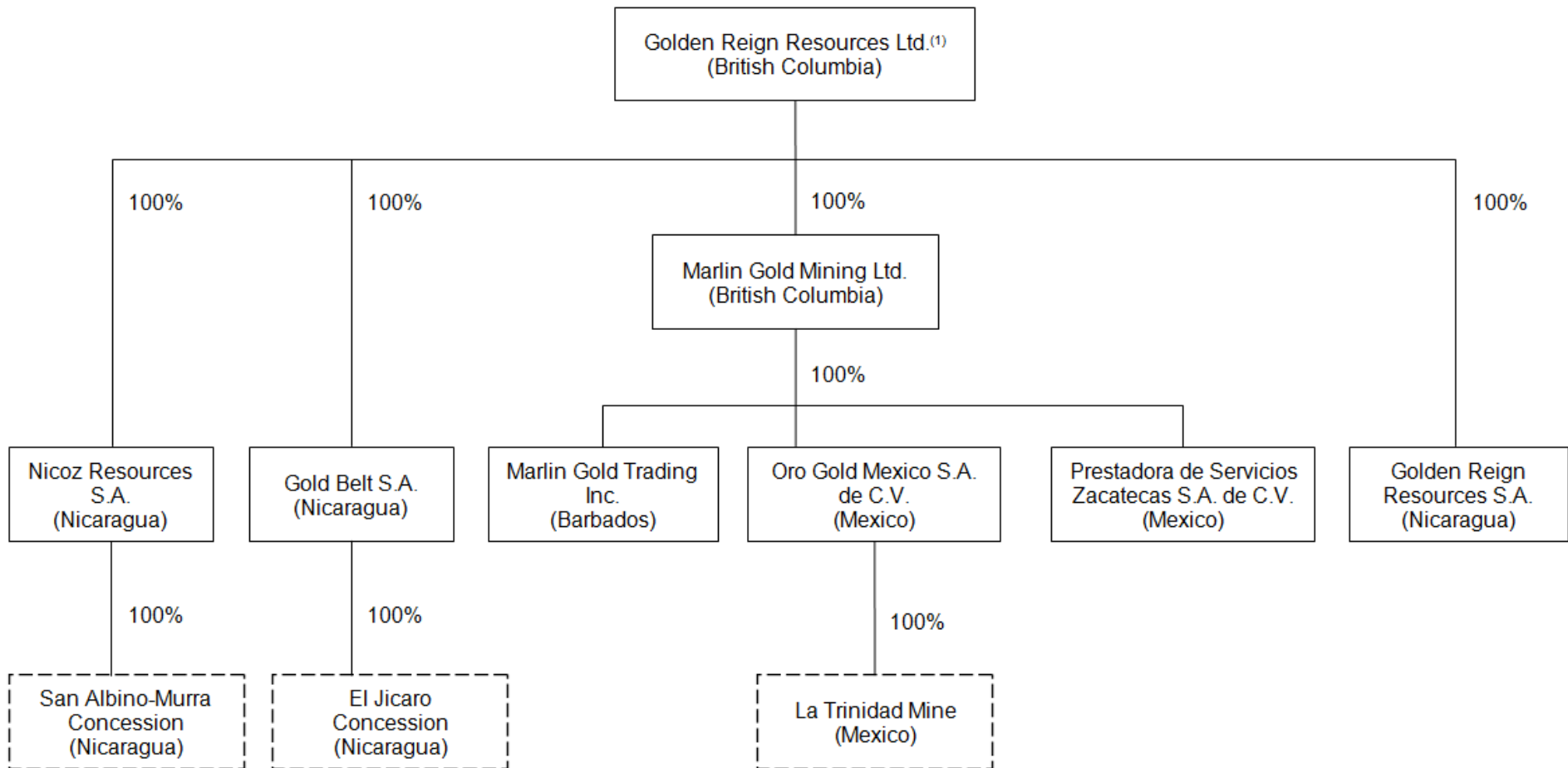
create a focussed precious metals exploration and development company with an unencumbered high margin asset in San Albino in Nicaragua, immediate production and cash flow from La Trinidad in Mexico, cash flow growth, no debt, geographic diversification and significant exploration potential. Additionally, the restructuring of the San Albino gold stream pursuant to the Amended and Restated Gold Purchase Agreement is expected to provide mutual benefits to the Combined Company and Sailfish, providing exposure to a highly prospective gold district in Nicaragua, as well as a more diversified suite of assets. It is anticipated that, following the completion of the Transaction, the Combined Company will then be in a position to begin construction of a 500tpd mine at San Albino and grow production and cash flow to fund exploration of the highly prospective 138km<sup>2</sup> high-grade gold camp in Nicaragua. The senior management of Golden Reign following completion of the Arrangement will consist of Kevin Bullock as Chief Executive Officer, Scott Kelly as Interim Chief Financial Officer and Jesse Muñoz as Chief Operating Officer. The principal executive office and headquarters of the Combined Company will be in Vancouver, British Columbia.

For more information relating to the business of Marlin, see “*Appendix D – Information Relating to Marlin*”.

Golden Reign’s existing policies and procedures, including those related to executive compensation and corporate governance, are not expected to change as a result of the completion of the Arrangement.

### ***Organizational Chart***

The chart below illustrates the corporate structure of the Combined Company immediately following the completion of the Arrangement.



Notes:

(1) Expected to be renamed "Mako Mining Corp." as of the Closing of the Arrangement.

## Consolidated Capitalization

There have been no material changes in the loan or share capital of Golden Reign since the date of the unaudited interim condensed consolidated financial statements of the Company on July 31, 2018. The following table sets forth the consolidated capitalization of Golden Reign as at July 31, 2018, after giving effect to the Arrangement. For detailed information on the capitalization of Marlin as at June 30, 2018, see the Marlin unaudited interim carve-out financial statements for the three and six month period ended June 30, 2018 included in this Circular at Appendix F, and for detailed information on the capitalization of Golden Reign as at July 31, 2018, see Golden Reign's interim condensed consolidated financial statements for the three months ended July 31, 2018, available under its profile on SEDAR at www.sedar.com.

	<b>As at July 31, 2018 after giving effect to the Arrangement<sup>(1)</sup></b>
Common Shares issued and outstanding	192,170,920
Common Shares issued to Marlin Shareholders on completion of the Arrangement	91,234,551
<b>Total Common Shares</b>	<b>283,405,471</b>
Reserved for issuance pursuant to Golden Reign Options	16,145,000
<b>Total Common Shares Reserved for Issuance</b>	<b>16,145,000</b>
<b>Total Number of Fully Diluted Securities</b>	<b>299,550,471</b>

Note:

- (1) There are currently 192,170,920 Golden Reign Shares and 171,568,219 Marlin Shares outstanding. On completion of the Arrangement, and assuming that the number of Marlin Shares outstanding does not change, an aggregate of approximately 91,234,551 Golden Reign Shares will be issued as consideration for the 171,568,219 Marlin Shares and the total number of Golden Reign Shares outstanding will be 283,405,471, on an undiluted basis.

There are currently 192,170,920 Golden Reign Shares and 171,568,219 Marlin Shares outstanding. On completion of the Arrangement, and assuming that the number of Marlin Shares outstanding does not change and the 6,000,000 Marlin Options are exercised prior to the Effective Date, an aggregate of approximately 91,234,551 Golden Reign Shares will be issued as consideration for the 171,568,219 Marlin Shares (following the exercise of the 6,000,000 Marlin Stock Options) and the total number of Golden Reign Shares outstanding will be 283,405,471, on an undiluted basis.

## Principal Holders of Shares

To the knowledge of Golden Reign and Marlin, no person or company will beneficially own, or control or direct, directly or indirectly, Golden Reign Shares carrying more than 10% of the voting rights attached to all outstanding Golden Reign Shares after completion of the Arrangement of than as set forth below:

<b>Name</b>	<b>Number of Shares<sup>(1)(2)</sup></b>	<b>Percentage of Outstanding Shares<sup>(1)</sup></b>
Wexford Spectrum Trading Limited	84,326,670	29.8%
Wexford Catalyst Trading Limited	20,169,920	7.1%

Notes:

(1) Calculated based upon information provided to Golden Reign by Wexford.

(2) Wexford Capital LP exercises control or direction over these Common Shares. The partners of Wexford Capital LP are Charles Davidson,

## **Description of Share Capital**

The authorized share capital of Golden Reign following completion of the Arrangement will continue to be an unlimited number of common shares, without par value, and the rights and restrictions of the Golden Reign Shares will remain unchanged. The issued share capital of Golden Reign will change as a result of the consummation of the Arrangement to reflect the issuance of the Golden Reign Shares contemplated in the Arrangement.

In particular, as part of the Arrangement, and assuming that the number of Marlin Shares outstanding does not change and the 6,000,000 Marlin Options are exercised prior to the Effective Date, it is expected that an aggregate of approximately 91,234,551 Golden Reign Shares will be issued as consideration for 177,568,219 Marlin Shares then outstanding.

Following the successful completion of the Arrangement, Marlin will be a wholly-owned subsidiary of Golden Reign and existing Shareholders and Marlin Shareholders are expected to own approximately 55% and 45%, respectively, of the outstanding Golden Reign Shares on a non-diluted basis.

## **Stock Exchange Listings**

The Golden Reign Shares currently trade on the TSXV under the symbol “GRR”. Golden Reign has applied to the TSXV to list the Golden Reign Shares issuable to Marlin Shareholders under the Arrangement. It is a condition of closing that Golden Reign will have obtained approval of one of the TSXV for the listing of the Golden Reign Shares to be issued pursuant to the Arrangement subject only to the customary listing conditions of the TSXV. Following completion of the Arrangement, it is expected that the Marlin Shares will be de-listed from the TSXV and Marlin will make an application to cease to be a reporting issuer under applicable Securities Laws. In connection with the completion of the Arrangement, Golden Reign anticipates changing its name from “Golden Reign Resources Ltd.” to “Mako Mining Corp.” and in connection with such name change the new trading symbol for the Combined Company is expected to be “MKO”.

## **Dividends**

The payment of dividends on the Golden Reign Shares following completion of the Arrangement will be at the discretion of the board of the Combined Company. Golden Reign has not declared or paid cash dividends on the Golden Reign Shares to date and does not currently intend to pay cash dividends following the completion of the Arrangement, as it is currently anticipated that it will retain future earnings for use in the development of the Combined Company’s business and for general corporate purposes. Accordingly, dividends will only be paid when operational circumstances permit.

## **Auditors of the Combined Company**

PricewaterhouseCoopers LLP, the current auditors of Golden Reign, will be the auditors of the Combined Company following completion of the Arrangement.

## **Transfer Agent and Registrar**

The transfer agent and registrar for the Combined Company’s common shares will be Computershare Trust Company of Canada, at its principal offices at Vancouver, British Columbia.



## GOVERNANCE AND MANAGEMENT OF THE COMBINED COMPANY

### Board of Directors

Following completion of the Arrangement, the board of directors of the Combined Company will initially be comprised of seven directors, three of whom will be nominated by Golden Reign (which are expected to be Kevin Bullock, Rael Lipson and John Conlon), three of whom shall be nominated by Marlin (which are expected to be Akiba Leisman, Cesar Gonzalez and John Pontius (independent director) and one additional nominee whom will be nominated by Golden Reign and Marlin jointly and whom shall act as Non-Executive Chairman of the newly constituted Golden Reign Board (expected to be John Hick).

The directors of the Combined Company will hold office until the next annual general meeting of Shareholders of the Combined Company or until their respective successors have been duly elected or appointed, unless his office is earlier vacated in accordance with the articles and by-laws of Golden Reign or within the provisions of the BCBCA.

The following table sets forth certain information regarding the individuals who will serve as directors of the Combined Company, including their place of residence, age, status as independent or non-independent, the period of time for which each director has served as a director of Golden Reign or Marlin, as applicable, each director's principal occupation, business or employment for the past five years, and the number of Golden Reign Shares that will be beneficially owned by each director, directly or indirectly, or over which each director will exercise control or direction, and the number of Golden Reign Options which will be held by, or credited to, each director, in each case, following completion of the Arrangement. The composition of the committees of the board of the Combined Company will be determined following completion of the Arrangement. Also included below are the current Golden Reign Shares, Golden Reign Options, Marlin Shares and Marlin Options held.

<p><b>Kevin Bullock</b></p> <p><b>Age:</b> 54 Toronto, Canada Golden Reign Director and Chief Executive Officer since January 14, 2016</p> <p>Not Independent</p>	<p><b>Principal Occupation:</b> Chief Executive Officer of Golden Reign</p> <p><b>Biography:</b> Kevin Bullock is a registered Professional Mining Engineer in the Province of Ontario. He is currently the CEO of Golden Reign Resources and was previously the Corporate Development Advisor for B2Gold from January 2014 to December 2014. Mr. Bullock was the founding President of Volta Resources Inc. (formerly Goldcrest Resources Ltd.) and was CEO from its inception in 2003 until its acquisition by B2Gold Corp. in December 2013. Mr. Bullock has over 30 years' experience, at senior levels, in mining exploration, mine development and mine operations. Mr. Bullock has a broad knowledge base in the mineral industry and has completed several exploration and mining projects, both in North America and abroad, including projects in Mexico, Sweden, Argentina, Nicaragua and West Africa, where he was the general manager of IAMGOLD Corporation. Throughout his career, Mr. Bullock has been involved in projects from inception through exploration to development and production. Mr. Bullock has considerable public market experience and sits on the boards of B2Gold and Golden Reign Resources.</p>
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### Golden Reign Securities Held

Common Shares	Options
195,000	3,000,000

### Marlin Securities Held

Common Shares	Options
Nil	Nil

### Combined Company Securities Held

Golden Reign Shares	Golden Reign Options
195,000	3,000,000

<p><b>Rael Lipson</b></p> <p>Age: 68 Denver, United States Golden Reign Director since 2013</p> <p>Independent</p>	<p><b>Principal Occupation:</b> Consulting Geologist and President of RDLGEO Consulting Inc.</p> <p><b>Biography:</b> Dr Rael Lipson is a Certified Professional Geologist with over 45 years experience in exploration and mining geology, 36 of which were with Gold Fields Ltd. The first 15 years of his career were focused on SEDEX base metal exploration, where after the bulk of the remainder of his career has been associated with gold, including 3 ½ years as Chief Geologist on a Witwatersrand gold mine. Gold Fields transferred Rael from Johannesburg to Denver in 1999 where he held the position of Chief Exploration Geologist until the closure of their greenfields exploration office in 2013. His responsibilities there included international project reviews for M&amp;A purposes as well as in-house on-site project value addition, particularly with an emphasis on structural geology and youth development. He headed up technical strategic planning thrusts based on the analysis of a maintained database of global ore deposits. His main area of ore deposit expertise lies in paleoplacer and orogenic type gold. In late 2013 he established RDLGEO Consulting, Inc. and is a technical advisor to several Junior Gold Exploration companies. Rael obtained his Bachelor and Masters Degrees in Geology from the University of the Witwatersrand in Johannesburg, and his PhD from the University of Cape Town, on the litho geochemistry of host rocks to the Broken Hill SEDEX deposit in the Aggeneys area, South Africa.</p>
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**Golden Reign Securities Held**

Common Shares	Options
310,588	830,000

**Marlin Securities Held**

Common Shares	Options
Nil	Nil

**Combined Company Securities Held**

Golden Reign Shares	Options
310,588	830,000

**John Conlon**

Age: 78  
Toronto,  
Canada  
Golden Reign Director  
since February 15, 2012

Independent

**Principal Occupation:** President of 1662287 Ontario Inc., a mining investment company.

**Biography:** Mr. Conlon has been involved in the mining industry since 1972, first as owner of Webcon Equipment Inc. He has more than 40 years of experience in the resource industry. Prior directorships include Western Canadian Coal Corp., Cambrian Mining PLC, Coal International Limited, and Xtract Energy PLC.

**Golden Reign Securities Held**

Common Shares	Options
21,731,724	2,185,000

**Marlin Securities Held**

Common Shares	Options
Nil	Nil

**Combined Company Securities Held**

Golden Reign Shares	Options
21,731,724	2,185,000

<p><b>Akiba Leisman</b></p> <p>Age: 40 New York, United States Marlin Director, Executive Chairman and Interim Chief Executive Officer since September 12, 2012</p> <p>Not Independent</p>	<p><b>Principal Occupation:</b> Mining investor, corporate officer and director.</p> <p><b>Biography:</b> Akiba Leisman is Executive Chairman and Interim CEO of Marlin Gold Mining Ltd. Mr. Leisman is also Chief Executive Officer of Sailfish Royalty Corporation and is a consultant for Wexford Capital LP, where he oversees the precious metal public and private equity portfolios. Prior to consulting for Wexford, he was a Senior Analyst at Red Kite Capital Management for the Mine Finance funds where he was responsible for investments in metal mining assets. Previously, he was an Associate at Standard Bank working in the Structured Commodity Products and Mine Finance groups. Mr. Leisman has an MBA from New York University, and a B.S. in Chemical Engineering from Carnegie Mellon University.</p>
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**Golden Reign Securities Held**

Common Shares	Options
Nil	Nil

**Marlin Securities Held**

Common Shares	Options
745,000	4,500,000

**Combined Company Securities Held**

Golden Reign Shares	Golden Reign Options
5,082,554	Nil

<p><b>Cesar Gonzalez</b></p> <p>Age: 35 West Palm Beach, United States Marlin Director and Vice President, Corporate Development since February 27, 2014</p> <p>Not Independent</p>	<p><b>Principal Occupation:</b> Mining investor, corporate officer and director.</p> <p><b>Biography:</b> Cesar Gonzalez is Vice President, Corporate Development for Marlin Gold Mining Ltd. and Director and Vice President, Corporate Development for Sailfish Royalty Corp. He is also a consultant at Wexford Capital LP. At Wexford he is focused on co-managing the precious metal public and private equity portfolios, including the investment in Marlin Gold Mining Ltd. Previously, he worked at Lehman Brothers as an Associate in the Private Equity Group where he focused on investments in energy master limited partnerships. Mr. Gonzalez graduated from the University of Southern California, where he earned a B.S. in Business Administration.</p>
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**Golden Reign Securities Held**

Common Shares	Options
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Nil

Nil

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**Marlin Securities Held**

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Common Shares

Options

343,750

1,500,000

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**Combined Company Securities Held**

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Golden Reign Shares

Options

1,384,116

Nil

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**John Pontius**

Age: 36  
Connecticut,  
United States  
Marlin Director  
since March 30, 2015

Independent

**Principal Occupation:** President of 75th Street Associates LLC and corporate director.

**Biography:** John Pontius is currently President of 75th Street Associates LLC, a Connecticut based energy and infrastructure consulting firm which he founded. His clients primarily include private equity firms and operating holding companies. Prior to 75th Street Associates, Mr. Pontius was a Managing Director at Ruton Capital LLC, a New York City based private equity firm founded by a large, private Chinese asset manager with one billion of designated capital. Mr. Pontius was also a Divisional President of Mammoth Energy Services LLC, a Wexford Capital LP portfolio company which he helped take public on the NASDAQ in October of 2016. From 2004 to 2014, he served in various investment roles at Wexford and also in senior management positions at other Wexford portfolio companies including Muskie Proppant LLC (also now a Mammoth division), Stampede Farms LLC, ICx Technologies Inc (formerly NASDAQ: ICXT), Digital Power Capital LLC and other oilfield service related businesses. Mr. Pontius currently sits on the board of Predator Drilling Inc. and was a board observer of ICx Technologies until its acquisition by Flir Systems, Inc. He holds a B.S. in Business Administration from the University of North Carolina at Chapel Hill.

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**Golden Reign Securities Held**

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Common Shares

Options

Nil

Nil

**Marlin Securities Held**

Common Shares	Options
50,000	Nil

**Combined Company Securities Held**

Golden Reign Shares	Golden Reign Options
25,690	Nil

<b>John Hick</b>  Age: 69 Toronto, Canada Newly Proposed Non- Executive Chairman  Independent	<b>Principal Occupation:</b> President of John W. W. Hick Consultants Inc. and corporate director.  <b>Biography:</b> In addition to acting as President of John W. W. Hick Consultants Inc., since 1997, Mr. Hick serves as an independent director, and in some cases the non-executive Chairman, of a number of listed companies, most of which are in the mining sector. He has also held senior management and/or director positions in numerous publicly listed companies, again mainly in the mining sector. Mr. Hick current serves as a director of Algold Resources Ltd., Diamond Estates Wines & Spirits Ltd., Eurotin Inc., LSC Lithium Corp., Quebec Precious Minerals Corp., Samco Gold Ltd. and Sphinx Resources Ltd. Mr. Hick holds a B.A. from the University of Toronto, an LL.B from the University of Ottawa and was called to the Bar of Ontario in 1978.
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**Golden Reign Securities Held**

Common Shares	Options
Nil	Nil

**Marlin Securities Held**

Common Shares	Options
Nil	Nil

**Combined Company Securities Held**

Golden Reign Shares	Golden Reign Options
Nil	Nil

**Executive Officers**

Following completion of the Arrangement, it is contemplated that the following individuals will serve as executive officers of the Combined Company.

Name, Municipality of Residence and Position with Golden Reign	Officer Since	Principal Occupation for the Past Five Years
Kevin Bullock, Chief Executive Officer	Chief Executive Officer of Golden Reign since January 14, 2016	Corporate Development Advisor, B2Gold Corporation from January 2014 to December 2014; CEO, Volta Resources Inc. from 2003 to 2013
Scott Kelly, Interim Chief Financial Officer <sup>(1)</sup>	Interim Chief Financial Officer of Marlin since June 29, 2014	Chief Financial Officer of Marlin
Jesse Muñoz, Chief Operating Officer <sup>(1)(2)</sup>	Chief Operating Officer of Marlin since February 25, 2014	President and Director of Sonoran Resources, LLC from April 2008 to present; and President and Director of FCO, Incorporated (dba) Arizona Electrical and Process Systems 2000-2010 from June 2000 to October 2010

Note:

(1) Scott Kelly does not hold any Marlin Shares and will therefore is not expected to own any common shares of the Combined Company upon the completion of the Arrangement. Jesse Muñoz currently holds 22,500 Marlin Shares and is, therefore, expected to own 13,860 common shares of the Combined Company upon completion of the Arrangement.

(2) Prior to the closing of the Arrangement, Golden Reign proposes to enter into a Professional Management & Consulting Services Agreement (the “**TMG Agreement**”) with Tes-Oro Mining Group, LLC, a consulting company controlled by Mr. Muñoz (“**TMG**”), pursuant to which it is expected that TMG will perform certain management and consulting services for San Albino necessary for the advancement of San Albino through construction to operations, including construction management and general oversight, project administration, engineering oversight, geology and mine production planning and technical support and internal operations management (collectively, the “**Services**”). TMG will provide the Services on a month-to-month basis until terminated by either party upon 30 days written notice. It is proposed that Golden will pay to TMG US\$65,700 per month for Services. The agreement is expected to also provide for non-solicitation, non-competition and confidentiality provisions. It is proposed that Mr. Muñoz will enter into a separate executive employment agreement with the Combined Company in connection with his role and services as the proposed Chief Operating Officer of the Combined Company following completion of the Arrangement.

After giving effect to the Arrangement, it is expected that the number of Golden Reign Shares beneficially owned, directly or indirectly, or over which control or direction will be exercised, by the proposed directors and executive officers of the Combined Company and their associates and affiliates, will be an aggregate of approximately 28,743,532 Golden Reign Shares representing approximately 10% of the 283,405,471 Golden Reign Shares anticipated to be outstanding following completion of the Arrangement.

## THE ARRANGEMENT AGREEMENT

*The Arrangement will be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement. The following is a summary of the principal terms of the Arrangement Agreement and Plan of Arrangement. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which is incorporated by reference herein and has been filed by Marlin and Golden Reign on their respective SEDAR profiles at [www.sedar.com](http://www.sedar.com), and to the Plan of Arrangement, which is appended hereto as Appendix B.*

On August 3, 2018, Marlin and Golden Reign agreed to combine their respective businesses and entered into the Arrangement Agreement. Pursuant to the terms of the Arrangement Agreement, Marlin and Golden Reign agreed that, subject to the terms and conditions set forth therein, Golden Reign will

acquire all of the issued and outstanding Marlin Shares. Upon completion of the Arrangement, each Marlin Shareholder (other than Dissenting Marlin Shareholders) will receive, in exchange for each Marlin Share, 0.5138 Golden Reign Shares. The terms of the Arrangement Agreement are the result of negotiations conducted between management representatives of Golden Reign and Marlin, the Special Committee and Golden Reign Board and the Marlin Special Committee and Marlin Board, and their respective advisors.

## **Representations and Warranties**

The Arrangement Agreement contains representations and warranties made by Marlin to Golden Reign and representations and warranties made by Golden Reign to Marlin. Those representations and warranties were made solely for the purposes of the Arrangement Agreement and are subject to important qualifications and limitations agreed to by the Parties in connection with negotiating its terms. Moreover, some of the representations and warranties contained in the Arrangement Agreement are subject to a contractual standard of materiality (including a Material Adverse Effect) that is different from that generally applicable to the public disclosure to Marlin Shareholders or Shareholders, as the case may be, or those standards used for the purpose of allocating risk between parties to an agreement. For the foregoing reasons, you should not rely on the representations and warranties contained in the Arrangement Agreement as statements of factual information at the time they were made or otherwise.

The representations and warranties provided by Marlin and its material subsidiaries, where applicable, in favour of Golden Reign relate to, among other things: (a) the approval of the Arrangement Agreement by the Marlin Board and the receipt of the Marlin Fairness Opinion; (b) organization and corporate capacity; (c) ownership of subsidiaries; (d) qualification to do business; (e) no dissolution; (f) authority to enter into the Arrangement Agreement and perform obligations thereunder; (g) the execution and delivery of the Arrangement Agreement and the performance by it of its obligations thereunder not (A) resulting in certain violations, conflicts or breaches, (B) giving rise to any termination or acceleration of indebtedness, or (C) resulting in creation of encumbrances, giving rise to any rights of first refusal or rights of first offer or triggering any change of control provisions; (h) regulatory approvals and consents; (i) third party consent requirements; (j) pending changes to applicable laws; (k) capitalization; (l) principal shareholders; (m) compliance with filing requirements in accordance with all applicable Securities Laws; (n) the accuracy of the books, records and accounts; (o) financial statements; (p) absence of certain material changes or events since December 31, 2017; (q) absence of any claims or proceedings; (r) internal controls and financial reporting; (s) joint ventures; (t) absence of undisclosed liabilities; (u) auditors; (v) tax related matters; (w) enforceability, the performance of all obligations and absence of breaches under material contracts; (x) relationships with customers or suppliers; (y) absence of related party transactions; (z) absence of brokerage fees in connection with the Arrangement; (aa) possession of necessary authorizations; (bb) compliance with Laws, including anti-bribery and money laundering Laws; (cc) intellectual property rights; (dd) interest in properties; (ee) permits; (ff) environmental matters; (gg) operational matters; (hh) absence of expropriation; (ii) technical report preparation; (jj) aboriginal and Ejido affairs and social security; (kk) NGOs and community groups; (ll) absence of any restrictions on the business activities; (mm) employee plans, employment and labour matters; (nn) insurance; (oo) absence of arrangements with securityholders; (pp) United States Securities Laws matters; (qq) data room information; (rr) standstill rights; (ss) available funds at the Effective Time; (tt) confidentiality agreements; (uu) competition laws; and (vv) absence of any shareholder rights plan.

The representations and warranties provided by Golden Reign and its material subsidiary, where applicable, in favour of Marlin relate to, among other things: (a) the approval of the Arrangement Agreement by the Golden Reign Board and the receipt of the Golden Reign Fairness Opinion; (b) organization and corporate capacity; (c) ownership of subsidiaries; (d) qualification to do business; (e) no dissolution; (f) authority to enter into the Arrangement Agreement and perform obligations thereunder;



(g) the execution and delivery of the Arrangement Agreement and the performance by it of its obligations thereunder not (A) resulting in certain violations, conflicts or breaches, (B) giving rise to any termination or acceleration of indebtedness, or (C) resulting in creation of encumbrances, giving rise to any rights of first refusal or rights of first offer or triggering any change of control provisions; (h) regulatory approvals and consents; (i) third party consent requirements; (j) pending changes to applicable laws; (k) capitalization; (l) principal shareholders; (m) compliance with filing requirements in accordance with all applicable Securities Laws; (n) the accuracy of the books, records and accounts; (o) financial statements; (p) absence of certain material changes or events since April 30, 2017; (q) absence of any claims or proceedings; (r) internal controls and financial reporting; (s) joint ventures; (t) absence of undisclosed liabilities; (u) auditors; (v) tax related matters; (w) enforceability, the performance of all obligations and absence of breaches under material contracts; (x) relationships with customers or suppliers; (y) absence of related party transactions; (z) absence of brokerage fees in connection with the Arrangement; (aa) possession of necessary authorizations; (bb) compliance with Laws, including anti-bribery and money laundering Laws; (cc) intellectual property rights; (dd) interest in properties; (ee) permits; (ff) environmental matters; (gg) operational matters; (hh) absence of expropriation; (ii) technical report preparation; (jj) aboriginal matters and social security; (kk) NGOs and community groups; (ll) absence of any restrictions on the business activities; (mm) employee plans, employment and labour matters; (nn) insurance; (oo) absence of arrangements with securityholders; (pp) United States Securities Laws matters; (qq) data room information; (rr) standstill rights; (ss) available funds at the Effective Time; (tt) confidentiality agreements; (uu) competition laws; (vv) absence of any shareholder rights plan; (ww) valid issuance of the Golden Reign Shares to Marlin Shareholders.

## **Conditions Precedent to the Arrangement**

### ***Mutual Conditions***

The obligations of the Parties to complete the Arrangement are subject to the fulfillment, on or before the Effective Time, of each of the following conditions precedent, each of which may only be waived in whole or in part with the mutual consent of Marlin and Golden Reign:

- the Marlin Shareholder Approval will have been obtained at the Marlin Meeting in accordance with the Interim Order;
- the Share Issuance Resolution will have been approved and adopted by the Shareholders at the Meeting;
- the Interim Order and the Final Order will each have been obtained on terms consistent with the Arrangement Agreement and will not have been set aside or modified in a manner unacceptable to either of Marlin and Golden Reign, acting reasonably, on appeal or otherwise;
- there will have been no action taken under any applicable Law or by any Governmental Entity which make it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the completion of the Arrangement;
- Key Regulatory Approvals will have been obtained;
- the distribution of the securities pursuant to the Arrangement will be exempt from the prospectus and registration requirements of applicable Canadian Securities Laws and will not be subject to resale restrictions under applicable Canadian Securities Laws (other than as applicable to control persons or pursuant to Section 2.6 of National Instrument 45-102);

- the Golden Reign Shares to be issued in exchange for Marlin Shares pursuant to the Arrangement will either be exempt from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof based on the Court's approval of the Arrangement and compliance with the requirements under the applicable U.S. Securities Laws, provided however, that Marlin will not be entitled to rely on the provisions of this condition in failing to complete the transactions contemplated by the Arrangement Agreement in the event that Marlin fails to advise the Court prior to the hearing in respect of the Interim Order, as required by the terms of the foregoing exemptions, that Golden Reign will rely on the foregoing exemption based on the Court approval of the Arrangement;
- the execution and delivery of the Amended and Restated Gold Purchase Agreement and the documents contemplated by the Master Agreement, shall all have been executed and the related transactions closed on a contemporaneous basis on the closing date of the Arrangement prior to the Effective Time; and
- the Arrangement Agreement will not have been terminated in accordance with its terms.

***Additional Conditions in Favour of Golden Reign***

The obligation of Golden Reign to complete the Arrangement is subject to the fulfillment of each of the following additional conditions precedent at or before the Effective Time (each of which is for the exclusive benefit of Golden Reign and may be waived by Golden Reign in whole or in part at any time):

- all covenants of Marlin under the Arrangement Agreement to be performed on or before the Effective Time which have not been waived by Golden Reign shall have been duly performed by Marlin in all material respects and Golden Reign shall have received a certificate of Marlin addressed to Golden Reign and dated the Effective Date, signed on behalf of Marlin by two of its senior executive officers (on Marlin's behalf and without personal liability), confirming the same as of the Effective Date;
- the representations and warranties of Marlin set forth in the Arrangement Agreement shall be true and correct in all respects, without regard to any materiality or Material Adverse Effect qualifications contained in them as of the Effective Time, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of all such representations and warranties to be so true and correct in all respects would not reasonably be expected to have a Material Adverse Effect, provided however that it is understood and agreed that the representations and warranties set out in: (i) paragraphs (a), (q) and (w) of Schedule D of the Arrangement Agreement must be true and correct in all respects when made on and as of the Effective Date; and (ii) paragraph (j) shall be true and correct in all respects when made on and as of the Effective Date, except for any failures to be so true and correct in all respects would not result in Marlin's fully-diluted capitalization as of the applicable determination date exceeding Marlin's fully diluted capitalization set forth in paragraph (j) of Schedule D of the Arrangement Agreement; and Golden Reign shall have received a certificate of Marlin addressed to Golden Reign and dated the Effective Date, signed on behalf of Marlin by two senior executive officers of Marlin (on Marlin's behalf and without personal liability), confirming the same as at the Effective Time;
- there will not have occurred a Material Adverse Effect that has not been publicly disclosed by Marlin prior to the date of the Arrangement Agreement or disclosed to Golden Reign in writing prior to the date of the Arrangement Agreement, and since the date of the Arrangement Agreement, there will not have occurred a Material Adverse Effect that has not

been disclosed by Marlin, and Golden Reign will have received a certificate signed on behalf of Marlin by two senior executive officers of Marlin (on Marlin's behalf and without personal liability) to such effect;

- there will be no suit, action or proceeding by any Governmental Entity or any other person that has resulted in an imposition of material limitations on the ability of Golden Reign to acquire or hold, or exercise full rights of ownership of, any Marlin Shares;
- Marlin will have (i) repaid in full or otherwise settled or extinguished all obligations under and pursuant to the Wexford Loans, (ii) permanently extinguished, cancelled and terminated the Wexford Loans, and (iii) discharged, terminated and/or otherwise released all representations, warranties, covenants related thereto and all liens, security interests, mortgages and other encumbrances, indemnities granted in connection with the Wexford Loans (including all agreements, instruments, registrations, financing statements or other filings made in respect thereof), and provided evidence of (i), (ii) and (iii) above satisfactory to Golden Reign, acting reasonably; and (iv) obtained and provided to Golden Reign a tax opinion in respect of the application of Part XIII of the Tax Act on interest paid or credited by Marlin on the Wexford Loans;
- Oro Gold Mexico and Marlin Gold Trading shall be debt free (other than debt incurred in the ordinary course of business) and working capital neutral (which for greater certainty shall exclude the IVA Receivables in such working capital calculation) to the satisfaction of Golden Reign;
- Marlin will not have made any cash distributions, material compensation adjustments or any grant of equity interests from the date of the Arrangement Agreement to the Effective Time, except as provided in the Arrangement Agreement;
- holders of no more than 5% of the Marlin Shares will have exercised their Dissent Rights in connection with the Arrangement;
- Marlin shall have cause to be exercised or cancelled all Marlin Options;
- Marlin shall have completed the Marlin Private Placement and approximately US\$2.164 million in proceeds from the Marlin Private Placement will remain in the Combined Company on the Closing of the Arrangement; and
- Marlin shall have transferred, spun-out or otherwise disposed of all of its assets and subsidiaries, (including without limitation, the Marlin Non-Core Assets) other than those assets and subsidiaries related to the La Trinidad Mine, and shall have fully settled all outstanding loans and indebtedness owing by Marlin or any of its affiliated entities relating to such assets and subsidiaries and shall have engaged a third party valuator to provide a formal valuation in accordance with the Marlin Disclosure Letter.

#### ***Additional Conditions in Favour of Marlin***

The obligation of Marlin to complete the Arrangement is subject to the fulfillment of each of the following additional conditions precedent at or before the Effective Time (each of which is for the exclusive benefit of Marlin and may be waived by Marlin in whole or in part at any time):

- all covenants of Golden Reign under the Arrangement Agreement to be performed on or before the Effective Time which have not been waived by Marlin will have been duly performed by Golden Reign in all material respects and Marlin will have received a

certificate of Golden Reign addressed to Marlin and dated the Effective Date, signed on behalf of Golden Reign by two of its senior executive officers (on Golden Reign's behalf and without personal liability), confirming the same as of the Effective Date;

- the representations and warranties of Golden Reign set forth in the Arrangement Agreement shall be true and correct in all respects, without regard to any materiality or Material Adverse Effect qualifications contained in them as of the Effective Time, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of all such representations and warranties to be so true and correct in all respects would not reasonably be expected to have a Material Adverse Effect, provided however that it is understood and agreed that the representations and warranties set out in: (i) paragraphs (a), (r) and (x) of Schedule E to the Arrangement Agreement must be true and correct in all respects when made on and as of the Effective Date; and (ii) paragraph (j) shall be true and correct in all respects when made on and as of the Effective Date, except for any failures to be so true and correct in all respects would not result in Golden Reign's fully-diluted capitalization as of the applicable determination date exceeding Golden Reign's fully diluted capitalization set forth in paragraph (j) of Schedule E to the Arrangement Agreement; and Marlin shall have received a certificate of Golden Reign address to Marlin and dated the Effective Date, signed on behalf of Golden Reign by two senior executive officers of Golden Reign (on Golden Reign's behalf and without personal liability), confirming the same as at the Effective Time;
- there will not have occurred a Material Adverse Effect that has not been publicly disclosed by Golden Reign prior to the date of the Arrangement Agreement or disclosed to Marlin in writing prior to the date of the Arrangement Agreement, and since the date of the Arrangement Agreement, there will not have occurred a Material Adverse Effect, and Marlin will have received a certificate signed on behalf of Golden Reign by two senior executive officers of Golden Reign (on Golden Reign's behalf and without personal liability) to such effect;
- Marlin will have received from Golden Reign satisfactory evidence of the conditional approval for listing of the Golden Reign Shares to be issued in exchange for Marlin Shares pursuant to the Arrangement on the TSXV, subject only to customary listing conditions of the TSXV;
- The Golden Reign Board will be reconstituted in accordance with the Arrangement Agreement, subject to the consummation of the Arrangement;
- Golden Reign will, following receipt by Marlin of the Final Order deposit in escrow with the Depositary sufficient Golden Reign Shares to satisfy the issuance of the Golden Reign Shares to the Marlin Shareholders; and the Depositary will have confirmed receipt of the Consideration; and
- Golden Reign will not have made any cash distributions, material compensation adjustments or any grant of equity interests from the date of the Arrangement Agreement to the Effective Time, except as provided in the Arrangement Agreement.

## **Covenants**

In the Arrangement Agreement, each of Marlin and Golden Reign has agreed to certain covenants, including customary affirmative and negative covenants relating to the operation of their

respective businesses, and using commercially reasonable efforts to satisfy the conditions precedent to their respective obligations under the Arrangement Agreement.

### ***Covenants of Marlin Regarding the Conduct of Business***

Without limiting the generality of the foregoing, Marlin will not, without the prior written consent of Golden Reign:

- issue, sell, pledge, lease, dispose of or encumber, any shares or other securities of Marlin or its subsidiaries, other than in connection exercise, in accordance with their respective terms, of outstanding Marlin Options or other convertible securities or except as provided for in the Arrangement Agreement, amend, extend or terminate, any of the terms of, or agreements governing, any of the outstanding Marlin Options or other convertible securities;
- amend or propose to amend its notices of articles, articles or other constating documents; or, split, consolidate or reclassify, or propose to split, consolidate or reclassify, any of the Marlin Shares or undertake or propose to undertake any other capital reorganization or change in Marlin Shares, or any other of its securities or its share capital;
- whether through the Marlin Board or otherwise, accelerate the vesting of any unvested Marlin Options, or otherwise amend, vary or modify the Marlin Stock Option Plan or any Marlin Options, except for the acceleration of Marlin Options that will occur in connection with the Arrangement pursuant to certain employment agreements disclosed to Golden Reign;
- redeem, purchase or otherwise acquire, or offer to redeem, purchase or otherwise acquire, any outstanding securities of Marlin, adopt a plan of liquidation or resolution providing for the liquidation or dissolution of Marlin; or enter into any agreement with respect to the foregoing;
- except in connection with the Marlin Reorganization, sell, pledge, lease, dispose of or encumber any assets, rights or properties, except in the ordinary course of business consistent with past practice;
- acquire or agree to acquire (by merger, amalgamation, acquisition of shares or assets or otherwise) any company, partnership or other business organization or division, or incorporate or form any company, partnership or other business organization or make any investment either by purchase of shares or securities, contributions of capital, property transfer or purchase of, any property or assets of any other person, company, partnership or other business organization;
- except as contemplated by the Arrangement Agreement, pursue any corporate acquisition, merger or make any other material change to its business or affairs;
- enter into or complete any transaction not in the ordinary course of business consistent with past practice or in accordance with plans disclosed to Golden Reign;
- fail to notify Golden Reign immediately orally and then promptly in writing of any material change (within the meaning of the Securities Act (Ontario)) in relation to Marlin and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);

- incur, or commit to, capital expenditures or development expenses in excess of \$200,000 in the aggregate unless such capital or development expenditures: (A) are in the ordinary course of business consistent with past practice; (B) have been approved by Golden Reign; or (C) are in the operating and capital plan that forms part of Marlin's budget as disclosed to Golden Reign in writing prior to the date of the Arrangement Agreement;
- enter into or agree to the terms of any joint venture or similar agreement, arrangement or relationship;
- incur, create, assume or otherwise become liable for, any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligation of any other person or make any loans, capital contribution, investments or advances;
- pay, discharge or satisfy any material claims, liabilities or obligations other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in Marlin's Financial Statements, incurred in the ordinary course of business consistent with past practice or of fees, expenses and other charges of the Marlin Board, advisors and service providers which are or become payable in connection with the Arrangement;
- except in connection with the Marlin Reorganization, engage in any transaction with any related parties other than with its wholly-owned subsidiaries in the ordinary course of business consistent with past practice;
- waive, release, grant or transfer any rights of value or modify or change in any material respect any existing Marlin material contract, material Permit or other material document, without first advising Golden Reign and obtaining Golden Reign's consent and direction, acting reasonably, as to any action to be taken in that regard, and forthwith taking any action directed by Golden Reign, acting reasonably;
- enter into or modify any employment, consulting, severance, or similar agreements or arrangements with, or grant any bonuses, salary or fee increases, severance or termination pay to, any officers or directors or, in the case of employees or consultants who are not officers or directors, take any action other than in the ordinary, regular and usual course of business and consistent with past practice (none of which actions shall be unreasonable or unusual) with respect to the grant of any bonuses, salary or fee increases, severance or termination pay or with respect to any increase of benefits payable in effect on the date of the Arrangement Agreement provided, however, that: (A) it is acknowledged and agreed that Marlin may pay bonuses to the holders of the Marlin Options in an amount equal to (I) the aggregate exercise price of the Marlin Options, or take such other action as agreed with and consented to by Golden Reign in order to ensure that all Marlin Options are exercised or cancelled in accordance with applicable Law prior to completion of the Arrangement, plus (II) \$152,894, in order to permit the holders of Marlin Options to purchase Golden Reign Shares as provided in the Arrangement Agreement; and (B) those employees or consultants of Marlin who are, under their existing employment or consulting agreements entitled to change of control, severance, termination or other payments upon completion of the Arrangement will be offered such payments pursuant to the Arrangement Agreement and as more particularly described in the Marlin Disclosure Letter;
- enter into or adopt any additional shareholder rights plan or similar agreement or arrangement;

- take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entities to institute proceedings for the suspension, revocation or limitation of rights under, any material authorizations; or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities;
- except in connection with the Marlin Reorganization, commence, settle or assign any rights relating to or any interest in any litigation, proceeding, claim, action, assessment or investigation that is material to Marlin and involving Marlin or its material assets without the prior written consent of Golden Reign;
- increase any coverage under any directors' and officers' insurance policy, except as provided in the Arrangement Agreement;
- fail to duly and timely file all material forms, reports, schedules, statements and other documents required to be filed pursuant to any applicable Laws, provided however that Marlin shall in any event consult with Golden Reign prior to making any filing required pursuant to applicable Laws or issuing any press releases that are not in the ordinary course of business, providing Golden Reign in such cases with a reasonable opportunity to review and comment on any such filing or press release, recognizing that whether or not such comments are appropriate will be determined by Marlin, acting reasonably;
- make any changes to existing accounting policies or internal controls other than as required by applicable Law or by IFRS;
- change any method of reporting income, deductions or Tax accounting, make or change any Tax election, file any materially amended Tax Returns, settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, agree to an extension or waiver of the limitation period with respect to the assessment, reassessment, or determination of Taxes, enter into any closing agreement with respect to any Tax or surrender any right to claim a material Tax refund;
- take any action that could reasonably be expected to interfere with or be inconsistent with the completion of the Arrangement or the transactions contemplated in the Arrangement Agreement or which would render, or which may reasonably be expected to render, untrue or inaccurate (without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representation or warranty) in any material respect any of the representations and warranties of Marlin set forth in the Arrangement Agreement;
- (i) offer, promise, pay, authorize or take up any act in furtherance of any offer, promise, payment or authorization or payment of anything of value, directly or indirectly, to any Governmental Entity or Person of Concern for the purpose of securing discretionary action or inaction or a decision of a Governmental Entity, influence over discretionary action of a Governmental Entity, or any improper advantage; or (ii) take any action which is otherwise inconsistent with or prohibited by the substantive prohibitions or requirements of the *Corruption of Foreign Public Officials Act (Canada)*, the *United Kingdom Bribery Act 2010*, the *U.S. Foreign Corrupt Practices Act*, or similar applications Laws of any other jurisdiction prohibiting corruption, bribery, money laundering, in connection with any of their business; or

- announce an intention, enter into any formal or informal agreement, or otherwise make a commitment to do any of the things prohibited by any of the foregoing.

### ***Covenants of Marlin Relating to the Arrangement***

Marlin will, and will cause its subsidiaries to, perform all obligations required to be performed by Marlin, co-operate with Golden Reign and do all such other acts and things as may be necessary or desirable in order to consummate the Arrangement and Marlin will and, where applicable, will cause its subsidiaries to:

- apply for and use commercially reasonable effort to obtain all the required regulatory approval relating to Marlin and keep Golden Reign reasonably informed as to the status of the proceedings related to obtaining the regulatory approvals;
- use commercially reasonable efforts to obtain all third party consents, approvals and notices required under the Arrangement Agreement;
- defend all lawsuits or other legal, regulatory or other proceedings against Marlin challenging or affecting the Arrangement Agreement or the consummation of the transactions contemplated thereby;
- not take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of Marlin to consummate the Arrangement or the other transactions contemplated by the Arrangement Agreement;
- until the earlier of the Effective Time and termination of the Arrangement Agreement in accordance with its terms, subject to applicable Law, make available and cause to be made available to Golden Reign, and its Representatives, information reasonably requested by Golden Reign for the purposes of preparing, considering and implementing integration and strategic plans for the combined businesses of Golden Reign and Marlin following the Effective Date and confirming the representations and warranties of Marlin set out in the Arrangement Agreement;
- provide such assistance as may be reasonably requested by Golden Reign for the purposes of completing the Meeting;
- use commercially reasonable efforts to satisfy all conditions precedent in the Arrangement Agreement and take all steps set forth in the Interim Order;
- to the extent that Marlin shall be entitled to vote its Golden Reign Shares under applicable Law, vote any and all Golden Reign Shares held by it if any on the record date for the Meeting in favour of the Share Issuance Resolution;
- use its commercially reasonable efforts to obtain prior to or concurrently with the execution of the Arrangement Agreement, signed copies of the Marlin Voting Agreements from the Marlin Supporting Shareholders;
- not pay an amount exceeding the agreed upon amount to the Marlin Financial Advisor in connection with the Arrangement;
- with effect as at the Effective Time, Oro Gold Mexico and Marlin Gold Trading will be debt free (other than debt incurred in the ordinary course of business or debts owing to Marlin)



and working capital neutral calculated in accordance with IFRS, consistently applied (but which, for greater certainty, shall exclude the IVA Receivables from such working capital calculation) and all cash flow from the La Trinidad Mine will be retained within Oro Gold Mexico and Marlin Gold Trading;

- prior to the Effective Time, distribute to the Marlin Shareholders, or otherwise dispose of, all Golden Reign Shares beneficially owned, or over which control or direction is exercised, by Marlin;
- prior to the Effective Time, cause all Marlin Options to be exercised or cancelled such that no Marlin Options or other convertible securities or rights to acquire Marlin Shares shall be outstanding or authorized for issuance as of the Effective Time;
- prior to the Effective Time, Marlin will dispose of or transfer all of its assets and subsidiaries (other than those related to the La Trinidad Mine and other than as contemplated in the Master Agreement), including, without limitation, the Marlin Non-Core Assets pursuant to the Marlin Reorganization, and will dispose of all debt relating to the Wexford Loans; and
- prior to the Effective Time, Marlin will complete the Marlin Private Placement. Approximately US\$2.164 million in proceeds from the Marlin Private Placement will remain in the Combined Company on the Closing of the Arrangement.

#### ***Covenants of Golden Reign Regarding the Conduct of Business***

Without limiting the generality of the foregoing, Golden Reign will not, without the prior written consent of Marlin:

- issue, sell, pledge, lease, dispose of or encumber, or agree to issue, sell, pledge, lease, dispose of or encumber, any Golden Reign Shares or any securities convertible into Golden Reign Shares (other than in connection with the grant of stock options to certain officers, directors and employees of Golden Reign as disclosed in the Golden Reign Disclosure Letter, the exercise, in accordance with their respective terms, of outstanding Golden Reign Options or except as provided for in the Arrangement Agreement, amend, extend or terminate, or agree to amend, extend or terminate, any of the terms of, or agreements governing, any of the outstanding Golden Reign Options;
- whether through the Golden Reign Board or otherwise, accelerate the vesting of any unvested Golden Reign Options or other convertible securities, or otherwise amend, vary or modify the Golden Reign Option Plan or any Golden Reign Options, except for any acceleration of vesting of Golden Reign Options that may occur in connection with the Arrangement pursuant to the terms of the Golden Reign Option Plan, as set out in the Golden Reign Disclosure Letter;
- amend or propose to amend its notice of articles, articles or other constating documents; or, split, consolidate or reclassify, or propose to split, consolidate or reclassify, any of the Golden Reign Shares or undertake or propose to undertake any other capital reorganization or change in Golden Reign Shares, any other of its securities or its share capital;
- redeem, purchase or otherwise acquire, or offer to redeem, purchase or otherwise acquire, any outstanding securities of Golden Reign; adopt a plan of liquidation or resolution providing for the liquidation or dissolution of Golden Reign; or enter into any agreement with respect to the foregoing;

- sell, pledge, lease, dispose of or encumber any assets, rights or properties, except in the ordinary course of business consistent with past practice;
- acquire (by merger, amalgamation, acquisition of shares or assets or otherwise) any company, partnership or other business organization or division, or incorporate or form any company, partnership or other business organization or make any investment either by purchase of shares or securities, contributions of capital, property transfer or purchase of, any property or assets of any other person, company, partnership or other business organization;
- except as contemplated by the Arrangement Agreement, pursue any corporate acquisition, merger or make any other material change to its business or affairs;
- enter into or complete any transaction not in the ordinary course of business consistent with past practice;
- fail to notify Marlin immediately orally and then promptly in writing of any material change (within the meaning of the *Securities Act* (Ontario)) in relation to Golden Reign and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);
- incur, or commit to, capital expenditures or development expenses in excess of \$200,000 in the aggregate unless such capital or development expenditures: (A) are in the ordinary course of business consistent with past practice; (B) have been approved by Marlin;
- enter into or agree to the terms of any joint venture or similar agreement, arrangement or relationship;
- incur, create, assume or otherwise become liable for, any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligation of any other person or make any loans, capital contribution, investments or advances;
- pay, discharge or satisfy any material claims, liabilities or obligations other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in Golden Reign's financial statements, incurred in the ordinary course of business consistent with past practice or of fees, expenses and other charges of the Golden Reign Board, advisors and service providers which are or become payable in connection with the Arrangement;
- engage in any transaction with any related parties other than with its wholly-owned subsidiaries in the ordinary course of business consistent with past practice;
- waive, release, grant or transfer any rights of value or modify or change in any material respect any existing Golden Reign material contract, material Permit or other material document, without first advising Marlin and obtaining Marlin's consent and direction, as to any action to be taken in that regard, and forthwith taking any action directed by Marlin;
- enter into or modify any employment, consulting, severance, or similar agreements or arrangements with, or grant any bonuses, salary or fee increases, severance or termination pay to, any officers or directors or, in the case of employees or consultants who are not officers or directors, take any action other than in the ordinary, regular and usual course of business and consistent with past practice (none of which actions shall be unreasonable or

unusual) with respect to the grant of any bonuses, salary or fee increases, severance or termination pay or with respect to any increase of benefits payable in effect on the date of the Arrangement Agreement provided, however, that those employees or consultants of Golden Reign who are, under their existing employment or consulting agreements entitled to severance, termination or other payments upon completion of the Arrangement will be offered such payments pursuant to the Arrangement Agreement and in the Golden Reign Disclosure Letter;

- enter into or adopt any additional shareholder rights plan or similar agreement or arrangement;
- take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entities to institute proceedings for the suspension, revocation or limitation of rights under, any material authorizations; or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities;
- commence, settle or assign any rights relating to or any interest in any litigation, proceeding, claim, action, assessment or investigation that is material to Golden Reign and involving Golden Reign or its material assets without the prior written consent of Marlin;
- increase any coverage under any directors' and officers' insurance policy;
- fail to duly and timely file all material forms, reports, schedules, statements and other documents required to be filed pursuant to any applicable Laws, provided however that Golden Reign shall in any event consult with Marlin prior to making any filing required pursuant to applicable Laws or issuing any press releases that are not in the ordinary course of business, providing Marlin in such cases with a reasonable opportunity to review and comment on any such filing or press release, recognizing that whether or not such comments are appropriate will be determined by Golden Reign, acting reasonably;
- make any changes to existing accounting policies or internal controls other than as required by applicable Law or by IFRS;
- change any method of reporting income, deductions or Tax accounting, make or change any Tax election, file any materially amended Tax Returns, settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, agree to an extension or waiver of the limitation period with respect to the assessment, reassessment, or determination of Taxes, enter into any closing agreement with respect to any Tax or surrender any right to claim a material Tax refund;
- take any action that could reasonably be expected to interfere with or be inconsistent with the completion of the Arrangement or the transactions contemplated in the Arrangement Agreement or which would render, or which may reasonably be expected to render, untrue or inaccurate (without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representation or warranty) in any material respect any of the representations and warranties of Golden Reign set forth in the Arrangement Agreement;
- (i) offer, promise, pay, authorize or take up any act in furtherance of any offer, promise, payment or authorization or payment of anything of value, directly or indirectly, to any

Governmental Entity or Person of Concern for the purpose of securing discretionary action or inaction or a decision of a Governmental Entity, influence over discretionary action of a Governmental Entity, or any improper advantage; or (ii) take any action which is otherwise inconsistent with or prohibited by the substantive prohibitions or requirements of the *Corruption of Foreign Public Officials Act* (Canada), the *United Kingdom Bribery Act 2010*, the *U.S. Foreign Corrupt Practices Act*, or similar applications Laws of any other jurisdiction prohibiting corruption, bribery, money laundering, in connection with any of their business; or

- announce an intention, enter into any formal or informal agreement, or otherwise make a commitment to do any of the things prohibited by any of the foregoing.

### ***Covenants of Golden Reign Relating to the Arrangement***

Golden Reign will, and will cause its subsidiaries to, perform all obligations required to be performed by Golden Reign, cooperate with Marlin and do all such other acts and things as may be necessary or desirable in order to consummate the Arrangement and Golden Reign will and, where applicable, will cause its subsidiaries to:

- apply for and use commercially reasonable effort to obtain all the required regulatory approval relating to Golden Reign and keep Marlin reasonably informed as to the status of the proceedings related to obtaining the regulatory approvals;
- use commercially reasonable efforts to obtain all third party consents, approvals and notices required under the Arrangement Agreement;
- subject to the terms and conditions of the Arrangement Agreement and applicable Laws, prior to the Effective Date pay to the Depositary the aggregate Consideration to be paid pursuant to the Arrangement;
- use commercially reasonable efforts to ensure that, with effect as and from the Effective Time, the Golden Reign Board will be reconstituted to consist of seven (7) directors, three (3) of whom will be nominated by Golden Reign (which shall include Kevin Bullock), three (3) of whom shall be nominated by Marlin (which shall include at least one independent director) and one additional nominee whom shall be nominated by Golden Reign and Marlin jointly and whom shall act as Non-Executive Chairman of the newly constituted Golden Reign Board;
- use its commercially reasonable efforts to ensure that, and from with effect as at the Effective Time, Jesse Muñoz is appointed Chief Operating Officer, Kevin Bullock shall continue as Chief Executive Officer and Scott Kelly is appointed Interim Chief Financial Officer, and any such new officers shall be appointed as determined by the newly constituted Golden Reign Board;
- use its commercially reasonable efforts to obtain the approval of the TSXV to change the Golden Reign name to “Mako Mining Corp.”, or such other name as Golden Reign and Marlin agree, with effect as at and from the Effective Time;
- use commercially reasonable efforts to graduate from the TSXV to the TSX and to have the Golden Reign Shares listed and posted for trading on the TSX following the closing of the Arrangement;

- defend all lawsuits or other legal, regulatory or other proceedings against Golden Reign challenging or affecting the consummation of the Arrangement;
- not take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of Golden Reign to consummate the Arrangement;
- until the earlier of the Effective Time and termination of the Arrangement Agreement in accordance with its terms, subject to applicable Law, make available and cause to be made available to Marlin, and its Representatives, information reasonably requested by Marlin for the purposes of preparing, considering and implementing integration and strategic plans for the combined businesses of Golden Reign and Marlin following the Effective Date and confirming the representations and warranties of Golden Reign set out in the Arrangement Agreement;
- provide such assistance as may be reasonably requested by Marlin for the purposes of completing the Marlin Meeting;
- use commercially reasonable efforts to satisfy all conditions precedent in the Arrangement Agreement;
- vote any and all Marlin Shares held by it on the record date for the Marlin Meeting in favour of the Arrangement;
- use commercially reasonable efforts to obtain prior to or concurrently with the execution of the Arrangement Agreement, signed copies of the Golden Reign Voting Agreements from the Golden Reign Supporting Shareholders; and
- not pay an amount exceeding the agreed upon amount to PI Financial in connection with the Arrangement.

***Mutual Covenant Regarding Acquisition Proposal***

Except as expressly provided in the Arrangement Agreement, each Party agrees that it will not, and will not authorize or permit any of its Representatives, directly or indirectly, to:

- make, solicit, initiate, entertain, encourage, promote or facilitate, (including by way of furnishing information, permitting any visit to its facilities or properties or entering into any form of agreement, arrangement or understanding) any inquiries or the making of any proposals regarding an Acquisition Proposal or that may be reasonably be expected to lead to an Acquisition Proposal;
- participate, directly or indirectly, in any discussions or negotiations regarding, or furnish to any person any information or otherwise cooperate with, respond to, assist or participate in any Acquisition Proposal or potential Acquisition Proposal, provided however that a Party may communicate and participate in discussions with a third party for the purpose of (A) clarifying the terms of any proposal in order to determine if it may reasonably be expected to result in a Superior Proposal; and (B) advising such third party that an Acquisition Proposal does not constitute a Superior Proposal and cannot reasonably be expected to result in a Superior Proposal;
- agree to, endorse, approve or recommend any, Acquisition Proposal or potential Acquisition Proposal;

- make a Change in Recommendation;
- accept or enter into, or publicly propose to accept or enter into any arrangement, letter of intent, memorandum of understanding, agreement in principle or agreement related to any Acquisition Proposal or requiring it to abandon, terminate or fail to consummate the Arrangement or providing for the payment of any break, termination or other fees or expenses to any person in the event that the Arrangement is completed or in the event that it completes any other transaction with the other Party or with an affiliate of the other Party that is agreed to prior to any termination of the Arrangement Agreement; or
- make any public announcement or take any other action inconsistent with the recommendation of its Board to approve the Arrangement.

### ***Notification of Acquisition Proposals***

Each Party will promptly (and in any event within 24 hours) notify the other Party, at first orally and then in writing, of any proposals, offers or written inquiries relating to or constituting an Acquisition Proposal or any request for non-public information relating to such Party or any of its subsidiaries. Such notice will include a description of the terms and conditions of any proposal, inquiry or offer, the identity of the person making such proposal, inquiry or offer and provide such other details of the proposal, inquiry or offer as the other Party may reasonably request. Each Party will promptly keep the other Party fully informed as to the status, including any changes to the material terms, of such proposal, inquiry or offer.

### ***Responding to Acquisition Proposals***

The Board of a Party (in this paragraph, the “**Solicited Party**”) may consider, participate in any discussions or negotiations with and provide information to, any person who has delivered a written Acquisition Proposal which was not solicited or encouraged by the Solicited Party after the date of the Arrangement Agreement and did not otherwise result from a breach of the non-solicitation provisions by the Solicited Party and that its Board determines in good faith after consultation with its financial advisor and outside legal counsel that such Acquisition Proposal may reasonably be expected to lead to a Superior Proposal; provided, however, that prior to taking any such action the Board of the Solicited Party determines in good faith, after consultation with outside counsel that it is necessary to take such action in order to discharge properly its fiduciary duties, and if the Solicited Party provides confidential non-public information to such person, the Solicited Party obtains a confidentiality and standstill agreement from the person making such Acquisition Proposal that is substantively the same as the Confidentiality Agreement entered into between Marlin and Golden Reign, and otherwise on terms no more favourable to such person than the Confidentiality Agreement entered into between Marlin and Golden Reign, including a standstill provision at least as stringent as contained in the Confidentiality Agreement entered into between Marlin and Golden Reign, provided, however that such confidentiality agreement will not preclude such person from making a Superior Proposal and such agreement will not restrict or prohibit the Solicited Party from disclosing to the other Party any details concerning the Acquisition Proposal or any Superior Proposal made by such person. The Solicited Party will be permitted to, provided it is in compliance with the non-solicitation provisions, provide such person with access to information regarding the Solicited Party; provided that the Solicited Party sends a copy of any such confidentiality agreement to the other Party promptly upon its execution and the other Party is provided with a list of the information provided to such person and is promptly provided with access to the same information to which such person was provided.

Nothing prohibits the Board of a Party in response to a Superior Proposal from making a Change in Recommendation prior to the Marlin Meeting or Meeting, as applicable, or from making any disclosure

to any of its securityholders prior to the Effective Time if, in the good faith judgment of such Board, after consultation with outside legal counsel, failure to take such action or make such disclosure would be inconsistent with the exercise of its fiduciary duties or such action or disclosure is otherwise required under applicable Law (including by responding to an Acquisition Proposal under a directors' circular or otherwise as required under applicable Securities Laws); provided that:

- no Change in Recommendation may be made in relation to an Acquisition Proposal unless a Party complies with the right to match provisions discussed below.
- prior to making a Change in Recommendation, a Party will give to the other Party not less than 48 hours' notice of its intention to make such Change in Recommendation;
- where, having first given notice of its intention to do so, the Board of a Party makes a Change in Recommendation and the other Party does not exercise its right of termination prior to the relevant shareholders meeting, the Party will hold its meeting on the date for which such meeting is scheduled (subject to adjournment in accordance with the Arrangement Agreement).

### ***Right to Match***

If a Party has complied with the non-solicitation provisions, such Party (the "**Terminating Party**") may accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal (other than a confidentiality agreement permitted by the Arrangement Agreement) received prior to the date of approval of the Arrangement and the transactions contemplated by the Arrangement Agreement by such Party's shareholders and terminate the Arrangement Agreement, if and only if: the Terminating Party has provided the other Party (the "**Responding Party**") with a copy of the Superior Proposal document and all other information required to be provided; the Board of the Terminating Party has determined in good faith after consultation with outside legal counsel and its financial advisors that it is necessary in order for the Board to discharge properly its fiduciary duties to withdraw or modify its approval or recommendation of the Arrangement Agreement and to approve or recommend such Superior Proposal; and a period (the "**Response Period**") of five business days has elapsed from the date that is the later of: the date on which the Responding Party receives written notice from the Board of the Terminating Party that such Board has resolved to accept, approve, recommend or enter into an agreement with respect to such Superior Proposal; and the date the Responding Party receives a copy of such Superior Proposal document.

During the Response Period, the Responding Party will have the right, but not the obligation, to offer to amend the Arrangement Agreement and the Plan of Arrangement. The Board of the Terminating Party will review any such offer by the Responding Party to amend the Arrangement Agreement and the Plan of Arrangement in good faith to determine whether the Acquisition Proposal to which the Responding Party is responding would continue to be a Superior Proposal when assessed against the Arrangement as it is proposed in writing by the Responding Party to be amended. If the Board of the Terminating Party determines that the Acquisition Proposal no longer constitutes a Superior Proposal, such board of directors will cause the Terminating Party to enter into an amendment to the Arrangement Agreement with the Responding Party incorporating the amendments to the Arrangement Agreement and Plan of Arrangement as set out in the written offer to amend, and will promptly reaffirm its recommendation of the Arrangement by the prompt issuance of a press release to that effect. If the Board of the Terminating Party determines that the Acquisition Proposal continues to be a Superior Proposal, the Terminating Party may approve and recommend that shareholders of the Terminating Party accept such Superior Proposal and may terminate the Arrangement Agreement in order to accept or enter into an agreement, understanding or arrangement to proceed with the Superior Proposal.

Each successive amendment to any Acquisition Proposal will constitute a new Acquisition Proposal for the purposes of the Arrangement Agreement and the Responding Party will be afforded a new Response Period and the rights afforded in the Arrangement Agreement in respect of each such Acquisition Proposal.

Where at any time within 10 days before the Marlin Meeting or the Meeting, as applicable, the Terminating Party has provided the Responding Party with a notice under the Arrangement Agreement and the Response Period has not elapsed, then, subject to applicable Laws, at the Responding Party's request, the Terminating Party will postpone or adjourn the Marlin Meeting or the Meeting, as applicable, to a date acceptable to the Responding Party, acting reasonably, which will not be later than 10 days after the scheduled date of the Marlin Meeting or the Meeting, as applicable, and will, in the event that the Parties amend the terms of the Arrangement Agreement, ensure that the details of such amended agreement are communicated to the shareholders of the Terminating Party prior to the resumption of the adjourned meeting.

### **Termination of the Arrangement Agreement**

The Arrangement Agreement may be terminated at any time prior to the Effective Time in certain circumstances, including, as follows:

- by mutual written agreement of Marlin and Golden Reign;
- by either Marlin or Golden Reign, if:
  - the Effective Time has not occurred on or before the Outside Date, except that the right to terminate in this circumstance will not be available to any Party whose failure to fulfill any of its obligations or whose breach of any of its representations and warranties under the Arrangement Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by such Outside Date, subject to certain limitations in the event of delay by an injunction or order or failure to obtain necessary regulatory waiver, consent or approval;
  - after the date of the Arrangement Agreement, any Governmental Entity has issued an order decree or ruling or there will be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibited or otherwise restrains, enjoins or prohibits Marlin or Golden Reign from consummating the Arrangement (unless such order, decree, ruling or applicable Law has been withdrawn, reversed or otherwise made inapplicable) and such order, decree, ruling or applicable Law or injunction will have become final and non-appealable;
  - Marlin Shareholder Approval will not have been obtained at the Marlin Meeting in accordance with applicable Laws and the Interim Order; or
  - Approval of the Shareholders in respect of the Share Issuance Resolution will not have been obtained at the Meeting in accordance with applicable Laws.
- by Golden Reign, if:
  - prior to the Effective Time, the Marlin Board makes a Change in Recommendation or Marlin will have entered into a legally binding written agreement with respect to a Superior Proposal;



- prior to the Effective Time, subject to the notice and cure provisions, a representation or warranty of Marlin contained in the Arrangement Agreement will be inaccurate or will have become inaccurate, or a material failure to perform any covenant or agreement on the part of Marlin set forth in the Arrangement Agreement will have occurred, in each case that would cause one or more mutual conditions precedent or conditions precedent in favour of Golden Reign not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date; provided that Golden Reign is not then in breach of the Arrangement Agreement so as to cause any of the mutual conditions precedent or conditions precedent in favour of Marlin not to be satisfied; or
- at any time prior to receipt of the Shareholder Approval, Golden Reign wishes to enter into a legally binding written agreement with respect to a Superior Proposal, provided that concurrently with such termination, Golden Reign to Marlin pays the Termination Payment.
- by Marlin, if:
  - prior to the Effective Time, the Golden Reign Board makes a Change in Recommendation or Golden Reign will have entered into a legally binding written agreement with respect to a Superior Proposal;
  - prior to the Effective Time, subject to the notice and cure provisions, a representation or warranty of Golden Reign contained in the Arrangement Agreement will be inaccurate or will have become inaccurate, or a material failure to perform any covenant or agreement on the part of Golden Reign set forth in the Arrangement Agreement will have occurred, in each case that would cause one or more mutual conditions precedent or conditions precedent in favour of Marlin not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date; provided that Marlin is not then in breach of the Arrangement Agreement so as to cause any of such mutual conditions precedent or conditions precedent in favour of Golden Reign not to be satisfied; or
  - at any time prior to receipt of the Marlin Shareholder Approval, Marlin wishes to enter into a legally binding written agreement with respect to a Superior Proposal, provided that concurrently with such termination, Marlin to Golden Reign the Termination Payment.

## **Expenses**

Except as otherwise provided in the Arrangement Agreement, all costs and expenses incurred in connection with the Arrangement Agreement and the Plan of Arrangement will be paid by the Party incurring such expenses.

## **Termination Payments**

### ***Marlin Termination Payment***

The Arrangement Agreement provides that Golden Reign will be entitled to the Termination Payment from Marlin upon the termination of the Arrangement Agreement as a result of the occurrence of any of the following events (each a “**Marlin Termination Payment Event**”):

- termination by Golden Reign, if the Marlin Board makes a Change in Recommendation or Marlin has entered into a legally binding written agreement with respect to a Superior Proposal;

- termination by Golden Reign, if subject to the notice and cure provisions, a representation or warranty of Marlin contained in the Arrangement Agreement will be inaccurate or will have become inaccurate, or a material failure to perform any covenant or agreement on the part of Marlin set forth in the Arrangement Agreement will have occurred;
- termination by Marlin, if at any time prior to receipt of the Marlin Arrangement Resolution, Marlin wishes to enter into a legally binding written agreement with respect to a Superior Proposal (other than a confidentiality and standstill agreement permitted by the Arrangement Agreement), subject to compliance with the right to match provisions; or
- termination by either Party, as a result of the Marlin Arrangement Resolution having failed to obtain the Marlin Shareholder Approval at the Marlin Meeting in accordance with the Interim Order.

### ***Golden Reign Termination Payment***

The Arrangement Agreement provides that Marlin will be entitled to the Termination Payment from Golden Reign upon the termination of the Arrangement Agreement as a result of the occurrence of any of the following events (each a “**Golden Reign Termination Payment Event**”):

- termination by Marlin, if the Golden Reign Board makes a Change in Recommendation or Golden Reign has entered into a legally binding written agreement with respect to a Superior Proposal;
- termination by Marlin, if subject to the notice and cure provisions, a representation or warranty of Golden Reign contained in the Arrangement Agreement will be inaccurate or will have become inaccurate, or a material failure to perform any covenant or agreement on the part of Golden Reign set forth in the Arrangement Agreement will have occurred;
- termination by Golden Reign, if at any time prior to receipt of the Marlin Arrangement Resolution, Golden Reign wishes to enter into a legally binding written agreement with respect to a Superior Proposal (other than a confidentiality and standstill agreement permitted by the Arrangement Agreement), subject to compliance with the right to match provisions; or
- termination by either Party, as a result of the Marlin Arrangement Resolution having failed to obtain the Marlin Shareholder Approval at the Marlin Meeting in accordance with the Interim Order.

### **Amendments**

The Plan of Arrangement and the Arrangement Agreement may, at any time and from time to time prior to the Effective Time, be amended by mutual written agreement of Marlin and Golden Reign, and any such amendment may, subject to the Interim Order and the Final Order and applicable Law, without limitation:

- change the time for performance of any of the obligations or acts of the Parties;
- waive any inaccuracies or modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant to the Arrangement Agreement;

- waive compliance with or modify any of the covenants in the Arrangement Agreement and waive or modify the performance of any of the obligations of the Parties; and
- waive compliance with or modify any mutual conditions precedent in the Arrangement Agreement.

## REGULATORY MATTERS

### Canadian Securities Law Matters

#### *Qualification and Resale of Golden Reign Shares*

The Golden Reign Shares to be issued in exchange for Marlin Shares pursuant to the Arrangement will be issued in reliance upon exemptions from the prospectus requirements of securities legislation in each province and territory of Canada. Subject to certain disclosure and regulatory requirements and to customary restrictions applicable to distributions of shares that constitute “control distributions”, Golden Reign Shares issued pursuant to the Arrangement may be resold in each province and territory in Canada.

#### *Related Party Transactions under Multilateral Instrument 61-101*

The securities commissions in Ontario, Alberta, Quebec, Manitoba and New Brunswick have adopted MI 61-101 which governs transactions which raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations. The Company is a reporting issuer in British Columbia, Alberta and Ontario and is subject to MI 61-101. MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally by requiring enhanced disclosure, approval by a majority of securityholders excluding “interested parties” or “related parties” and, in certain circumstances, independent valuations and approval and oversight of certain transactions by a special committee of independent directors.

Marlin is a “related party” of the Company as defined in MI 61-101 as it currently owns more than 10% of the Golden Reign Shares. Wexford owns approximately 85% of the Marlin Shares and, as a result, is a “control person” and affiliated entity of Marlin; accordingly, Wexford is also a “related party” of Golden Reign through its shareholdings in Marlin. Mr. Akiba Leisman is a director of Golden Reign and a shareholder of Marlin and is, as a result, also a “related party” of the Company. Marlin, Wexford and Mr. Leisman, are collectively referred to herein as the “**Related Parties**”).

#### *Arrangement*

The issuance by Golden Reign of Golden Reign Shares to Wexford and Akiba Leisman, in exchange for the Marlin Shares held by Wexford and Mr. Leisman, in connection with the acquisition of all of the issued and outstanding Marlin Shares is a “related party transaction” for Golden Reign as defined in MI 61-101.

#### *Bridge Loan*

In addition, Golden Reign and Marlin entered into a definitive bridge loan agreement dated May 14, 2018, for a bridge loan from Marlin to Golden Reign of C\$4,000,000, having a term of one year and bearing interest at 8% per annum (the “**Bridge Loan Transaction**”), which was also a “related party” transaction under MI 61-101. On Closing, the Bridge Loan will become intercompany debt and terminated. In the event that (a) Shareholders vote not to approve the Share Issuance Resolution, or (b) the 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 Arrangement Agreement.

### ***Connected Transaction under MI 61-101***

Effective as of the Closing, the Combined Company and Wexford will enter into a participation rights agreement (the “**Participation Rights Agreement**”) pursuant to which the Combined Company will grant to Wexford a right to participate in future equity financings of the Combined Company to maintain its then current equity ownership in the Combined Company on terms no less favourable than those offered to other investors in such financings, for so long as Wexford owns at least 20% of the issued and outstanding common shares of the Combined Company, and Wexford will be subject to a standstill prohibiting Wexford from increasing its equity ownership in the Combined Company beyond 45% (on a fully-diluted basis) without the prior written consent of the board of directors of the Combined Company. The proposed Participation Rights Agreement with Wexford is considered a “connected transaction” to the Arrangement under MI 61-101 based on the timing of when such arrangement was negotiated. As a consequence, Wexford is an “interested party” within the meaning of MI 61-101 and the votes attached to the Golden Reign Shares held by Wexford are required to be excluded from the approval of the Share Issuance Resolution. As of the date of this Circular, Wexford does not own any Golden Reign Shares and such party is not expected to own any Golden Reign Shares as of the Record Date.

### ***Valuation Exemption***

MI 61-101 requires formal valuations for “related party transactions” unless the transaction meets one of the prescribed exemptions from the formal valuation requirements. Golden Reign is relying on the valuation exemption in Section 5.5(b) of MI 61-101 in connection with the Arrangement and the Bridge Loan Transaction on the basis that the Golden Reign Shares are not listed on a specified market as a result of being listed on the TSXV.

### ***Minority Approval***

MI 61-101 also requires minority approval for “related party transactions”, unless the transaction meets one of the prescribed exemptions from the minority approval requirements. Such minority approval is being sought at the Meeting in connection with the Arrangement. To be effective, the Share Issuance Resolution must be approved by a simple majority of the votes cast at the Meeting by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding votes cast in respect of Golden Reign Shares held by any interested party, related party or joint actor (all as defined in MI 61-101), which in this case consists of Marlin. As of the date of this Circular, neither Wexford nor Mr. Leisman currently own any Golden Reign Shares and such parties are not expected to own any Golden Reign Shares as of the Record Date.

In connection with the Bridge Loan Transaction, Golden Reign is relying on the exemption from minority approval requirements set out in Section 5.7(f) of MI 61-101 on the basis that the Bridge Loan Transaction is a loan on commercially reasonable terms that are not less advantageous to Golden Reign than if the loan were obtained from an arm’s length person, and the loan is not convertible into equity or voting securities of Golden Reign of a subsidiary or otherwise participating in nature or repayable as to principal or interest in equity or voting securities of Golden Reign or a subsidiary.

### ***Competition Act (Canada)***

Under the Competition Act, the acquisition of voting shares of a corporation that carries on an operating business in Canada may require pre-merger notification if certain size of parties and size of transaction thresholds are exceeded. It has been determined that, at this time, no pre-merger notification is

required in respect of the Arrangement. Whether or not a transaction is notifiable, the Commissioner of Competition (Canada) may challenge a transaction for up to one year after the transaction has been substantially completed if he is of the view that the transaction will lead to a substantial lessening or prevention of competition in a relevant market in Canada.

### **Stock Exchange Approval**

The Golden Reign Shares currently trade on the TSXV under the symbol “GRR”. Golden Reign has applied to the TSXV to list the Golden Reign Shares issuable to the Marlin Shareholders under the Arrangement. The completion of the Arrangement is subject to the approval of the TSXV. It is a condition of closing that Golden Reign will have obtained approval of the TSXV for the listing of the Golden Reign Shares to be issued pursuant to the Arrangement, subject only to the customary listing conditions of the TSXV.

### **Other Regulatory Matters**

Marlin is currently a reporting issuer in British Columbia, Alberta, Manitoba and Ontario. Following completion of the Arrangement, it is expected that the Marlin Shares will be de-listed from the TSXV and Marlin will make an application to cease to be a reporting issuer under applicable Securities Laws.

## **RISK FACTORS**

In evaluating the Arrangement, Shareholders should carefully consider the following risk factors relating to the Arrangement. These risk factors are not a definitive list of all risk factors associated with the Arrangement. Additional risks and uncertainties, including those currently unknown or considered immaterial by Marlin and Golden Reign, may also adversely affect the Marlin Shares, the Golden Reign Shares and/or the business of the Combined Company following completion of the Arrangement. In addition to the risk factors described elsewhere in this Circular, the following are additional and supplemental risk factors which Shareholders should carefully consider before making a decision regarding approving the Share Issuance Resolution.

### **Risks Related to the Arrangement**

***The value of the Golden Reign Shares that Marlin Shareholders receive under the Arrangement or of the Golden Reign Shares that existing Shareholders retain following the Arrangement, may be less than the value of the Marlin Shares or Golden Reign Shares, as applicable, as of the date of the Arrangement Agreement or the dates of the shareholder meetings***

The Consideration payable to Marlin Shareholders pursuant to the Arrangement is based on a fixed exchange ratio and there will be no adjustment for changes in the market price of Golden Reign Shares or Marlin Shares prior to the consummation of the Arrangement. None of the Parties are permitted to terminate the Arrangement Agreement and abandon the Arrangement solely because of changes in the market price of the Golden Reign Shares or Marlin Shares.

There may be a significant amount of time between the date when Shareholders and Marlin Shareholders vote at their respective shareholder meetings and the date on which the Arrangement is completed. As a result, the relative or absolute prices of the Golden Reign Shares or the Marlin Shares may fluctuate significantly between the dates of the Arrangement Agreement, this Circular, the shareholder meetings and completion of the Arrangement. If the market price of the Golden Reign Shares relative to the Marlin Shares increases or decreases, the value of the Consideration that Marlin Shareholders receive pursuant to the Arrangement will correspondingly increase or decrease.

Many of the factors that could affect the market price of the Golden Reign Shares and the Marlin Shares are beyond the control of Golden Reign and Marlin, respectively. These fluctuations may be caused by, among other factors, changes in the businesses, operations, results and prospects of the companies, market expectations of the likelihood that the Arrangement will be completed and the timing of its completion, the prospects for the Combined Company's post-combination operations, the effect of any conditions or restrictions imposed on or proposed with respect to the Combined Company by governmental authorities and general market and economic conditions.

As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the Golden Reign Shares that Marlin Shareholders will receive on completion of the Arrangement. There can be no assurance that the market value of the Golden Reign Shares that Marlin Shareholders will receive on completion of the Arrangement will equal or exceed the market value of the Marlin Shares held by such Marlin Shareholders prior to such time. In addition, there can be no assurance that the trading price of the Golden Reign Shares will not decline following completion of the Arrangement.

***There can be no certainty that the Arrangement will be completed***

Completion of the Arrangement is subject to certain conditions of which may be outside the control of both Golden Reign and Marlin, including, without limitation, the requisite approvals of the Shareholders and the Marlin Shareholders, receipt of the final approval of the TSXV and the receipt of the Final Order. There can be no assurance, nor can Marlin or Golden Reign provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied or that the Arrangement will be completed as currently contemplated or at all.

If the Arrangement is not completed, the market price of the Golden Reign Shares and the Marlin Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed and their respective businesses may suffer. In addition, Golden Reign and Marlin will each remain liable for significant consulting, accounting and legal costs relating to the Arrangement and will not realize anticipated synergies, growth opportunities and other benefits of the Arrangement.

***The Arrangement Agreement may be terminated in certain circumstances and Marlin and Golden Reign will incur costs even if the Arrangement is not completed and may become liable to pay the Termination Payment which could have an adverse effect on its financial condition***

Each of Marlin and Golden Reign has the right to terminate the Arrangement Agreement and the Arrangement in certain circumstances. Accordingly, there is no certainty, nor can the Parties provide any assurance, that the Arrangement Agreement will not be terminated by either Marlin or Golden Reign before the completion of the Arrangement. See "*The Arrangement Agreement – Termination of the Arrangement Agreement*".

Certain costs related to the Arrangement, such as legal, accounting and certain financial advisor fees must be paid by Marlin and Golden Reign even if the Arrangement is not completed.

Under the Arrangement Agreement, Marlin or Golden Reign may be required to pay the Termination Payment in certain circumstances. Payment of this amount could have an adverse effect on the Party's financial condition following any such termination of the Arrangement Agreement. See "*The Arrangement Agreement – Termination Payments*".

***The Termination Payment provided under the Arrangement Agreement may discourage other parties from attempting to acquire Golden Reign or Marlin***

Under the Arrangement Agreement, each of Golden Reign and Marlin would be required to pay a fee of \$1,000,000 in the event the Arrangement Agreement is terminated in certain circumstances. This Termination Payment may discourage other parties from attempting to acquire either Golden Reign or Marlin or otherwise make an Acquisition Proposal to either Golden Reign or Marlin, even if those parties would otherwise be willing to offer greater value than that offered under the Arrangement.

**Risk Factors Relating to Marlin**

Upon the completion of the Arrangement, Golden Reign will acquire all of the outstanding Marlin Shares and will continue to face many risk factors that Marlin currently faces with respect to its business and affairs. An investment in Golden Reign could be subject to certain risks which may differ or be in addition to the risks applicable to an investment in Marlin alone. Certain of these risk factors are described in “*Appendix D to this Circular – Information Related to Marlin*” under the heading “*Risk Factors*”. Any one or more of such risk factors could materially affect the Combined Company’s future operating results by virtue of its ownership interest in Marlin and could cause actual events to differ materially from those described in forward-looking information and forward-looking statements relating to Marlin alone.

**Risk Factors Relating to Golden Reign**

Whether or not the Arrangement is completed, Golden Reign will continue to face many risk factors that it currently faces with respect to its business and affairs. An investment in securities of Golden Reign involves significant risks, which should be carefully considered by prospective investors before purchasing such securities. In addition to information set out elsewhere in this Circular, investors should carefully consider the risk factors set out in Golden Reign’s most recent Management’s Discussion and Analysis for the year ended April 30, 2018, available under its profile on SEDAR at [www.sedar.com](http://www.sedar.com). Any one or more of such risk factors could materially affect Golden Reign’s future operating results and could cause actual events to differ materially from those described in forward-looking information and forward-looking statements relating to Golden Reign.

***Exploration, Development and Production Risks***

An investment in the Golden Reign Shares is speculative due to the nature of the Company’s involvement in the acquisition, exploration, evaluation, and, if warranted, development and production of minerals. Mineral exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Company will result in new discoveries in commercial quantities to return a profit from production. The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines and no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations or that funds required for development can be obtained on a timely basis. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The Company cannot give any assurance that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new mineral resources or locate and establish mineral reserves.

Whether a mineral deposit will be commercially viable depends on a number of factors, including, but not limited to:

- the interpretation of geological data obtained from drill holes and other sampling techniques;
- the particular attributes of the deposit, such as size, grade, metallurgy and proximity to infrastructure;
- the cost of power and water;
- metal prices which are highly cyclical;
- fluctuations in inflation and currency exchange rates;
- higher input commodity and labour costs
- the cost of operations and processing equipment; and
- government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, allowable production, importing and exporting of minerals and environmental protection.

The Company's development projects are also subject to the issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may adversely affect the Company's business.

In addition, as a result of the substantial expenditures involved in development projects, developments are prone to material cost overruns versus budget. The capital expenditures and time required to develop new mines are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the mine. The project development schedules are also dependent on obtaining the governmental approvals necessary for the operation of a mine. Substantial expenditures are required to build mining and processing facilities for new properties. The timeline to obtain these government approvals is often beyond our control. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated.

The combination of these factors may result in our inability to develop our non-producing properties, to achieve estimated production, revenue or cost levels, or to receive an adequate return on invested capital, which could have a material adverse effect on our business, results of operations and financial condition. While the Company has a number of identified exploration prospects, management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards. The long-term commercial success of the Company depends on its ability to find, develop and commercially produce mineral reserves.

### ***Uncertainty of Mineral Resources***

Mineral resources estimates for Golden Reign's properties are estimates of the size and grade of deposits based on limited sampling and on certain assumptions and parameters. No assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery of gold will be realized. The mineralized deposit grade actually recovered may differ from the estimated grades of the mineral resources. In the event reductions in Golden Reign's mineral resources occurs, Golden Reign could be required to take a material write-down of its investment in mining properties or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow.

Golden Reign's preliminary economic assessment study (the "PEA") has progressed San Albino to an advanced level that includes metallurgical studies and detailed process opex/capex estimates. However, it should be noted that the PEA is a conceptual study of the potential viability of mineral



resources. The potential mill feed tonnages utilized in the PEA contain both Indicated and Inferred resources. Readers are cautioned that Inferred resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that value from such resources will be realized either in whole or in part. As the Company does not currently intend to complete a pre-feasibility or feasibility study prior to potentially commencing small scale production at San Albino there is an increased risk that the economic and technical aspects of the PEA may not be realized.

***San Albino is currently in a pre-development phase and we may not be able to successfully establish mining operations or the actual costs or time frame of establishing mining operations may differ materially from the Company's current estimates.***

Development of San Albino will require the construction and operation of, initially, a number of open-pit mines, processing plant and related infrastructure. As a result, we are and will continue to be subject to all of the risks associated with establishing new mining operations including:

- the availability of funds to finance construction and development activities;
- the receipt of required governmental approvals and permits;
- the availability and costs of skilled labour and the ability of key contractors to perform services in the manner contracted for;
- unanticipated changes in grade and tonnage of ore to be mined and processed;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- potential increases in construction and operating costs due to changes in the cost of fuel, power, materials, skilled labour, security and supplies;
- adequate access to the site and unanticipated transportation costs or disruptions; and
- potential opposition or obstruction from non-governmental organizations, environmental groups, terrorists or local groups which may delay or prevent development activities.

#### ***Additional Funding Requirements***

From time to time, the Company may require additional financing in order to carry out its acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities, delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties, and reduce or terminate its operations. If the Company's future revenues decrease as a result of lower commodity prices or otherwise, it will affect the Company's ability to expend the necessary capital to maintain any production. If the Company's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or be available on favourable terms. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of Golden Reign Shares.

#### ***Fluctuations in the Price of Gold***

Gold is a commodity whose price is determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for gold have fluctuated widely in recent years. The volatility of mineral prices represents a substantial risk which no amount of planning or technical expertise can fully eliminate. Metal prices are affected by numerous factors beyond the

control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

The volatility in gold prices is illustrated by the following table, which presents the high, low and average fixed price in US dollars for an ounce of gold, based on the London Bullion Market Association P.M. fix, over the past five years:

<b>Year</b>	<b>High US\$</b>	<b>Low US\$</b>	<b>Average US\$</b>
2013	1,694	1,192	1,411
2014	1,385	1,142	1,267
2015	1,296	1,049	1,160
2016	1,366	1,077	1,251
2017	1,346	1,151	1,257
January 1, 2018 to September 24, 2018	1,355	1,178	1,284

Current and future price declines could cause commercial production or the development of new mines to be impracticable. If gold prices decline significantly, or decline for an extended period of time, we might not be able to continue our operations, develop our properties, or fulfill our obligations under our permits and licenses. This could result in us losing our interest in some or all of our properties, or being forced to cease operations or development activities or to abandon or sell properties, which could have a negative effect on our profitability and cash flow.

### ***Permits and Licenses***

The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that we will be able to obtain and/or maintain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits, or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on us.

### ***Surface Rights and Access***

Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be

reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop mineral deposits it may locate.

### ***Political, Economic and Other Risks***

Our exploration, development and production activities are conducted in Nicaragua and, as such, our operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, the existence or possibility of terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; uncertainty as to the outcome of any litigation in foreign jurisdictions; uncertainty as to enforcement of local laws; environmental controls and permitting; restrictions on the use of land and natural resources; renegotiation or nullification of existing concessions; licenses; permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; corruption; unstable legal systems; changing political conditions; changes in mining and social policies; currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or require equity participation by local citizens; and other risks arising out of foreign sovereignty issues.

Nicaragua is a developing country and our mineral exploration and mining activities may be affected in varying degrees by political instability and governmental legislation and regulations relating to foreign investment and the mining industry. Changes, if any, in mining or investment policies or shifts in political attitude in Nicaragua, may adversely affect our operations or profitability. Operations may be affected in varying degrees by:

- government regulations with respect to, but not limited to, restrictions on production, price controls, exchange controls, export controls, currency remittance, income or other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, local content and ownership, water use and mine safety; and
- the lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on our business, financial condition and results of operations. Furthermore, in the event of a dispute arising from our activities, we may be subject to the exclusive jurisdiction of courts or arbitral proceedings outside of North America which could unexpectedly and adversely affect the outcome of a dispute.

### ***Availability of Infrastructure, Energy and Other Commodities***

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Our inability to secure adequate water and power resources, as well as other events outside of our control, such as unusual or infrequent weather

phenomena, sabotage, community, or government or other interference in the maintenance or provision of such infrastructure, could adversely affect our operations, financial condition and results of operations.

Profitability is affected by the market prices and availability of commodities that we use or consume for our operations and planned development projects. Prices for commodities like diesel fuel, electricity, steel, concrete, and chemicals (including cyanide) can be volatile, and changes can be material, occur over short periods of time and be affected by factors beyond our control. Our operations depend on suppliers to meet those needs. Higher costs for construction materials like steel and concrete could affect the timing and cost of our planned development projects.

Higher worldwide demand for critical resources like input commodities, drilling equipment, tires and skilled labour could affect our ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on our operating costs, capital expenditures and production schedules.

Additionally, we will be relying on certain key third-party suppliers and contractors for equipment, raw materials and services used in, and the provision of services necessary for, the development, construction and operations at San Albino. As a result, our operations will be subject to a number of risks, some of which are outside of our control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen events and failure of a supplier or contractor to perform under its agreement with us. The occurrence of one or more of these risks could have a material adverse effect on our business, results of operations and financial condition.

### ***Exploration and Mining Risks***

Mining operations generally involve a high degree of risk. Our operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including: unusual and unexpected geologic formations; seismic activity; rock bursts; cave-ins or slides; flooding; pit wall failure; periodic interruption due to inclement or hazardous weather conditions; and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, personal injury or death, damage to property, environmental damage and possible legal liability. Milling operations are subject to hazards such as fire, equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

The economics of developing mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Short-term factors, such as the need for orderly development of ore bodies or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

## ***Environmental Risks***

All phases of the natural resources business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with operations. The legislation also requires that facility sites and mines be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of tailings or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require us to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect our financial condition, results of operations or prospects.

Companies engaged in the exploration and development of mineral properties generally experience increased costs, and delays as a result of the need to comply with applicable laws, regulations and permits. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in natural resource exploration and development activities may be required to compensate those suffering loss or damage by reason of its activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of natural resources companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in developments of new properties.

## ***Community Relations and Action***

In future, as a mining business we may come under pressure to demonstrate that other stakeholders (including employees and communities surrounding our operations) benefit and will continue to benefit from our commercial activities, and/or that we operate in a manner that will minimize any potential damage or disruption to the interests of those stakeholders. We may face opposition with respect to our future development and exploration projects which could materially adversely affect our business, results of operations and financial condition.

Further, certain NGOs, some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or our operations specifically, could have an adverse effect on our reputation and financial condition and may impact our relationship with the communities in which we operate. They may install

road blockades, apply for injunctions for work stoppage and file lawsuits for damages. These actions can relate not only to current activities but also historic mining activities by prior owners and could have a material, adverse effect on our operations. They may also file complaints with regulators in respect of Golden Reign's, and our directors' and insiders', regulatory filings, either in respect of us or other companies. Such complaints, regardless of whether they have any substance or basis in fact or law, may have the effect of undermining the confidence of the public or a regulator in Golden Reign or such directors or insiders and may adversely affect the price of our securities or our prospects of obtaining the regulatory approvals necessary for advancement of some or all of our exploration and development plans or operations.

We strive to operate in a socially responsible manner. However, there can be no guarantee that our efforts in this respect will address these risks.

### ***Reliance on Operators and Key Employees***

The success of the Company's operations will be largely dependent upon the performance of our key officers, employees and consultants. Locating and developing mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration, development and production personnel involved. Failure to retain key personnel or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon our success. We do not have any key man insurance policies with respect to any of our directors, officers or key employees and have no current plans to do so.

In assessing the risk of an investment in the Golden Reign Shares, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the management of the Company. An investment in Golden Reign Shares is suitable only for those investors who are willing to risk a loss of their entire investment and who can afford to lose their entire investment.

### ***Conflict of Interest of Management***

Certain of the Company's directors and officers also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. We expected that any decision made by any of such directors and officers relating to the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest.

### ***Availability of Equipment and Access Restrictions***

Natural resource exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities.

### ***Competition***

The mining industry is intensely competitive in all of its phases and we compete with many companies possessing greater financial and technical resources. Competition in the mining industry is

primarily for the following: mineral-rich properties which can be developed and produced economically; technical expertise to find, develop, and manage such properties; labour to operate the properties; and capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a world-wide basis. Such competition may result in us being unable to: acquire desired properties; recruit or retain qualified employees; or obtain the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect our prospects for mineral exploration and success in the future. Furthermore, increased competition could result in increased costs and lower prices for metal and minerals produced which, in turn, could reduce profitability. Consequently, our revenues, operations and financial condition could be materially adversely affected.

### ***Uninsured or Uninsurable Risks***

Exploration, development and mining operations involve various hazards, including environmental hazards, industrial accidents, labour disputes, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins, ground or slope failures, flooding, fires, metal losses and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to or destruction of mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability.

Although we maintain insurance to protect against certain risks in such amounts as we consider to be reasonable, our insurance will not cover all the potential risks associated with our operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all risks and we may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution or other hazards as a result of exploration and production is not generally available to us or to other companies in the mining industry on acceptable terms. Losses from these events may cause us to incur significant costs that could have a material adverse effect upon our financial performance and results of operations.

### ***Volatility of Current Global Financial Conditions***

Current global financial conditions have been subject to continued volatility. Government debt and the risk of sovereign defaults in many countries have been causing significant uncertainties in the markets. High levels of volatility and market turmoil could adversely impact commodity prices, exchange rates and interest rates and have a detrimental effect on our business.

### ***Currency Risk***

Our primary assets and operations are located in Nicaragua, which uses its local currency, the Córdoba, and the US Dollar almost interchangeably. The US Dollar is the functional currency of our Nicaraguan subsidiaries, while Golden Reign has as its functional currency the Canadian Dollar. As a result, we have foreign currency exposure. The three main types of foreign exchange risk we face can be categorized as follows:

- *Transaction exposure*: our operations incur costs in different currencies. This creates exposure at the operational level, which may affect our profitability as exchange rates fluctuate;

- *Exposure to currency risk:* we are exposed to currency risk through a portion of the following assets and liabilities denominated in currencies other than the Canadian dollar: cash and cash equivalents, trade and other receivables, trade and other payables, reclamation and closure costs obligations, warrants and gross balance exposure; and

- *Translation exposure:* our functional and reporting currency is the Canadian Dollar. Our operations have assets and liabilities denominated in either the Nicaraguan Córdoba or US Dollars, with translation foreign exchange gains and losses included from these balances in the determination of profit or loss. Therefore, as the exchange rates between the US Dollar and Nicaraguan Córdoba fluctuate against the Canadian dollar, we will experience foreign exchange gains and losses, which can have a significant impact on our consolidated operating results. The exchange rate between the Córdoba and the United States dollar varies according to a pattern set by the Nicaraguan Central Bank. The Córdoba has been annually devalued versus the United States dollar by means of a crawling peg mechanism, which currently stands at approximately 5%.

As a result, fluctuations in currency exchange rates could significantly affect our business, financial condition, results of operations and liquidity.

### ***Litigation Risk***

All industries, including the mining industry, are subject to legal claims, with and without merit. We may be, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. In addition, companies like ours that have experienced volatility in their share price have been subjected to class action securities litigation by shareholders. Defense and settlement costs can be substantial, even for claims that are without merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from management time and effort and the resolution of any particular legal proceeding to which we may become subject could have a material adverse effect on our business, results of operations and financial position.

### ***Potential Volatility of Market Price of Golden Reign Shares***

Securities traded on the TSXV have, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Golden Reign Shares. In addition, the market price of the Golden Reign Shares is likely to be highly volatile. Factors such as metals prices, the average volume of shares traded, announcements by competitors, variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, changes in mineral resource estimates, results of exploration, changes in results of mining operations, legislative changes, and other events and factors outside of the Company's control.

The Company is unable to predict whether substantial amounts of Golden Reign Shares will be sold in the open market. Any sales of substantial amounts of Golden Reign Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Golden Reign Shares.



## **Risks Related to the Combined Company**

### ***The business of the Combined Company will be subject to the risks currently affecting the businesses of Golden Reign and Marlin***

For a discussion of the businesses of Golden Reign and Marlin, together with factors to consider in connection with those businesses, please see “*Appendix D - Information Relating to Marlin*” and “*Risk Factors Relating to Golden Reign*” set out above.

### ***The integration of Golden Reign and Marlin may not occur as planned***

If approved, the Arrangement will involve the integration of companies that previously operated independently. The ability to realize the benefits of the Arrangement including, among other things, those set forth in this Circular under the heading “*The Arrangement – Reasons for the Recommendations*”, will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on the Combined Company’s ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from integrating Golden Reign’s and Marlin’s businesses following completion of the Arrangement. This integration will require the dedication of substantial management effort, time and resources which may divert management’s focus and resources from other strategic opportunities following completion of the Arrangement and from operational matters during this process. The amount and timing of the synergies the parties hope to realize may not occur as planned. In addition, the integration process may result in the loss of key employees and the disruption of ongoing business and employee relationships that may adversely affect the ability of the Combined Company to achieve the anticipated benefits of the Arrangement. A variety of factors, including those risk factors set forth in this Circular may adversely affect the ability of Golden Reign and Marlin to achieve the anticipated benefits of the Arrangement. As a result of these factors, it is possible that any benefits expected from the Arrangement will not be realized.

### ***Following the Arrangement the trading price of the Golden Reign Shares may be volatile***

The trading prices of the Golden Reign Shares and the Marlin Shares have been and may continue to be subject to and, following completion of the Arrangement, the common shares of the Combined Company, being the Golden Reign Shares, may be subject to, material fluctuations and may increase or decrease in response to a number of events and factors. Following the completion of the Arrangement, a significant number of additional Golden Reign Shares will be available for trading in the public market. The increase in the number of Golden Reign Shares may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, Golden Reign Shares. The potential that such a shareholder may sell its Golden Reign Shares in the public market (commonly referred to as “market overhang”), as well as any actual sales of such Golden Reign Shares in the public market, could adversely affect the market price of the Golden Reign Shares.

### ***Following completion of the Arrangement, former Marlin Shareholders will have the ability to significantly influence certain corporate actions of Golden Reign***

Immediately following the completion of the Arrangement, former Marlin Shareholders are expected to own approximately 45% of the Golden Reign Shares on an undiluted basis, based on the number of outstanding Golden Reign Shares and Marlin Shares as of the date of this Circular and assuming that there are no Dissenting Marlin Shareholders. Former Marlin Shareholders (other than Dissenting Marlin Shareholders) will be in a position to exercise significant influence over all matters requiring shareholder approval, including the election of directors, determination of significant corporate actions, amendments to Golden Reign’s articles of incorporation and the approval of any business combinations, mergers or takeover attempts, in a manner that could conflict with the interests of other

shareholders. Although there are no agreements or understandings between the Marlin Shareholders of which Golden Reign or Marlin is aware as to voting, if they voted in concert they would exert significant influence over the Combined Company.

***Potential payments to Marlin Shareholders who exercise Dissent Rights could have an adverse effect on the Combined Company's financial condition or prevent the completion of the Arrangement***

Marlin Shareholders who are registered shareholders have the right to exercise Dissent Rights and demand payment equal to the fair value of their Marlin Shares in cash. If Dissent Rights are exercised in respect of a significant number of Marlin Shares, a substantial cash payment may be required to be made to such Marlin Shareholders, which could have an adverse effect on the Combined Company's financial condition and cash resources. Further, Golden Reign's obligation to complete the Arrangement is conditional upon Marlin Shareholders holding no more than 5% of the outstanding Marlin Shares having exercised Dissent Rights. Accordingly, the Arrangement may not be completed if Marlin Shareholders exercise Dissent Rights in respect of more than 5% of the outstanding Marlin Shares.

***The Combined Company is, and may become in the future, subject to legal proceedings***

Golden Reign may, from time to time, become involved in various claims, legal proceedings, regulatory investigations and complaints. In addition, through the acquisition of Marlin, Golden Reign will assume any liabilities to which Marlin is then subject as set forth in *Appendix D – Information Relating to Marlin*.

The Combined Company cannot reasonably predict the likelihood or outcome of these actions, or any other actions, should they arise. If the Combined Company is unable to resolve any such disputes favourably, it may have a material adverse impact on the Combined Company's financial performance, cash flows, and results of operations. The Combined Company's assets and properties may become subject to further liens, agreements, claims, or other charges as a result of such disputes.

**GENERAL INFORMATION CONCERNING GOLDEN REIGN, THE MEETING AND VOTING**

**Time, Date And Place**

The Meeting will be held at the offices of Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario M5H 3C2 on Tuesday, October 30, 2018 at 10:00 a.m. (Toronto time).

**Record Date**

The record date for determining the Shareholders entitled to receive notice of and to vote at the Meeting is September 21, 2018. Only Shareholders of record as of the close of business (Toronto time) on the Record Date are entitled to receive notice of and to vote at the Meeting.

**Solicitation of Proxies**

**This Circular is furnished in connection with the solicitation of proxies by the management of Golden Reign for use at the Meeting and any postponement or adjournment thereof for the purposes set forth in the accompanying Golden Reign Notice of Meeting.** It is expected that the solicitation of proxies will be made primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone by directors, officers or employees of Golden Reign to whom no additional compensation will be paid.

**Voting by Proxies**

The form of proxy accompanying this Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the Golden Reign Notice of Meeting and any other matters that may properly come before the Meeting or any postponement or adjournment thereof. As at the date of this Circular, Golden Reign's management is not aware of any such amendments or variations, or of other matters to be presented for action at the Meeting. However, if any amendments to matters identified in the accompanying Golden Reign Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any postponement or adjournment thereof, the Golden Reign Shares represented by properly executed proxies given in favour of the person(s) designated by management of Golden Reign in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

If the instructions in a proxy given to Golden Reign's management are specified, the Golden Reign Shares represented by such proxy will be voted FOR or AGAINST or WITHHELD, as applicable, in accordance with your instructions on any poll that may be called for. If a choice is not specified, the Golden Reign Shares represented by a proxy given to Golden Reign's management will be voted **FOR** the approval of the Share Issuance Resolution, the Option Plan Resolution and each other resolution related to the annual general business of the Company, each as described in this Circular. **A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for him, her or it and on his, her or its behalf at the Meeting other than the persons designated in the form of proxy and may exercise such right by inserting the name in full of the desired person in the blank space provided in the form of proxy and striking out the names now designated.**

Shareholders are invited to attend the Meeting. Registered Shareholders who are unable to attend the Meeting or any postponement or adjournment thereof in person are requested to complete, date, sign and return the enclosed form of proxy or, alternatively, to vote by telephone, or over the internet, in each case in accordance with the enclosed instructions.

To vote by telephone, Shareholders should call Computershare Investor Services Inc. at 1-866-732-8683. Shareholders will need to enter the 15-digit control number provided on the form of proxy to identify themselves as shareholders on the telephone voting system.

To vote over the internet, Golden Reign shareholders should go to [www.investorvote.com](http://www.investorvote.com). Shareholders will need to enter the 15-digit control number provided on the form of proxy to identify themselves as shareholders on the voting website.

To be used at the Meeting, the completed proxy form must be deposited at the office of Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 by mail or the proxy vote is otherwise registered in accordance with the instructions thereon. Non-registered Shareholders who receive these materials through their Intermediary should complete and send the form of proxy or VIF in accordance with the instructions provided by their Intermediary. To be effective, a proxy must be received by Computershare not later than 10:00 a.m. (Toronto time) on October 26, 2018, or in the case of any postponement or adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the postponed or adjourned meeting. Late proxies may be accepted or rejected by the Chair of the Meeting in his or her discretion, and the Chair is under no obligation to accept or reject any particular late proxy.

### **Revocability of Proxies**

In addition to revocation in any other manner permitted by Law, a Shareholder executing the enclosed form of proxy has the power to revoke it by depositing an instrument in writing executed by the Shareholder or his or her legal representative authorized in writing or, where the Shareholder is a corporation, by the corporation or a representative of the corporation. To be valid, an instrument of

revocation must be received at Golden Reign's registered and principal office by fax at (604) 685-4675, or by mail or by hand at 595 Howe Street, Suite 501, Vancouver, British Columbia, V6C 2T5 at any time up to and including the last business day preceding the day of the Meeting, or in the case of any postponement or adjournment of the Meeting, the last business day preceding the day of the postponed or adjourned Meeting, or delivered to the Chair of the Meeting on the day fixed for the Meeting, and prior to the start of the Meeting or any postponement or adjournment thereof. A registered Shareholder may also revoke a proxy in any other manner permitted by Law. Only Registered Shareholders have the right to revoke a proxy. Beneficial Shareholders who wish to change their vote must in sufficient time in advance of the Meeting, arrange for their respective Intermediaries to change their vote and if necessary revoke their proxy in accordance with the revocation procedures.

### **Voting of Golden Reign Shares Owned by Non-Registered Shareholders**

**Only shareholders whose names appear on the records of Golden Reign as the registered holders of shares or duly appointed proxyholders are permitted to vote at the Meeting.** Most shareholders of Golden Reign are "non-registered" shareholders because the shares they own are not registered in their names but instead registered in the name of a nominee such as a brokerage firm through which they purchased the shares; bank, trust company, trustee or administrator of self-administered RRSP's, RRIF's, RESP's and similar plans; or clearing agency such as The Canadian Depository for Securities Limited (a "**Nominee**"). If you purchased your shares through a broker, you are likely an unregistered holder.

In accordance with securities regulatory policy, Golden Reign has distributed copies of the Meeting materials, being the Notice of Meeting, this Circular and the Proxy, to the Nominees for distribution to non-registered holders.

Nominees are required to forward the Meeting materials to non-registered holders to seek their voting instructions in advance of the Meeting. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your Shares are voted at the Meeting.

If you, as a non-registered holder, wish to vote at the Meeting in person, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the Meeting.

Non-registered holders who have not objected to their Nominee disclosing certain ownership information about themselves to Golden Reign are referred to as NOBOs. Those non-registered holders who have objected to their Nominee disclosing ownership information about themselves to Golden Reign are referred to as OBOs.

Golden Reign is not sending the Meeting materials directly to NOBOs in connection with the Meeting, but rather has distributed copies of the Meeting materials to the Nominees for distribution to NOBOs.

Golden Reign intends to pay for Nominees to deliver the Meeting materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* to OBOs.

### **Quorum**

A quorum at meetings of Shareholders consists of one person present or represented by proxy.

## Principal Holders of Golden Reign Shares

As at the date hereof, Golden Reign has issued and outstanding 192,170,920 fully paid and non-assessable Golden Reign Shares. Holders of Golden Reign Shares are entitled to cast one vote per Golden Reign Share.

Any holder of Golden Reign Shares of record at the close of business on September 21, 2018 who either personally attends the Meeting or who has completed and delivered a proxy in the manner specified, subject to the provisions described above, will be entitled to vote or to have such shareholder's shares voted at the Meeting.

To the knowledge of the directors and executive officers of the Company, the only persons or companies who beneficially own, control or direct, directly or indirectly, shares carrying 10% or more of the voting rights attached to all shares of the Company is as follows:

Name	No. of Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(1)</sup>	Percentage of Outstanding Shares
John Conlon	21,731,724	11.3%
Marlin Gold Mining Ltd.	36,297,218	18.9%

Note:

(1) Information as to ownership of Golden Reign Shares has been provided by each of the parties listed.

## Market for Securities

The Golden Reign Shares are listed and traded on the TSXV under the symbol "GRR". On August 2, 2018, the last trading day prior to the announcement that Golden Reign and Marlin had entered into the Arrangement Agreement, the closing price of the Golden Reign Shares on the TSXV was C\$0.20.

## Trading Price and Volume

The following sets out the volume of trading and price range (in C\$) of the Golden Reign Shares on the TSXV during the 6-month period preceding September 25, 2018, the last trading day before the date of this Circular:

Period	High	Low	Close	Total Volume
March 2018	\$0.225	\$0.195	\$0.20	844,408
April 2018	\$0.225	\$0.180	\$0.21	1,445,556
May 2018	\$0.290	\$0.195	\$0.24	2,762,877
June 2018	\$0.240	\$0.190	\$0.19	2,472,368
July 2018	\$0.210	\$0.180	\$0.21	1,286,000
August 2018	\$0.220	\$0.180	\$0.185	3,333,580
September 2018 <sup>(1)</sup>	\$0.19	\$0.17	\$0.175	2,544,140

Note:

(1) September 1- 25 2018.

On the last trading day before the date of this Circular, the closing price of the Golden Reign Shares on the TSXV was C\$0.175.

Upon completion of the Arrangement, Marlin will become a wholly-owned subsidiary of Golden Reign and it is intended that the Marlin Shares will be de-listed from the TSXV and Golden Reign expects to apply to have Marlin cease to be a reporting issuer in all jurisdictions in which it is a reporting issuer in Canada.

### **Prior Sales**

Other than the Golden Reign Shares issued pursuant to the exercise of stock options and broker warrants, no Golden Reign Shares or other securities of Golden Reign have been purchased or sold by Golden Reign during the 12-month period preceding the date of this Circular, other than noted in the table below under the heading “*Previous Distributions*”.

### **Previous Distributions**

The following table sets forth the Golden Reign Shares distributed during the five-year period preceding the date of this Circular:

<b>Date of Issuance</b>	<b>Transaction</b>	<b>No. of Golden Reign Shares Issued</b>	<b>Purchase/Exercise/Deemed Price per Golden Reign Share</b>
June 20, 2018	Warrant exercise	67,000	\$0.22
October 4, 2017	Agent’s Options exercise	21,306	\$0.22
October 4, 2017	Warrant exercise	5,097	\$0.22
September 13, 2017	Warrant exercise	15,221	\$0.22
September 12, 2017	Warrant exercise	1,400	\$0.22
September 11, 2017	Option exercise	65,000	\$0.20
March 21, 2017	Warrant exercise	59,500	\$0.12
March 20, 2017	Warrant exercise	24,500	\$0.12
March 13, 2017	Warrant exercise	7,000	\$0.12
March 9, 2017	Warrant exercise	22,750	\$0.12
February 16, 2017	Warrant exercise	5,250	\$0.12
February 14, 2017	Warrant exercise	210,000	\$0.12
January 24, 2017	Brokered private placement	8,454,545	\$0.22
January 11, 2017	Non-brokered private placement	12,716,605	\$0.22
December 30, 2016	Non-brokered private placement	7,181,575	\$0.22
December 28, 2016	Warrant exercise	7,000	\$0.12
November 28, 2016	Warrant exercise	12,250	\$0.12
September 15, 2016	Warrant exercise	100,000	\$0.12

<b>Date of Issuance</b>	<b>Transaction</b>	<b>No. of Golden Reign Shares Issued</b>	<b>Purchase/Exercise/Deemed Price per Golden Reign Share</b>
August 11, 2016	Option exercise	100,000	\$0.20
August 11, 2016	Option exercise	900,000	\$0.25
August 10, 2016	Warrant exercise	10,500	\$0.12
August 8, 2016	Warrant exercise	145,700	\$0.12
July 19, 2016	Warrant exercise	36,750	\$0.12
July 14, 2016	Warrant exercise	70,875	\$0.12
April 27, 2016	Warrant exercise	147,394	\$0.05
April 25, 2016	Warrant exercise	100,000	\$0.05
April 20, 2016	Warrant exercise	1,200,000	\$0.05
April 18, 2016	Warrant exercise	2,569,603	\$0.05
April 14, 2016	Warrant exercise	133,333	\$0.05
April 11, 2016	Warrant exercise	2,174,440	\$0.05
April 6, 2016	Warrant exercise	35,294	\$0.05
March 31, 2016	Warrant exercise	121,091	\$0.05
March 18, 2016	Non-brokered private placement	38,958,000	\$0.08
July 14, 2014	Warrant exercise	1,219,255	\$0.15
July 11, 2014	Non-brokered private placement (Marlin)	21,333,333	\$0.15
July 2, 2014	Warrant exercise	25,000	\$0.15
March 12, 2014	Non-brokered private placement	4,349,700	\$0.17
December 13, 2013	Non-brokered private placement	2,429,411	\$0.17
September 26, 2013	Property payment San Albino-Murra Concession	525,000	\$0.235

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The Company's compensation philosophy for its NEOs (as defined herein) is designed to attract well qualified individuals in what is essentially an international market by paying competitive base management fees plus short and long term incentive compensation in the form of stock options or other suitable long term incentives. The Company's Compensation Committee makes its recommendations, without reference to formal objectives, criteria or analysis, to the Board of Directors of the Company, which meets to discuss and determine executive compensation. In making its determinations regarding the various elements of executive compensation, the Board of Directors does not benchmark its executive compensation program, but from time to time does review compensation practices of companies of similar size and stage of development to ensure the compensation paid is competitive within the Company's industry and geographic location while taking into account the financial and other resources of the Company.

The Company's Compensation Committee is comprised of William Meyer (independent), John Conlon (independent) and Dr. Rael Lipson (independent). The role of the Compensation Committee is to assist the Board in approving and monitoring the Company's practices with respect to compensation and benefits. The Compensation Committee members have extensive experience in the mining sector as senior executives and as members of the boards of directors and committees of other public corporations. Each member draws on his respective management and governance experience to provide relevant governance and compensation-related expertise. The Board is confident that the collective experience of the Compensation Committee members ensures that the Committee has the knowledge and experience to execute its mandate effectively and to make executive compensation decisions in the best interests of the Company.

The duties and responsibilities of the CEO and President are typical of those of a business entity of the Company's size in a similar business and include direct reporting responsibility to the Board, overseeing the activities of all other executive and management consultants, representing the Company, providing leadership and responsibility for achieving corporate goals and implementing corporate policies and initiatives.

### ***Elements of Executive Compensation***

The Company's executive compensation policy consists of an annual base salary and long term incentives in the form of stock options granted under the Golden Reign Stock Option Plan.

The base salaries paid to officers of the Company are intended to provide fixed levels of pay that reflect each officer's primary duties and responsibilities and the level of skill and experience required to successfully perform their role. The Company intends to pay base salaries to officers that are competitive with those for similar positions in the mining industry to attract and retain executive talent in the market in which the Company competes for talent. Base salaries are reviewed annually by the Compensation Committee.

The incentive component of the Company's compensation program is the potential longer term reward provided through the grant of stock options. The Golden Reign Stock Option Plan is intended to attract, retain and motivate officers and Directors of the Company in key positions, and to align the interests of those individuals with those of the Company's shareholders. The Golden Reign Stock Option Plan provides such individuals with an opportunity to acquire a proprietary interest in the Company's value growth through the exercise of stock options. Options are granted at the discretion of the Board of Directors, which considers factors such as how other junior exploration companies grant options and the potential value that each optionee is contributing to the Company. The number of options granted to an individual is based on such considerations. Stock options are granted at an exercise price of not less than the prevailing market price of the Company's shares at the time of the grant, and for a term of exercise not exceeding ten years.

The Company has not currently identified specific performance goals or benchmarks as such relate to executive compensation, but from time to time does review compensation practices of companies of similar size and stage of development to ensure the compensation paid is competitive within the Company's industry. The stage of the Company's development and the small size of its specialized management team allow frequent communication and constant management decisions in the interest of developing shareholder value as a primary goal. As the Company progresses toward a revenue producing entity, and performance goals are more apt to be delegated, particular performance goals will become more complex and measurable, and included in the compensation structure accordingly.

### ***Compensation Policies and Risk Management***



The Board of Directors considers the implications of the risks associated with the Company's compensation policies and practices when determining rewards for its officers. The Board of Directors intends to review at least once annually the risks, if any, associated with the Company's compensation policies and practices at such time.

Executive compensation is comprised of short-term compensation in the form of a base salary and long-term ownership through the Golden Reign Stock Option Plan. This structure ensures that a significant portion of executive compensation (stock options) is both long-term and "at risk" and, accordingly, is directly linked to the achievement of business results and the creation of long term shareholder value. As the benefits of such compensation, if any, are not realized by officers until a significant period of time has passed, the ability of officers to take inappropriate or excessive risks that are beneficial to their short-term compensation at the expense of the Company and the shareholders is extremely limited. Furthermore, the short-term component of executive compensation (base salary) represents a relatively small part of the total compensation. As a result, it is unlikely an officer would take inappropriate or excessive risks at the expense of the Company or the shareholders that would be beneficial to their short-term compensation when their long-term compensation might be put at risk from their actions.

Due to the small size of the Company and the current level of the Company's activity, the Board of Directors is able to closely monitor and consider any risks which may be associated with the Company's compensation policies and practices. Risks, if any, may be identified and mitigated through Board meetings during which financial and other information of the Company are reviewed. No risks have been identified arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

#### ***Hedging of Economic Risks in the Company's Securities***

The Company has not adopted a policy prohibiting Directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Company's securities granted as compensation or held, directly or indirectly, by Directors or officers. However, the Company is not aware of any Directors or officers having entered into this type of transaction.

#### **Option-based Awards**

The Golden Reign Stock Option Plan has been and will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as his or her impact or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the Board takes into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the TSX Venture Exchange, and closely align the interests of the executive officers with the interests of shareholders.

The Board of Directors as a whole has the responsibility to administer the compensation policies related to the executive management of the Company, including option-based awards.

## Compensation Governance

Options are granted at the discretion of the Board of Directors, which considers factors such as how other junior exploration companies grant options and the potential value that each optionee is contributing to the Company. The number of options granted to an individual is based on such considerations.

### Summary Compensation Table

The following table (presented in accordance with National Instrument Form 51-102F6 (“Statement of Executive Compensation”) which came into force on December 31, 2008 (the “Form 51-102F6”)) sets forth all annual and long term compensation for services in all capacities to the Company for the three most recently completed financial years of the Company in respect of each of the individuals comprised of each CEO and the CFO who acted in such capacity for all or any portion of the most recently completed financial year, and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, (other than the CEO and the CFO), as at April 30, 2018 whose total compensation was, individually, more than \$150,000 for the financial year and any individual who would have satisfied these criteria but for the fact that individual was neither an executive officer of the Company, nor acting in a similar capacity, for the most recently completed financial year ending April 30, 2018 (collectively the “Named Executive Officers” or “NEOs”).

NEO Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Kevin Bullock <sup>(1)</sup> CEO	2018	300,000	Nil	28,500	Nil	Nil	Nil	Nil	328,500
	2017	300,000	Nil	Nil	Nil	Nil	Nil	Nil	300,000
	2016	84,677	Nil	13,400	Nil	Nil	Nil	Nil	98,077
Kim Evans <sup>(1)</sup> President and former CEO	2018	120,000	Nil	32,000	Nil	Nil	Nil	Nil	152,000
	2017	120,000	Nil	101,000	Nil	Nil	Nil	Nil	221,000
	2016	120,000	Nil	Nil	Nil	Nil	Nil	Nil	120,000
Michele Pillon <sup>(2)</sup> CFO	2018	48,000	Nil	Nil	Nil	Nil	Nil	Nil	48,000
	2017	48,000	Nil	77,700	Nil	Nil	Nil	Nil	125,700
	2016	46,400	Nil	Nil	Nil	Nil	Nil	Nil	46,400

(1) Kevin Bullock was appointed as CEO on January 19, 2016. Prior, Ms. Evans held the position of CEO of the Company.

(2) Michele Pillon was re-appointed as CFO on September 30, 2013. Prior, Ms. Pillon held the position of CFO until the appointment of Janice Craig on February 25, 2013. Ms. Craig resigned as CFO on September 30, 2013.

(3) The Company used the Black-Scholes pricing model as the methodology to calculate the grant date fair value for options granted in fiscal 2018 and 2017, and relied on the following the key assumptions and estimates for each calculation under the following assumptions: (i) risk free interest rate of 1.51% and 0.53%, respectively; (ii) expected dividend yield of 0%; (iii) expected volatility of 79.29% and 77.91%, respectively; and (iv) an expected term of up to five years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.

### Outstanding Share-Based Awards and Option-Based Awards

The following table sets out all the option-based and share-based awards outstanding as at April 30, 2018, for each NEO:

<i>Name</i>	<i>Option-Based Awards</i>				<i>Share-Based Awards</i>		
	<i>Number of Securities Underlying Unexercised Options</i> (#)	<i>Option Exercise Price</i> (\$)	<i>Option Expiration Date</i>	<i>Value of Unexercised In-The-Money Options</i> (\$) <sup>(1)</sup>	<i>Number of Shares Or Units Of Shares That Have Not Vested</i> (#)	<i>Market or Payout Value Of Share-Based Awards That Have Not Vested</i> (\$)	<i>Market or Payout Value Of Vested Share-Based Awards not paid out or distributed</i> (\$)
Kevin Bullock <i>CEO</i>	1,500,000	0.10	Feb 19, 2021	165,000	Nil	Nil	Nil
Kim Evans <i>President and former CEO</i>	100,000	0.20	Jul 15, 2018	1,000	Nil	Nil	Nil
	650,000	0.25	Jun 14, 2021	Nil	Nil	Nil	Nil
	200,000	0.26	Aug 21, 2022	Nil	Nil	Nil	Nil
Michele Pillon <i>CFO</i>	500,000	0.25	Jun 14, 2021	Nil	Nil	Nil	Nil

- (1) Value of unexercised in-the-money options is calculated based on the difference between the market value of the Company's common shares as at April 30, 2018 and the exercise price of the options. The closing price of the Company's shares on the TSX Venture Exchange on April 30, 2018 was \$0.21 per share.

#### **Incentive Plan Awards – Value Vested or Earned During the Year**

<i>Name</i>	<i>Option-Based Awards - Value Vested During The Year</i> (\$) <sup>(1)</sup>	<i>Share-Based Awards - Value Vested During The Year</i> (\$)	<i>Non-Equity Incentive Plan Compensation - Value Earned During The Year</i> (\$)
Kevin Bullock, <i>CEO</i>	28,500	Nil	Nil
Kim Evans, <i>President</i>	32,000	Nil	Nil
Michele Pillon, <i>CFO</i>	Nil	Nil	Nil

- (1) The Company used the Black-Scholes pricing model as the methodology to calculate the grant date fair value for options granted in fiscal 2018, and relied on the following the key assumptions and estimates for each calculation under the following assumptions: (i) risk free interest rate of 1.51%; (ii) expected dividend yield of 0%; (iii) expected volatility of 75.29%; and (iv) an expected term of up to five years.

The Company does not have any incentive plans, pursuant to which compensation that depends on achieving certain performance goals or similar conditions within a specified period is awarded, earned, paid or payable to the NEOs.

#### **Pension Plan Benefits**

The Company does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

## Termination and Change of Control Benefits

The Company has no compensatory plan, contract or agreement with any NEO, except as follows.

The Company has a management agreement with Kevin Bullock pursuant to the terms of which the Company pays an annual management fee in the amount of \$300,000 to Mr. Bullock. The management agreement provides that in the event the Company terminates the management agreement without cause, Mr. Bullock is entitled to a severance payment in the amount equal to six months' salary. There are no conditions or obligations which Kevin Bullock has to comply with in order to receive his severance pay. Further, the management agreement provides that in the event in a change of control, Mr. Bullock (1) is entitled to receive payment in the amount equal to six months' salary plus any bonuses at the highest rate in effect during the twelve month period immediately preceding the change of control, unless otherwise determined by the Board of Directors; (2) is guaranteed the provision of employment benefits until that date which is the earlier of six months from the effective date of the change of control or the date that Mr. Bullock obtains comparable benefits from another source; and (3) shall have any stock options granted in his name vest immediately upon such change of control and remain exercisable until the earlier of the expiry date of such stock options or the date that is six months from the effective date of such change of control. Except as set out above, there are no other obligations to compensate Mr. Bullock on resignation, retirement or any other termination.

The Company has a management agreement with Kim Evans pursuant to the terms of which the Company pays an annual management fee in the amount of \$120,000 to Ms. Evans. The management agreement provides that in the event the Company terminates the management agreement without cause, Ms. Evans is entitled to a severance payment in the amount of two year's fees. There are no conditions or obligations which Kim Evans has to comply with in order to receive her severance pay. Except as set out above, there are no other obligations to compensate Ms. Evans on resignation, retirement or any other termination.

The Company has a management agreement with Michele Pillon pursuant to the terms of which the Company pays an annual management fee in the amount of \$48,000 to Ms. Pillon. The management agreement provides that in the event the Company terminates the management agreement without cause, Ms. Pillon is entitled to a severance payment in the amount of three month's fees. There are no conditions or obligations which Michele Pillon has to comply with in order to receive her severance pay. Except as set out above, there are no other obligations to compensate Ms. Pillon on resignation, retirement or any other termination.

## Director Compensation

The following table sets forth all amounts of compensation provided to the Directors, who are each not also a Named Executive Officer, for the Company's financial year end dated April 30, 2018:

<i>Director Name</i>	<i>Fees Earned</i> (\$)	<i>Share-Based Awards</i> (\$)	<i>Option-Based Awards</i> (\$) <sup>(1)</sup>	<i>Non-Equity Incentive Plan Compensation</i> (\$)	<i>Pension Value</i> (\$)	<i>All Other Compensation</i> (\$)	<i>Total</i> (\$)
Leonard Dennis	Nil	Nil	14,400	Nil	Nil	Nil	14,400
William Meyer	Nil	Nil	14,400	Nil	Nil	Nil	14,400
John Conlon	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Rael Lipson	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Akiba Leisman	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Abraham Jonker	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) The Company used the Black-Scholes pricing model as the methodology to calculate the grant date fair value for options granted in fiscal 2018, and relied on the following the key assumptions and estimates for each calculation under the following assumptions: (i) risk free interest rate of 1.51%; (ii) expected dividend yield of 0%; (iii) expected volatility of 75.29%; and (iv) an expected term of up to five years..

The Company has no arrangements, standard or otherwise, pursuant to which Directors are compensated by the Company for their services in their capacity as Directors, or for committee participation, involvement in special assignments or for services as a consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Information Circular.

The Company has a Stock Option Plan for the granting of incentive stock options to the officers, employees, consultants and Directors. The purpose of granting such options is to assist the Company in compensating, attracting, retaining and motivating the Directors of the Company and to closely align the personal interests of such persons to that of the shareholders.

### Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information concerning all awards outstanding under incentive plans of the Company at the end of the most recently completed financial year, including awards granted before the most recently completed financial year, to each of the Directors who are not Named Executive Officers:

<i>Director Name</i>	<i>Option-Based Awards</i>				<i>Share-Based Awards</i>	
	<i>Number of Securities Underlying Unexercised Options</i> (#)	<i>Option Exercise Price</i> (\$)	<i>Option Expiration Date</i>	<i>Value of Unexercised In-The-Money Options</i> (\$) <sup>(1)</sup>	<i>Number of Shares Or Units Of Shares That Have Not Vested</i> (#)	<i>Market or Payout Value Of Share-Based Awards That Have Not Vested</i> (\$)
Leonard Dennis	100,000	0.20	Jul 15, 2018	1,000	Nil	Nil
	400,000	0.25	Jun 14, 2021	Nil	Nil	Nil
	90,000	0.26	Aug 21, 2022	Nil	Nil	Nil
William Meyer	100,000	0.20	Jul 15, 2018	1,000	Nil	Nil
	400,000	0.25	Jun 14, 2021	Nil	Nil	Nil
	90,000	0.26	Aug 21, 2022	Nil	Nil	Nil
John Conlon	100,000	0.20	Jul 15, 2018	1,000	Nil	Nil
	650,000	0.25	Jun 14, 2021	Nil	Nil	Nil
	1,250,000	0.30	Aug 25, 2021	Nil	Nil	Nil

<i>Director Name</i>	<i>Option-Based Awards</i>				<i>Share-Based Awards</i>	
	<i>Number of Securities Underlying Unexercised Options</i> (#)	<i>Option Exercise Price</i> (\$)	<i>Option Expiration Date</i>	<i>Value of Unexercised In-The-Money Options</i> (\$) <sup>(1)</sup>	<i>Number of Shares Or Units Of Shares That Have Not Vested</i> (#)	<i>Market or Payout Value Of Share-Based Awards That Have Not Vested</i> (\$)
Rael Lipson	60,000	0.25	Oct 16, 2018	Nil	Nil	Nil
	250,000	0.10	Feb 19, 2021	27,500	Nil	Nil
	400,000	0.25	Jun 14, 2021	Nil	Nil	Nil
Abraham Jonker	250,000	0.10	Feb 19, 2021	27,500	Nil	Nil
	400,000	0.25	Jun 14, 2021	Nil	Nil	Nil

(1) Value of unexercised in-the-money options is calculated based on the difference between the market value of the Company's common shares as at April 30, 2018 and the exercise price of the options. The closing price of the Company's shares on the TSX Venture Exchange on April 30, 2018 was \$0.21 per share.

#### **Incentive Plan Awards – Value Vested or Earned During the Year**

The value vested or earned during the most recently completed financial year of incentive plan awards granted to Directors who are not Named Executive Officers are as follows:

<i>Name</i>	<i>Option awards – Value during the year on vesting</i> (\$) <sup>(1)</sup>	<i>Share awards – Value during the year on vesting</i> (\$)	<i>Non-equity incentive plan compensation – Pay-out during the year</i> (\$)
Leonard Dennis	14,400	N/A	N/A
William Meyer	14,400	N/A	N/A
John Conlon	Nil	N/A	N/A
Rael Lipson	Nil	N/A	N/A
Akiba Leisman	Nil	N/A	N/A
Abraham Jonker	Nil	N/A	N/A

The Company does not have any incentive plans, pursuant to which compensation that depends on achieving certain performance goals or similar conditions within a specified period is awarded, earned, paid or payable to the Directors.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth the Company's compensation plans under which equity securities are authorized for issuance as at the financial year ending April 30, 2018.

<i>Plan Category</i>	<i>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</i>	<i>Weighted-average exercise price of outstanding options, warrants and rights (b)</i>	<i>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</i>
<i>Equity compensation plans approved by securityholders  (Stock Option Plan)</i>	11,895,000	\$0.23	7,315,392
<i>Equity compensation plans not approved by securityholders  (Stock Option Plan)</i>	Nil	Nil	Nil
<i>TOTAL</i>	11,895,000	\$0.23	7,315,392

## Indebtedness of Directors and Executive Officers

As at September 21, 2018, there was no indebtedness outstanding of any current or former Director, executive officer or employee of the Company which is owing to the Company or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company, entered into in connection with a purchase of securities or otherwise.

No individual who is, or at any time during the most recently completed financial year was, a Director or executive officer of the Company, no proposed nominee for election as a Director of the Company and no associate of such persons:

- (i) is or at any time since the beginning of the most recently completed financial year has been, indebted to the Company; or
- (ii) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company,

in relation to a securities purchase program or other program.

## APPOINTMENT OF AUDITORS

PricewaterhouseCoopers LLP, Chartered Professional Accountants, of Vancouver, British Columbia, is the auditor of the Company. Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the re-appointment of PricewaterhouseCoopers LLP, Chartered Professional Accountants as the auditors of the Company to hold office for the ensuing year and to authorize the directors to fix their remuneration.

## CORPORATE GOVERNANCE DISCLOSURE

National Policy 58-201 – *Corporate Governance Guidelines* establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate

governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and, therefore, these guidelines have not been adopted. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices which disclosure is set out below.

### **Independence of Members of Board**

The Company's Board currently consists of seven Directors, five of whom are independent based upon the tests for independence set forth in National Instrument 52-110 – *Audit Committees* ("NI 52-110"). Leonard Dennis, William Meyer, John Conlon, Dr. Rael Lipson, and Abraham Jonker are independent. Akiba Leisman is a director appointee of Marlin Gold Mining Ltd. Kim Evans is not independent as she is the President of the Company. Kevin Bullock, is not independent as he is the CEO of the Company.

### **Management Supervision by Board**

The operations of the Company do not support a large Board of Directors and the Board has determined that the current constitution of the Board is appropriate for the Company's current stage of development. Independent supervision of management is accomplished through choosing management who demonstrate a high level of integrity and ability and having strong independent Board members. The independent Directors are, however, able to meet at any time without any members of management including the non-independent Directors being present. Further supervision is performed through the audit committee which is composed of a majority of independent Directors who meet with the Company's auditors without management being in attendance. The independent Directors also have access to the Company's legal counsel as required, and its officers.

### **Risk Management**

The Board of Directors is responsible for adoption of a strategic planning process, identification of principal risks and implementing risk management systems, succession planning and the continuous disclosure requirements of the Company under applicable securities laws and regulations.

The audit committee is responsible for the risk management items set out in the audit committee charter.

### **Participation of Directors in Other Reporting Issuers**

The participation of the Directors in other reporting issuers is described in the table provided under "Election of Directors" in this Information Circular.

### **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, new Board members are provided with:

1. information respecting the functioning of the Board of Directors, committees and copies of the Company's corporate governance policies;
2. access to recent, publicly filed documents of the Company, technical reports and the Company's internal financial information;
3. access to management and technical experts and consultants; and
4. a summary of significant corporate and securities responsibilities.



Board members are encouraged to communicate with management, auditors and technical consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

### **Ethical Business Conduct**

The Board views good corporate governance as an integral component to the success of the Company and to meet responsibilities to shareholders. The Board has adopted a Code of Conduct and has instructed its management and employees to abide by the Code.

### **Nomination of Directors**

The Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the mineral exploration industry are consulted for possible candidates.

### **Compensation of Directors and the CEO**

The independent Directors are Leonard Dennis, William Meyer, John Conlon, Dr. Rael Lipson and Abraham Jonker. These Directors have the responsibility for determining compensation for the Directors and, with guidance from the Compensation Committee, senior management.

To determine compensation payable, the independent Directors review compensation paid for Directors and CEOs of companies of similar size and stage of development in the mineral exploration industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the Directors and senior management while taking into account the financial and other resources of the Company. In setting the compensation the independent Directors annually review the performance of the CEO in light of the Company's objectives and consider other factors that may have impacted the success of the Company in achieving its objectives.

### **Board Committees**

The Board currently has in place four committees, comprised of independent board members. The committees are listed below:

- (1) Audit Committee;
- (2) Technical, Safety and Environmental Committee;
- (3) Compensation Committee; and
- (4) Corporate Governance Committee

### **Assessments**

The Board does not consider that formal assessments would be useful at this stage of the Company's development. The Board conducts informal annual assessments of the Board's effectiveness, the individual Directors and each of its committees.

### **Nomination and Assessment**

The Board determines new nominees to the Board, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the Board members, including formal and informal discussions among Board members, the CEO and the President. The Board monitors but does not formally assess the performance of individual Board members or committee members or their contributions.

## **Expectations of Management**

The Board expects management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company's business plan and to meet performance goals and objectives.

## **AUDIT COMMITTEE**

### **The Audit Committee's Charter**

#### ***Mandate***

The primary function of the audit committee (the "**Committee**") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

#### ***Composition***

The Committee shall be comprised of three Directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

#### ***Meetings***

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the CFO and the external auditors in separate sessions.

#### ***Responsibilities and Duties***

To fulfill its responsibilities and duties, the Committee shall:

### Documents/Reports Review

- (a) Review and update this Charter annually.
- (b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

### External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.
- (b) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1.
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- (d) Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- (g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - (j) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;
  - (k) such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - (l) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

- (m) Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

#### Financial Reporting Processes

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

#### Risk Management

- (a) To review, at least annually, and more frequently if necessary, the Company's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks).
- (b) To inquire of management and the independent auditor about significant business, political, financial and control risks or exposure to such risk.
- (c) To request the external auditor's opinion of management's assessment of significant risks facing the Company and how effectively they are being managed or controlled.
- (d) To assess the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board.

#### Other

Review any related-party transactions.

#### **Composition of the Audit Committee**

The following are the members of the Committee:

Leonard Dennis

Independent<sup>(1)</sup>

Financially literate<sup>(1)</sup>

William Meyer  
Abraham Jonker

Independent<sup>(1)</sup>  
Independent<sup>(1)</sup>

Financially literate<sup>(1)</sup>  
Financially literate<sup>(1)</sup>

(1) As defined by NI 52-110.

### Audit Committee Member Education and Experience

**Abraham Jonker (Chair)** – Mr. Jonker has more than 20 years of extensive management, accounting and corporate finance experience across 5 continents, mostly in the mining industry. He is a member of the Institutes of Chartered Accountants of England and Wales as well as South Africa. He is also a member of the Chartered Institute of Management Accounts in the United Kingdom and holds a Masters degree in South African and International Tax from the Rand Afrikaans University.

**Leonard Dennis** – Mr. Dennis has over 40 years’ experience with CHC Helicopters. He specializes in Global Operations and has an extensive background providing services to the oil and gas and mining sectors. For the past 25 years he has served as a senior officer, director, audit committee member and consultant to several resource based public companies.

**William Meyer** – Mr. Meyer is a former Vice President, Exploration for Teck Corporation (and President of Teck Exploration Ltd.). He graduated from the University of British Columbia with a B.Sc. in geology in 1962. He has many years of public company experience, acting as a Director, senior officer and audit committee member.

### Audit Committee Oversight

At no time since the commencement of the Company’s most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### Reliance on Certain Exemptions

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### Exemption in Section 6.1 of NI 52-110

The Company is relying on the exemption in Section 6.1 of NI 52-110 from the requirement of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

### Pre-Approval Policies and Procedures

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading “External Auditors”.

### External Auditors Service Fees (By Category)

The aggregate fees billed by the Company’s external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(5)</sup>
April 30, 2018	\$65,625	Nil	\$6,500 <sup>(4)</sup>	Nil
April 30, 2017	\$60,075	Nil	\$5,985	Nil

- (1) The aggregate fees billed by the Company's auditors for audit fees.
- (2) The aggregate fees billed for assurance and related services by the Company's auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the 'Audit Fees' column.
- (3) The aggregate fees billed for professional services rendered by the Company's auditors for tax compliance, tax advice and tax planning.
- (4) Estimated fees for the financial year ended April 30, 2018.
- (5) The aggregate fees billed for professional services other than those listed in the other three columns.

## PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

### *Election of Directors*

The Directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting or until their successors are appointed. In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed.

Pursuant to the Advance Notice Policy of the Company adopted by the Board of Directors on March 26, 2013, any additional Director nominations for the Meeting must have been received by the Company in compliance with the Advance Notice Policy no later than the close of business on October 1, 2018.

The Company is required to have an audit committee. Members of the audit committee are as set out below.

Management of the Company proposes to nominate each of the following persons for election as a Director. Information concerning such persons, as furnished by the individual nominees, is as follows:

Name, Jurisdiction of Residence and Position	Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years	Previous Service as a Director	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly
Kevin Bullock Ontario, Canada <i>Chief Executive Officer</i>	CEO of the Company from January 14, 2016 to present; formerly President and CEO, Volta Resources Inc.	since January 30, 2017	195,000
Kim Evans British Columbia, Canada <i>President and Director</i>	President of the Company; Former CEO of the Company.	since April 1, 2004	2,961,561
Leonard Dennis <sup>(1)</sup> British Columbia, Canada <i>Director</i>	Leasing Manager – Treasury – CHC Helicopter Corporation.	since November 8, 2010	736,700
William Meyer <sup>(1) (2)</sup> British Columbia, Canada <i>Director</i>	Professional Engineer; Director, GGL Resources Corp.; Director, New Nadina Explorations Limited.	since February 7, 2011	346,091
John Conlon <sup>(2)</sup> Ontario, Canada <i>Director</i>	President of 1662287 Ontario Inc., a mining investment company.	since February 15, 2012	21,731,724
Dr. Rael Lipson <sup>(2)</sup> Colorado, USA <i>Director</i>	BSc (Hons), MSc Geology, PhD Geochemistry. Former Chief Geologist for Gold Fields Exploration, Inc., a part of Gold Fields Ltd.	since October 16, 2013	310,588
Akiba Leisman	Executive Chairman and Interim CEO of Marlin Gold Mining Ltd.; Consultant to	since July 11, 2014	Nil

Connecticut, USA <i>Director</i>	and formerly Vice President at Wexford Capital LP.		
Abraham Jonker <sup>(1)</sup> British Columbia, Canada <i>Non-Executive Chairman &amp; Director</i>	Chartered Accountant (South Africa, England and Wales). Director, Mandalay Resources Corporation.	since October 19, 2015	1,868,181

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at September 21, 2018, based upon information furnished to the Company by individual Directors. Unless otherwise indicated, such shares are held directly.

No proposed Director is to be elected under any arrangement or understanding between the proposed Director and any other person or company, except the Directors and executive officers of the company acting solely in such capacity.

Other than as described below, to the knowledge of the Company, no proposed Director:

- (a) is, as at the date of the Information Circular, or has been, within 10 years before the date of the Information Circular, a Director, chief executive officer (“CEO”) or chief financial officer (“CFO”) of any company (including the Company) that:
  - (i) was the subject, while the proposed Director was acting in the capacity as Director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
  - (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed Director ceased to be a Director, CEO or CFO but which resulted from an event that occurred while the proposed Director was acting in the capacity as Director, CEO or CFO of such company; or
- (b) is, as at the date of this Information Circular, or has been within 10 years before the date of the Information Circular, a Director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed Director; or
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed Director.

Abraham Jonker was Director, President and Interim CFO of EastCoal Inc. (“**EastCoal**”) when EastCoal filed a Notice of Intention to Make a Proposal pursuant to the provisions of Part III of the Bankruptcy and Insolvency Act (Canada) on November 5, 2013. EastCoal emerged from creditor protection on May 21, 2014 following the successful implementation of a compromise agreement with creditors, in which the creditors agreed to reduce the claim amount providing for the full and final settlement of all the claims against the company.

Michele Pillon was Chief Financial Officer of TTM Resources Inc. (“**TTM**”) when TTM received notice from the British Columbia Securities Commission of the issuance of a management cease trade order (the “**CTO**”) on November 7, 2013 in connection with the late filing of its annual audited consolidated financial statements for the fiscal year ending June 30, 2013. TTM’s failure to make the filing within the required time frame was due to its inability to pay the related audit fees. The required filing was made on December 20, 2013 and the CTO was revoked on December 24, 2013. Ms. Pillon resigned as CFO of TTM on June 30, 2014.

The following Directors of the Company hold Directorships in other reporting issuers as set out below:

Name of Director	Name of Other Reporting Issuers
Kevin Bullock	B2Gold Corp. <sup>(2)</sup>
Kim Evans	Lorraine Copper Corp. <sup>(1)</sup> BIG Blockchain Intelligence Group Inc. <sup>(3)</sup>
William Meyer	New Nadina Explorations Ltd. <sup>(1)</sup>
John Conlon	EastCoal Inc. <sup>(1)</sup>
Akiba Leisman	Marlin Gold Mining Ltd. <sup>(1)</sup> Sailfish Royalty Corp. <sup>(1)</sup>
Abraham Jonker	EastCoal Inc. <sup>(1)</sup> Mandalay Resources Corporation <sup>(2)</sup> Nevada Copper Corp. <sup>(2)</sup>

Notes:

- (1) Listed on the TSX Venture Exchange.
- (2) Listed on the Toronto Stock Exchange.
- (3) Listed on the Canadian Securities Exchange.

***Re-Approval and Ratification of Golden Reign Stock Option Plan***

The Board of Directors of the Company implemented the Golden Reign Stock Option Plan, effective on March 20, 2006.

The number of shares which may be issued pursuant to options previously granted and those granted under the Golden Reign Stock Option Plan is a maximum of 10% of the issued and outstanding shares at the time of the grant. In addition, the number of shares which may be reserved for issuance to insiders as a group is 10%, to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. The Golden Reign Stock Option Plan which sets the number of shares issuable under the plan at a maximum of 10% of the issued and outstanding shares is approved and ratified by shareholders on an annual basis.

Therefore, at the Meeting, shareholders will be asked to pass a resolution in the following form:



**“UPON MOTION IT WAS RESOLVED** that the Company approve and ratify, subject to regulatory approval, the Golden Reign Stock Option Plan pursuant to which the Directors may, from time to time, authorize the issuance of options to Directors, officers, employees and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding common shares at the time of the grant, with a maximum of 5% of the Company’s issued and outstanding shares, or 2% if the optionee is engaged in investor relations activities or is a consultant, being reserved to any one person on a yearly basis.”

The purpose of the Golden Reign Stock Option Plan is to allow the Company to grant options to Directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of the Company. The granting of such options is intended to align the interests of such persons with that of the shareholders. Options will be exercisable over periods of up to 10 years as determined by the Board of Directors of the Company and are required to have an exercise price no less than the closing market price of the Company’s shares prevailing on the day that the option is granted.

Pursuant to the Golden Reign Stock Option Plan, the Board of Directors may from time to time authorize the issue of options to Directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries. The Golden Reign Stock Option Plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion. The Golden Reign Stock Option Plan provides that if a change of control, as defined therein, occurs, all shares subject to option shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

If the optionee ceases to be an eligible person as a result of termination for cause of such optionee by the Company any outstanding option held by such optionee on the date of such termination, whether in respect of option shares that are vested or not, shall be cancelled as of that date. If the optionee ceases to be an eligible person due to his or her retirement at the request of his or her employer earlier than the normal retirement date under the Company's retirement policy then in force, or due to his or her termination by the Company other than for cause, or due to his or her voluntary resignation, the option then held by the optionee shall be exercisable to acquire unissued option shares at any time up to but not after the earlier of the expiry date and the date which is 90 days (30 days if the optionee was engaged in investor relations activities) after the optionee or, the Board of Directors of the Company may, in its sole discretion if it determines such is in the best interests of the Company, extend the expiry date of the option of an optionee to a later date within a reasonable period.

The full text of the Golden Reign Stock Option Plan will be available for review at the Meeting.

**Unless such authority is withheld, the persons named in the enclosed Proxy will vote FOR the approval and ratification of the Golden Reign Stock Option Plan.**

#### ***Appointment of Auditor***

PricewaterhouseCoopers LLP, Chartered Professional Accountants, of Vancouver, British Columbia, are the auditors of the Company. Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the re-appointment of PricewaterhouseCoopers LLP, Chartered Professional Accountants, as the auditors of the Company to hold office for the ensuing year at a remuneration to be fixed by the Directors.

**In absence of instructions to the contrary the shares represented by proxy will be voted FOR a resolution to appoint PricewaterhouseCoopers LLP as Auditors of the Company for the ensuing year, at a remuneration to be fixed by the Board of Directors, unless the Shareholder has specified in the Shareholder's proxy that the Shareholder's Common Shares are to be withheld from voting on the appointment of auditors.**

### ***Share Issuance Resolution***

At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, to approve the Share Issuance Resolution set forth in Appendix A to this Circular.

If the Arrangement is completed, up to approximately 91,234,551 Golden Reign Shares will be issued in exchange for Marlin Shares, based on an aggregate 177,568,219 Marlin Shares expected to be outstanding as of the Effective Date. Pursuant to the requirements of MI 61-101 as well as the policies of the TSXV, Shareholders will be asked at the Meeting to approve the maximum aggregate issuance of Golden Reign Shares comprising the Consideration. To be effective, the Share Issuance Resolution must be approved, with or without variation, by a simple majority of the votes cast at the Meeting by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding votes cast in respect of Golden Reign Shares held by any interested party, related party or joint actor (all as defined in MI 61-101), which in this case consists of Wexford. Mr. Leisman does not own any Golden Reign Shares. If the Share Issuance Resolution does not receive the requisite approval, the Arrangement will not proceed.

The complete text of the Share Issuance Resolution to be presented to the Meeting is set forth in Appendix A to this Circular. **Unless otherwise directed in a properly completed Form of Proxy, it is the intention of individuals named in the enclosed Form of Proxy to vote FOR the Share Issuance Resolution. If you do not specify how you want your Golden Reign Shares voted at the Meeting, the persons named a proxyholders in the enclosed Form of Proxy will cast the votes represented by your proxy at the Meeting FOR the Share Issuance Resolution.**

**The Golden Reign Board has approved the Arrangement Agreement and the performance of the transactions contemplated therein and recommends that Shareholders vote their Golden Reign Shares FOR the Share Issuance Resolution.**

### **INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Other than as disclosed in this Circular, no director or executive officer of Golden Reign who has held such position at any time since the beginning of the financial year ended April 30 2018, or any associate or affiliate thereof, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting. See "*Regulatory Matters - Related Party Transactions under Multilateral Instrument 61-101*".

### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this Circular, no informed person of Golden Reign, proposed director of Golden Reign, or any associate or affiliate of any informed person or proposed director, has or had any material interest, direct or indirect, in any transaction since the beginning of the financial year ended April 30, 2018, or in any proposed transaction that has materially affected or could materially affect Golden Reign or any of its subsidiaries.

## MANAGEMENT CONTRACTS

No management functions of the Company or any subsidiaries are performed to any substantial degree by a person other than the directors or executive officers of the Company. See “*Termination and Change of Control Benefits*” for disclosure on existing management contracts between the Company and certain directors and officers of the Company.

## ADDITIONAL INFORMATION

Additional information relating to the Company may be found under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Company’s comparative financial statements and management’s discussion and analysis for the financial year ended April 30, 2018, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may also request these documents from the Company by e-mail at [kim@goldenreign.com](mailto:kim@goldenreign.com).

## OTHER MATTERS

Management of Golden Reign is not aware of any other matter to come before the Meeting other than as set forth in the notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

## **GOLDEN REIGN DIRECTORS' APPROVAL**

The contents and the sending of this Circular have been approved by the Golden Reign Board.

The information concerning Marlin contained in this Circular, including the appendices attached hereto, has been provided by Marlin. The Golden Reign Board has relied upon this information without having made any independent inquiry as to the accuracy thereof. Golden Reign assumes no responsibility for the accuracy or completeness of such information, nor for any omission on the part of Marlin to disclose facts or events which may affect the accuracy of any such information.

DATED this 26th day of September, 2018.

**BY ORDER OF THE BOARD OF  
DIRECTORS OF GOLDEN REIGN  
RESOURCES LTD.**

*"Kevin Bullock"*

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Kevin Bullock  
Chief Executive Officer

## CONSENT OF PI FINANCIAL CORP.

To: The Special Committee of the Board of Directors of Golden Reign Resources Ltd.

We refer to the fairness opinion dated August 2, 2018 (the “**Golden Reign Fairness Opinion**”), which we prepared for the special committee of the board of directors of Golden Reign Resources Ltd. in connection with the arrangement involving the acquisition by Golden Reign Resources Ltd. of all the outstanding common shares of Marlin Gold Mining Ltd.

We hereby consent to the references to our firm name and to the references to the Golden Reign Fairness Opinion contained under the headings “*Summary – Recommendation of the Special Committee*”, “*Summary – Recommendation of the Golden Reign Board*”, “*Summary – Reasons for the Arrangement and Recommendations*”, “*Summary – Golden Reign Fairness Opinion*”, “*The Arrangement – Background to the Arrangement*”, “*The Arrangement – Recommendation of the Golden Reign Board*”, “*The Arrangement – Reasons for the Arrangement and the Recommendations*”, “*The Arrangement – Golden Reign Fairness Opinion*”, “*The Arrangement Agreement – Representations and Warranties*”, “*The Arrangement Agreement – Covenants – Covenants of Golden Reign Relating to the Arrangement*” and “*Glossary of Defined Terms*”, the Notice of Annual and Special Meeting of Shareholders and the inclusion of the text of the Golden Reign Fairness Opinion as Appendix C to the Circular dated September 26, 2018. Our fairness opinion was given as at August 2, 2018 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the Special Committee of the Golden Reign Board shall be entitled to rely upon our opinion.

**PI FINANCIAL CORP.**

September 26, 2018

**APPENDIX A**  
**FORM OF GOLDEN REIGN SHAREHOLDER RESOLUTION**

**BE IT RESOLVED THAT:**

- (1) Golden Reign Resources Ltd. (the “**Company**”) is hereby authorized to issue such number of common shares in the capital of the Company as is necessary to allow the Company to acquire 100% ownership of Marlin Gold Mining Corp. (“**Marlin**”) pursuant to an arrangement transaction (the “**Arrangement**”) in accordance with an arrangement agreement between the Company and Marlin dated August 3, 2018 (the “**Arrangement Agreement**”), as more particularly described in the management information circular of the Company dated September 26, 2018 (the “**Golden Reign Circular**”), including, but not limited to, the issuance of common shares in the capital of the Company to the shareholders of Marlin, including Wexford Capital LP and/or investment funds controlled by Wexford Capital LP, who will become a new “Control Person” of the Company within the meaning of the TSX Venture Exchange policies, or any other matters contemplated by or related to the Arrangement (as the Arrangement may be, or may have been, modified or amended in accordance with its terms);
- (2) notwithstanding that this resolution has been duly passed by the holders of the common shares of the Company, the directors of the Company are hereby authorized and empowered, if they decide not to proceed with the aforementioned resolution, to revoke this resolution at any time prior to the closing date of the Arrangement, without further notice to or approval of the shareholders of Golden Reign; and
- (1) any one or more directors or officers of Golden Reign is hereby authorized, for and on behalf and in the name of Golden Reign, to execute and deliver, whether under corporate seal of Golden Reign or otherwise, all such agreements, forms, waivers, notices, certificate, confirmations and other documents and instruments, and to do or cause to be done all such other acts and things, as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**APPENDIX B  
PLAN OF ARRANGEMENT**

**PLAN OF ARRANGEMENT UNDER DIVISION 5 OF PART 9  
OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)**

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions**

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of those terms shall have corresponding meanings:

- (a) “**Arrangement**” means the arrangement under the provisions of Division 5 of Part 9 of the BCBCA, on the terms and conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 8.5 of the Arrangement Agreement or Article 5 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of Marlin and Golden Reign, each acting reasonably;
- (b) “**Arrangement Agreement**” means the agreement made as of August 3, 2018 between Marlin and Golden Reign, including the schedules thereto, as the same may be supplemented or amended from time to time;
- (c) “**Arrangement Resolution**” means the resolution of the Marlin Shareholders approving the Arrangement to be considered at the Marlin Meeting;
- (d) “**BCBCA**” means the *Business Corporations Act* (British Columbia) including all regulations made thereunder, as promulgated or amended from time to time;
- (e) “**Business Day**” means a day other than a Saturday, a Sunday or any other day on which commercial banking institutions in Vancouver, British Columbia or in Toronto, Ontario are authorized or required by applicable Law to be closed;
- (f) “**Court**” means the Supreme Court of British Columbia;
- (g) “**CRA**” means the Canada Revenue Agency;
- (h) “**Depository**” means Computershare Trust Company of Canada;
- (i) “**Dissent Rights**” has the meaning ascribed thereto in Section 4.1;
- (j) “**Dissenting Shares**” means the Marlin Shares held by Dissenting Shareholders in respect of which such Dissenting Shareholders have given Notice of Dissent;
- (k) “**Dissenting Shareholder**” means a registered holder of Marlin Shares who has duly and validly exercised the Dissent Rights in respect of the Arrangement Resolution in strict compliance with the Dissent Rights and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;

- (l) “**Effective Date**” means the day upon which all of the conditions to completion of the Arrangement as set forth in the Arrangement Agreement have been satisfied or waived and all documents agreed to be delivered hereunder have been delivered to the satisfaction of the parties thereto, acting reasonably, or such other date as Marlin and Golden Reign may agree upon in writing;
- (m) “**Effective Time**” means 12:01 a.m. (Vancouver time) on the Effective Date or such other time as Marlin and Golden Reign may agree upon in writing;
- (n) “**Final Order**” means the order of the Court granted pursuant to Section 291 of the BCBCA, in form and substance acceptable to Marlin and Golden Reign, each acting reasonably, approving the Arrangement, after being informed of the intention to rely upon the exemption from registration provided under Section 3(a)(10) of the U.S. Securities Act with respect to the Consideration Shares issued pursuant to the Arrangement, and after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of Marlin and Golden Reign, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided, however, that any such amendment is acceptable to Marlin and Golden Reign, each acting reasonably) on appeal unless such appeal is withdrawn, abandoned or denied;
- (o) “**Former Marlin Shareholders**” means the holders of Marlin Shares immediately prior to the Effective Time;
- (p) “**Golden Reign**” means Golden Reign Resources Ltd.;
- (q) “**Golden Reign Shares**” means common shares in the capital of Golden Reign;
- (r) “**Governmental Entity**” (i) any multinational or supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency of any of the foregoing, (ii) any self-regulatory organization or stock exchange, including the TSXV, (iii) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; and (iv) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of such entities or other bodies pursuant to the foregoing;
- (s) “**GRR Distribution Shares**” means the Golden Reign Shares currently held by Marlin to be distributed to the Marlin Shareholders pursuant to Section 3.1(b) of this Plan of Arrangement;
- (t) “**holder**”, when used with reference to any securities of Marlin, means the holder of such securities shown from time to time in the central securities register maintained by or on behalf of Marlin in respect of such securities;
- (u) “**Interim Order**” means the interim order of the Court to be issued following the application therefor contemplated by Section 2.2 of the Arrangement Agreement, after being informed of the intention to rely upon the exemption from registration under Section 3(a)(10) of the U.S. Securities Act with respect to the Golden Reign Shares issued pursuant to the Arrangement, in



form and substance acceptable to Marlin and Golden Reign, each acting reasonably, providing for, among other things, the calling and holding of the Marlin Meeting, as such order may be affirmed, amended, modified, supplemented or varied by the Court with the consent of both Marlin and Golden Reign, each acting reasonably;

- (v) “**Liens**” means any mortgage, charge, pledge, hypothec, security interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute;
- (w) “**Marlin**” means Marlin Gold Mining Ltd.;
- (x) “**Marlin Meeting**” means the special meeting of the Marlin Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order for the purpose of considering and, if thought fit, approving the Marlin Arrangement Resolution;
- (y) “**Marlin Shares**” means the common shares in the capital of Marlin, as constituted immediately prior the Effective Time;
- (z) “**Marlin Shareholder**” means a holder of one or more Marlin Shares;
- (aa) “**Marlin Share Letter of Transmittal**” means the letter of transmittal to be delivered by Marlin to the Marlin Shareholders providing for the delivery of Marlin Shares to the Depository;
- (bb) “**New Marlin Shares**” means the new common shares in the capital of Marlin to be created pursuant to a reorganization of capital by Marlin within the meaning of Section 86 of the Tax Act in accordance with this Plan of Arrangement, and which will have attached thereto the same rights and privileges as the issued and outstanding Marlin Shares immediately prior to the Effective Time;
- (cc) “**Notice of Dissent**” means a notice of dissent duly and validly given by a registered holder of Marlin Shares exercising Dissent Rights as contemplated in the Interim Order and as described in Article 4;
- (dd) “**Plan of Arrangement**” means this plan of arrangement and any amendments or variations hereto made from time to time in accordance with the terms hereof or made at the direction of the Court in the Final Order, with the consent of Marlin and Golden Reign, each acting reasonably;
- (ee) “**Registrar**” means the person appointed as the Registrar of Companies under section 400 of the BCBCA;
- (ff) “**Share Consideration**” means the consideration to be received pursuant to Section 3.1(c) of the Plan of Arrangement in respect of each Marlin Share that is issued and outstanding immediately prior to the Effective Time, comprised of 0.5138 of a Golden Reign Share for each Marlin Share;
- (gg) “**Tax Act**” means the *Income Tax Act* (Canada) including all regulations thereunder;
- (hh) “**TSXV**” means the TSX Venture Exchange; and

- (ii) “**U.S. Securities Act**” means the United States *Securities Act of 1933*, as amended and the rules and regulations promulgated thereunder.

Any capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Arrangement Agreement. In addition, words and phrases used herein and defined in the BCBCA and not otherwise defined herein or in the Arrangement Agreement shall have the same meaning herein as in the BCBCA unless the context otherwise requires.

## **1.2 Interpretation Not Affected by Headings, etc.**

The division of this Plan of Arrangement into Articles, Sections, paragraphs and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an “Article”, “Section” or “paragraph” followed by a number and/or a letter refer to the specified Article, Section or paragraph of this Plan of Arrangement.

## **1.3 Number**

In this Plan of Arrangement, unless the context otherwise requires, words used herein importing the singular include the plural and *vice versa*.

## **1.4 Date of Any Action**

In the event that any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

## **1.5 Time**

Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein or in any letter of transmittal contemplated herein are local time Vancouver, British Columbia unless otherwise stipulated herein or therein.

## **1.6 Currency**

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

## **ARTICLE 2** **EFFECT OF THE ARRANGEMENT**

### **2.1 Arrangement Agreement**

This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms a part of the Arrangement Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein.

## 2.2 Binding Effect

This Plan of Arrangement will become effective at the Effective Time and shall be binding upon Golden Reign and Marlin and the Marlin Shareholders.

### **ARTICLE 3** **ARRANGEMENT**

#### 3.1 The Arrangement

Commencing at the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence, in each case effective on the Effective Date as at the specified time set out below, without any further authorization, act or formality of or by Marlin, Golden Reign or any other person.

- (a) At the Effective Time, each Marlin Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to Golden Reign and Golden Reign shall thereupon be obliged to pay the amount therefor determined and payable in accordance with Article 4 hereof, and the name of such holder shall be removed from the central securities register for Marlin as a holder of Marlin Shares and Golden Reign shall be recorded as the registered holder of the Marlin Shares so transferred and shall be deemed to be the legal owner of such Marlin Shares;
- (b) Marlin will undertake a reorganization of capital within the meaning of Section 86 of the Tax Act, which reorganization will occur in the following sequential order:
  - A. one minute following the Effective Time, the identifying name of the Marlin Shares will be changed from “Common Shares” to “Class A Common Shares” and the special rights and restrictions attached to such shares will be amended to provide that each Marlin Share is entitled to two (2) votes at any meeting of the shareholders of Marlin; and to reflect such amendments, Marlin’s articles will be deemed to be amended by adding a new Section 28 as set out in Appendix “A” to this Plan of Arrangement and Marlin’s notice of articles will be deemed to be amended accordingly;
  - B. two minutes following the Effective Time, the New Marlin Shares, being shares without par value, will be created as a class, the identifying name of the New Marlin Shares will be “Common Shares” and the maximum number of New Marlin Shares which Marlin will be authorized to issue will be unlimited;
  - C. three minutes following the Effective Time, each outstanding Marlin Share will be exchanged (without any further act or formality on the part of a Marlin Shareholder), free and clear of all Encumbrances, for one (1) New Marlin Share and 0.1022 of a GRR Distribution Share (provided that if the foregoing would result in the issuance of a fraction of a GRR Distribution Share, then the number of GRR Distribution Shares otherwise issued will be rounded down to the nearest whole number of

GRR Distribution Shares) and the Marlin Shares will thereupon be cancelled, and:

- (1) the holders of Marlin Shares will cease to be holders thereof and cease to have any rights or privileges as holders of Marlin Shares;
- (2) the holders' name will be removed from the central securities register of Marlin; and
- (3) each Marlin Shareholder will be deemed to be the holder of the New Marlin Shares and the GRR Distribution Shares exchanged for the Marlin Shares, in each case free and clear of any Liens, and will be entered into the central securities register of Marlin and Golden Reign, as the case may be, as the registered holder thereof;

and the capital of Marlin in respect of the New Marlin Shares will be an amount equal to the paid-up capital for the purposes of the Tax Act in respect of the Marlin Shares immediately prior to the Effective Time, less the fair market value of the GRR Distribution Shares distributed on such exchange; and

- D. four minutes following the Effective Time, the authorized share capital of Marlin will be amended to eliminate the Marlin Shares, and the notice of articles of Marlin will be deemed to be amended accordingly; and
  - E. the capital of Marlin in respect of the New Marlin Shares will be an amount equal to the paid-up capital for the purposes of the Tax Act in respect of the Marlin Shares immediately prior to the Effective Time, less the fair market value of the GRR Distribution Shares distributed on such exchange;
- (c) five minutes following the Effective Time, each outstanding New Marlin Share (other than New Marlin Shares held by Golden Reign or any affiliate thereof) will, without further act or formality by or on behalf of a holder of New Marlin Shares, be irrevocably assigned and transferred by the holder thereof to Golden Reign (free and clear of all Liens) in exchange for 0.5138 of a Golden Reign Share for each New Marlin Share held, and
- (i) the holders of such New Marlin Shares shall cease to be the holders thereof and to have any rights as holders of such New Marlin Shares other than the right to receive 0.5138 of a Golden Reign Share for each New Marlin Share assigned and transferred in accordance with this Plan of Arrangement;
  - (ii) such holders' name shall be removed from the central securities register for the New Marlin Shares maintained by or on behalf of Marlin; and
  - (iii) Golden Reign shall be deemed to be the transferee and the legal and beneficial holder of such New Marlin Shares (free and clear of all Liens) and shall be

entered as the registered holder of such New Marlin Shares in the central securities register for the New Marlin Shares maintained by or on behalf of Marlin.

### **3.2 Pre-Effective Time Procedures**

Following the receipt of the Final Order and prior to the Effective Date, Golden Reign shall deliver or arrange to be delivered to the Depository certificates representing the Golden Reign Shares required to be issued to Former Marlin Shareholders, in accordance with the provisions of Section 3.1(c) hereof, which certificates shall be held by the Depository as agent and nominee for such Former Marlin Shareholders for distribution to such Former Marlin Shareholders in accordance with the provisions of Article 5 hereof.

### **3.3 Post Effective Time Procedures**

Subject to the provisions of Article 5 hereof, and upon return of a properly completed Marlin Share Letter of Transmittal by a registered Former Marlin Shareholder together with certificates representing Marlin Shares, if applicable, and such other documents as the Depository may require, Former Marlin Shareholders shall be entitled to receive delivery of the certificates representing the GRR Distribution Shares to which they are entitled pursuant to Section 3.1(b) and the Golden Reign Shares to which they are entitled pursuant to Section 3.1(c) hereof.

### **3.4 No Fractional Shares**

In no event shall any holder of New Marlin Shares be entitled to a fractional Golden Reign Share pursuant to Section 3.1(c) hereof. Where the aggregate number of Golden Reign Shares to be issued to a person as consideration under or as a result of Section 3.1(c) hereof would result in a fraction of a Golden Reign Share being issuable, the number of Golden Reign Shares to be received by such securityholder shall be rounded down to the nearest whole Golden Reign Share in the event a Marlin Shareholder is entitled to a fractional share representing 0.5 or less of a Golden Reign Share and shall be rounded up to nearest whole Golden Reign Share in the event a Marlin Shareholder is entitled to a fractional share representing more than 0.5 of a Golden Reign Share.

### **3.5 U.S. Securities Laws**

Notwithstanding any provision herein to the contrary, Marlin and Golden Reign agree that the Plan of Arrangement will be carried out with the intention that all GRR Distribution Shares and Golden Reign Shares to be issued in connection with the Arrangement shall be exempt from registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereunder, and the GRR Distribution Shares and the Golden Reign Shares to be distributed in the United States pursuant to the Arrangement shall not be subject to resale restrictions in the United States under the U.S. Securities Act (other than as may be prescribed by Rule 144 and Rule 145 under the U.S. Securities Act).

## **ARTICLE 4 DISSENT RIGHTS**

### **4.1 Rights of Dissent**

Pursuant to the Interim Order, each registered Marlin Shareholder may exercise rights of dissent (“**Dissent Rights**”) under Section 238 of the BCBCA and in the manner set forth in Sections 242 to 247 of the BCBCA, all as modified by this ARTICLE 4 as the same may be modified by the Interim Order or

the Final Order in respect of the Arrangement, provided that the written objection to the Arrangement Resolution contemplated by Section 242 of the BCBCA must be sent to and received by Marlin not later than 5:00 p.m. (Vancouver time) on the Business Day that is two (2) Business Days before the Marlin Meeting (as it may be adjourned or postponed from time to time) and provided further that holders who exercise such Dissent Rights:

(a) are ultimately determined to be entitled to be paid fair value from Golden Reign, for the Dissenting Shares in respect of which they have duly and validly exercised Dissent Rights, notwithstanding anything to the contrary contained in Section 245 of the BCBCA, will be deemed to have irrevocably transferred such Dissenting Shares to Golden Reign pursuant to Section 3.1(a)(i) in consideration of such fair value; or

(b) are ultimately not entitled, for any reason, to be paid fair value for the Dissenting Shares in respect of which they have exercised Dissent Rights, will be deemed to have participated in the Arrangement on the same basis as a Shareholder who has not exercised Dissent Rights;

but in no case will Marlin or Golden Reign or any other person be required to recognize such holders as holders of Marlin Shares or New Marlin Shares after the completion of the steps set forth in Section 3.1, and each Dissenting Shareholder will cease to be entitled to the rights of a Marlin Shareholder in respect of the Marlin Shares or the New Marlin Shares in relation to which such Dissenting Shareholder has exercised Dissent Rights and the central securities register of Marlin will be amended to reflect that such former holder is no longer the holder of such Marlin Shares or New Marlin Shares as and from the completion of the steps in Section 3.1(a).

## **ARTICLE 5**

### **CERTIFICATES AND PAYMENTS**

#### **5.1 Payment of Consideration**

(a) As soon as practicable following the later of the Effective Date and the surrender to the Depository for cancellation of a certificate (if applicable) that immediately prior to the Effective Time represented outstanding Marlin Shares that were transferred under Section 3.1(b), together with a duly completed Marlin Share Letter of Transmittal and such additional documents and instruments as the Depository may reasonably require and such other documents and instruments as would have been required to effect such transfer under the BCBCA, the *Securities Transfer Act* (British Columbia) and the articles of Marlin after giving effect to Section 3.1(b) the former holder of such Marlin Shares shall be entitled to receive in exchange therefor, and the Depository shall deliver to such holder following the Effective Time, or make available for pick up at its offices during normal business hours, a certificate representing the GRR Distribution Shares and the Golden Reign Shares that such holder is entitled to receive in accordance with Sections 3.1(b) and 3.1(c) hereof, less any amounts withheld pursuant to Section 5.4.

(b) Subject to Section 5.3, until surrendered as contemplated by this Section 5.1, each certificate which immediately prior to the Effective Time represented Marlin Shares will be deemed after the time described in Sections 3.1 to represent only the right to receive from the Depository upon such surrender a certificate representing the GRR Distribution Shares and the Golden Reign Shares that the holder of such certificate is entitled to receive in accordance with Section 3.1 hereof.

(c) Marlin and Golden Reign will cause the Depository, as soon as a Former Marlin Shareholder becomes entitled to the GRR Distribution Shares and the Golden Reign Shares in accordance with Section 3.1, to:

- (i) forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address specified in the Marlin Share Letter of Transmittal;
- (ii) if requested by such former holder in the Marlin Share Letter of Transmittal make available at the offices of the Depository specified in the Marlin Share Letter of Transmittal; or
- (iii) if the Marlin Share Letter of Transmittal neither specifies an address as described in Section 5.1(c)(i) nor contains a request as described in Section 5.1(c)(ii), forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address of such former holder as shown on the applicable securities register maintained by or on behalf of Marlin immediately prior to the Effective Time;

a certificate representing the GRR Distribution Shares and the Golden Reign Shares in accordance with the provisions hereof.

(d) No holder of Marlin Shares shall be entitled to receive any consideration or entitlement with respect to such Marlin Shares, other than any consideration or entitlement to which such holder is entitled to receive in accordance with Section 3.1, this Section 5.1 and the other terms of this Plan of Arrangement and, for greater certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith.

## **5.2 Loss of Certificates**

In the event any certificate which immediately prior to the Effective Time represented any outstanding Marlin Shares that were acquired by Golden Reign or Marlin pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the former holder of such Marlin Shares, the Depository will deliver to such person or make available for pick up at its offices in exchange for such lost, stolen or destroyed certificate, a certificate representing the GRR Distribution Shares and the Golden Reign Shares which the former holder of such Marlin Shares is entitled to receive pursuant to Section 3.1 hereof in accordance with such holder's Marlin Share Letter of Transmittal. When authorizing such issuance in relation to any lost, stolen or destroyed certificate, the former holder of such Marlin Shares will, as a condition precedent to the delivery of the GRR Distribution Shares and the Golden Reign Shares, give a bond satisfactory to Marlin, Golden Reign and the Depository in such sum as Golden Reign may direct or otherwise indemnify Marlin and Golden Reign in a manner satisfactory to Marlin and Golden Reign against any claim that may be made against Marlin or Golden Reign with respect to the certificate alleged to have been lost, stolen or destroyed.

## **5.3 Extinction of Rights**

If any Former Marlin Shareholder fails to deliver to the Depository the certificates, documents or instruments required to be delivered to the Depository under Section 5.1 or Section 5.2 in order for such Former Marlin Shareholder to receive the GRR Distribution Shares and the Golden Reign Shares which such former holder is entitled to receive pursuant to Section 3.1, on or before the sixth anniversary of the Effective Date, on the sixth anniversary of the Effective Date (i) such former holder will be deemed to

have donated and forfeited to Golden Reign or its successors, any GRR Distribution Shares and the Golden Reign Shares held by the Depositary in trust for such former holder to which such former holder is entitled and (ii) any certificate representing Marlin Shares formerly held by such former holder will cease to represent a claim of any nature whatsoever and will be deemed to have been surrendered to Golden Reign and will be cancelled. None of Marlin or Golden Reign, or any of their respective successors, will be liable to any person in respect of any GRR Distribution Shares or Golden Reign Shares (including any consideration previously held by the Depositary in trust for any such former holder) which is forfeited to Marlin or Golden Reign or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law.

#### **5.4 Withholding Rights**

Any of the Parties or the Depositary will be entitled to deduct and withhold from any consideration otherwise payable to any Dissenting Shareholder under this Plan of Arrangement such amounts as Marlin, Golden Reign or the Depositary is required to deduct and withhold with respect to such payment under the Tax Act, the U.S. Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, or any provision of any provincial, state, local or foreign tax law as counsel may advise is required to be so deducted and withheld by Marlin, Golden Reign or the Depositary, as the case may be. For the purposes hereof, all such withheld amounts shall be treated as having been paid to the person in respect of which such deduction and withholding was made on account of the obligation to make payment to such person hereunder, provided that such deducted or withheld amounts are actually remitted to the appropriate Governmental Entity by or on behalf of Marlin, Golden Reign or the Depositary, as the case may be.

#### **5.5 No Liens**

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens or other claims of third parties of any kind.

#### **5.6 Paramourncy**

From and after the Effective Time: (a) this Plan of Arrangement shall take precedence and priority over any and all Marlin Shares issued prior to the Effective Time, (b) the rights and obligations of the Marlin Shareholders, Marlin, Golden Reign, the Depositary and any transfer agent or other depositary therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement, and (c) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Marlin Shares shall be deemed to have been settled, compromised, released and determined without liability except as set forth in this Plan of Arrangement.

### **ARTICLE 6 AMENDMENTS**

#### **6.1 Amendments to Plan of Arrangement**

(a) The Parties may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by the Parties, each acting reasonably, (iii) filed with the Court and, if made following the Marlin Meeting, approved by the Court, and (iv) communicated to Marlin Shareholders if and as required by the Court.



(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Parties at any time prior to the Marlin Meeting (provided that Golden Reign and Marlin shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Marlin Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Marlin Meeting shall be effective only if (i) it is consented to in writing by each of the Parties (in each case, acting reasonably), and (ii) if required by the Court, it is consented to by some or all of the Marlin Shareholders voting in the manner directed by the Court.

(d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Golden Reign, provided that it concerns a matter which, in the reasonable opinion of Golden Reign, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any Former Marlin Shareholder.

## **ARTICLE 7**

### **FURTHER ASSURANCES**

#### **7.1 Further Assurances**

Notwithstanding that the transactions and events set out herein will occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of Marlin and Golden Reign will make, do and execute, or cause to be made, done and executed, any such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

**APPENDIX C  
GOLDEN REIGN FAIRNESS OPINION**

**See attached.**

August 2, 2018

The Special Committee of the Board of Directors  
Golden Reign Resources Ltd.  
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To the Special Committee of the Board (the “**Special Committee**”):

PI Financial Corp. (“**PI**” or “**we**” or “**us**”) understands that Golden Reign Resources Ltd. (“**Golden Reign**”, or the “**Company**”) and Marlin Gold Mining Ltd. (“**Marlin**”) propose to enter into an arrangement agreement dated August 3, 2018 (the “**Arrangement Agreement**”), whereby the Company will acquire all of the issued and outstanding common shares of Marlin (the “**Marlin Shares**”), including any Marlin Shares that are issued on the exercise of options or other convertible securities of Marlin pursuant to a plan of arrangement under the *Business Corporations Act* (British Columbia) (the “**Arrangement**”). Pursuant to the Arrangement, holders of the Marlin Shares (“**Marlin Shareholders**”) will receive share consideration equal to 0.5138 common shares of the Company (the “**Shares**”) for each Marlin Share held (the “**Consideration**”). Completion of the Arrangement is subject to approval of the shareholders of the Company (the “**Shareholders**”) and the Marlin Shareholders, court approval, and other customary conditions, including, without limitation, receipt of all required regulatory approvals, including, without limitation that the TSX Venture Exchange (the “**Exchange**”) has approved the listing of all of the Shares issued to Marlin Shareholders under the Arrangement. The terms of, and conditions necessary to complete, the Arrangement are set forth in the Arrangement Agreement and will be described in each of the management information circulars of the Company and Marlin respectively (the “**Circulars**”) to be mailed, as applicable (i) to the Shareholders in connection with the annual and special meeting of the Shareholders to be held to consider and, if deemed advisable, to approve the Shares to be issued pursuant to the Arrangement (the “**Company Meeting**”) and (ii) to the Marlin Shareholders in connection with the special meeting of the Marlin Shareholders to be held to consider and, if deemed advisable, to approve certain matters in connection with the Arrangement.

In connection with the Arrangement, we understand that:

- i. Golden Reign and Marlin will enter into a mutually acceptable agreement (the “**Stream Conversion**”) with Sailfish Royalty Corp. (“**Sailfish**”) pursuant to which such parties will amend the existing gold stream on Golden Reign’s San Albino project (the “**SA Stream**”) and replace it with a new or amended gold stream having the equivalent effect of a 3% net smelter royalty (“**NSR**”) over the existing San Albino current area of interest, and a 2% NSR over the rest of the San Albino concession (excluding the San Albino area of interest covered by the current stream)(the “**Revised Stream Agreement**”). In addition:
  - a. Sailfish has agreed to extinguish Golden Reign’s existing prepayment liability of approximately US\$1.1 million associated with the SA Stream and eliminate the existing approximately US\$13.9 million funding obligation by Sailfish,

- b. all covenants and security associated with the SA Stream will be renegotiated on terms consistent with arm's length royalty agreements, and
  - c. as additional compensation, Sailfish will receive payment in the form of an assignment of the El Compas Royalty, the La Cigarra Royalty and will be granted an option to purchase the Gavilanes property in Mexico.
- ii. Marlin will dispose of all of its remaining assets and subsidiaries (other than those related to La Trinidad mine) and all debt relating to Wexford loans; and
- iii. Marlin has provided a bridge loan (the “**Bridge Loan**”) to the Company of C\$4.0 million. Should the Arrangement be completed, PI understands that the Bridge Loan will be classified as intercompany debt and terminated when the Arrangement is completed. The Bridge Loan will have a one year term and bear interest at 8% per annum accruing from the date of the advance of the Bridge Loan. In the event that (a) Golden Reign shareholders do not approve the Arrangement and related transactions, as applicable, or the Arrangement is terminated, then all accrued interest 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 shareholder vote or termination of Arrangement, as applicable.

The Special Committee has retained PI as financial advisor (“**Financial Advisor**”) to provide an opinion (the “**Opinion**”) as to the fairness, from a financial point of view, of the Consideration to be paid by the Company, pursuant to the Arrangement.

PI has not been engaged to prepare and has not prepared a formal valuation of Golden Reign or Marlin or any of the securities or assets thereof and our Opinion should not be constructed as a “formal valuation” (within the meaning of Multinational Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*).

#### ENGAGEMENT OF PI FINANCIAL CORP.

The Special Committee of Golden Reign initially contacted PI regarding a potential advisory assignment in May 2018. PI was formally engaged by the Special Committee pursuant to an agreement dated May 14, 2018 (the “**Engagement Agreement**”). Under the terms of the Engagement Agreement, PI agreed to provide Golden Reign and the Special Committee with a written opinion (the “**Opinion**”) as to the fairness, from a financial point of view, of the Consideration to be paid by the Company pursuant to the Arrangement.

PI will receive a fee of C\$75,000 for rendering the Opinion. PI will also receive a success fee of C\$100,000 for providing the services in connection with the Engagement Agreement on successful completion of the Arrangement. Should a break fee be payable to the Company, PI will be paid 10% of any break fee payable, to a maximum amount of C\$100,000. Golden Reign has also agreed to reimburse PI for our reasonable out-of-pocket expenses and to indemnify us against certain liabilities that might arise from PI’s engagement.

## CREDENTIALS OF PI FINANCIAL CORP.

PI is an independent Canadian investment dealer providing investment research, equity sales and trading and investment banking services to a broad range of institutions and corporations and retail investors. PI has participated in a significant number of transactions involving public and private companies and has extensive experience in preparing opinions. The Opinion expressed herein represents the opinion of PI and its form and content have been approved for release by a fairness review committee consisting of individuals who are experienced in merger, acquisition, divestiture, fairness opinions and capital market matters.

## INDEPENDENCE OF PI FINANCIAL CORP.

Neither PI, nor its affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of Golden Reign, Marlin, Sailfish or any of their respective associates or affiliates (collectively, the “**Interested Parties**”).

PI has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than acting as (i) co-manager in the January 2017 private placement of Golden Reign, and (ii) financial advisor to Golden Reign and the Special Committee pursuant to the Engagement Agreement.

There are no understandings, agreements or commitments between PI and Golden Reign or Marlin, or any other Interested Party, with respect to any future business dealings. PI may, in the future, in the ordinary course of business, perform financial advisory or investment banking services for Golden Reign or any other Interested Party.

PI acts as a securities trader and dealer, both as principal and agent, in major financial markets and, as such, may have had, may have and may in the future have a long or short positions in the securities of Golden Reign, Sailfish or Marlin, or other Interested Parties and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it may have received or may receive compensation. As an investment dealer, PI conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including with respect to Golden Reign, Sailfish and Marlin, and the Arrangement.

## SCOPE OF REVIEW

PI has been retained by the Special Committee to provide the Opinion as to the fairness, from a financial point of view, of the Consideration to be paid by the Company, pursuant to the Arrangement. In this context, and for the purposes of preparing the Opinion, PI has analyzed financial, technical reports, and other information relating to Golden Reign and Marlin, including information derived from discussions with the management of the Company.

The Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment the Industry Regulatory Organization of Canada (“IIROC”) but IIROC has not been involved in the preparation or review of the Opinion.

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

- i. reviewed the Arrangement Agreement between Golden Reign and Marlin dated August 3, 2018;
- ii. reviewed the letter of intent (the “LOI”) among Marlin, Sailfish, Wexford Capital LP and the Company dated May 14<sup>th</sup> 2018;
- iii. reviewed the loan agreement for the Bridge Loan between Marlin and the Company, dated May 14<sup>th</sup> 2018;
- iv. reviewed the draft Amended and Restated Purchase Agreement between Nicoz Resources S.A, Gold Best S.A, Golden Reign, Sailfish, and Marlin dated July 23, 2018;
- v. reviewed select technical information on Golden Reign’s and Marlin’s assets;
- vi. Various financial models of San Albino and La Trinidad Mine provided to PI by the Company;
- vii. reviewed and analyzed certain publicly available financial statements, technical reports, continuous disclosure documents and other information of the Company and Marlin, including but not limited to:
  - a. Golden Reign’s financial statements for the period ended January 31, 2018;
  - b. Golden Reign’s management’s discussion and analysis for the period ended January 31, 2018;
  - c. Marlin’s financial statements for the period ended December 31, 2017;
  - d. Marlin’s most recent interim financial statements for the period ended March 31, 2018 and 2017;
  - e. Marlin’s management’s discussion and analysis for the period ended December 31, 2017;
  - f. Marlin’s management’s discussion and analysis for the period ended March 31, 2018 and 2017;
  - g. NI-43-101 report for Golden Reign’s San Albino Property;

- h. NI-43-101 report for Marlin's La Trinidad Mine;
  - i. various reports published by equity research analysts regarding publicly traded mining companies of a comparable nature to Golden Reign and the combined company;
  - j. various reports published by equity research analysts regarding Marlin, and specifically the La Trinidad Mine;
  - k. various reports published by equity research analysts regarding Golden Reign, and specifically San Albino;
  - l. various financial models of the assets involved provided to PI by the Company;
  - m. other information, analyses, investigations, and discussions we considered necessary and appropriate; and
  - n. certain other public filings submitted by Golden Reign and Marlin to securities commissions or similar regulatory authorities in Canada which are available on SEDAR;
- viii. reviewed the press release of Golden Reign announcing the LOI dated May 15, 2018;
  - ix. performed a comparison of the multiples implied under the terms of the Arrangement to an analysis of recent precedent acquisitions involving companies we deemed relevant and the consideration paid for such companies;
  - x. performed a comparison of the multiples implied under the terms of the Arrangement to an analysis of the trading levels of similar companies we deemed relevant under the circumstances;
  - xi. performed a comparison of the Consideration paid by the Company pursuant to the Arrangement against previous precedent transactions;
  - xii. reviewed select public market trading statistics and relevant financial information of Golden Reign, Marlin and other public entities;
  - xiii. reviewed select financial statistics and relevant financial information with respect to relevant precedent transactions;
  - xiv. reviewed select reports published by equity research analysts and industry sources regarding Golden Reign, Marlin and other comparable public entities;

- xv. held discussions with senior management of the Company; and
- xvi. reviewed and relied upon such other information, and carried out such other analyses, investigations, and discussions, as we considered necessary or appropriate in the circumstances.

In its assessment, PI looked at several methodologies, analyses and technologies and used a combination of these approaches to reach its conclusion in the Opinion and such conclusion is based on a number of qualitative and quantitative factors that PI considers appropriate based on its experience in rendering such opinions.

## OVERVIEW OF THE CONSIDERATION

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PI has evaluated the Consideration to be paid by the Company via the payment of 0.5138 Shares per Marlin Share. Marlin and Marlin Shareholders currently own 36,297,309 common shares of Golden Reign, equal to approximately 18.9% of the outstanding common shares of Golden Reign. Immediately following the completion of the Arrangement, current Marlin Shareholders will own approximately 45.0% of the combined company. Based on the Company's closing price on May 15<sup>th</sup>, 2018, the Consideration implies a value of C\$0.0975 per Marlin Share which implies a fully-diluted equity value of Marlin of approximately C\$20.0 million and an "Enterprise Value" (calculated as equity value of the Marlin plus debt, less cash and cash equivalents) of approximately C\$19.8 million. Marlin will have disposed of all of its remaining assets and subsidiaries (other than those related to La Trinidad mine) and all debt relating to Wexford loans. Marlin has retained approximately C\$2.6 million in cash. Based on analyst consensus estimates for the La Trinidad Mine at the close of May 15<sup>th</sup>, 2018, the Consideration implies a price-to-NAV multiple of 0.41x.

## FAIRNESS METHODOLOGIES

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In support of the Opinion, PI has performed certain financial analyses with respect to the Marlin, the Company and the Consideration, based on those methodologies and assumptions that PI considered appropriate in the circumstances for the purposes of providing the Opinion. In the context of the Opinion, PI has considered the following principal methodologies:

- I. net asset value based on street consensus research;
- II. net asset value based discounted cash flow analysis for the La Trinidad Mine
- III. net asset value based discounted cash flow analysis for the San Albino project
- IV. comparable companies analysis; and
- V. precedent transactions analysis.

### Net Asset Value

The net asset value approach ("NAV") considers each mining, exploration and financial asset, for which individual values are estimated through the application of the methodology viewed as most appropriate in the circumstances, net of obligations and liabilities, including reclamation and closure costs. In the instance of Marlin, we performed our analysis solely on the remaining mine life at the La Trinidad Mine, including reclamation costs. Under the NAV approach, the



NPV (as defined below) produces a total operating asset value, from which the present value of general and administrative expenses as well as the continuing financial assets and liabilities attributable to the Marlin are added or subtracted. For our NAV analysis, we mainly relied upon a discounted cash flow (“**DCF**”), where we discounted the unlevered, after-tax, future free cash flows of the La Trinidad Mine over the life of the asset at a discount rate to generate a present value (the “**NPV**”). We also used the same DCF approach to value the NPV of the Company’s San Albino project to demonstrate the value of the Consideration paid by the Company from a NAV perspective. All forecasts of future free cash flow for the La Trinidad Mine were based on Marlin’s operating estimates, which we received from the Company and street consensus research. PI compared the values for the NPV obtained under the DCF analysis with the NPVs from available consensus research analysts for the La Trinidad Mine. Using the NAV approach required that certain assumptions be made to derive the NPV including, among other things, gold pricing, mining operations, capital investment, working capital, and discount rates. As part of our NAV analysis, we utilized a wide range of assumptions to perform sensitivity analyses on the La Trinidad Mine. In performing our DCF on the San Albino Mine, we used street consensus research and utilized a wide range of assumptions to perform similar sensitivity analyses.

### **Comparable Companies Analysis**

PI compared public market trading statistics of the Consideration paid by the Company for La Trinidad to corresponding data from selected publicly-traded junior producer gold mining companies that we considered relevant (the “**Comparable Companies Analysis**”). However, PI considers the price-to-NAV multiples to be the most relevant metrics for the Marlin and the Company in context of the Comparable Companies Analysis. PI looked at the multiples based on price-to-NAV and price-to-cash flow for each of the comparable companies and then applied a range of selected multiples to the corresponding data of the Marlin to calculate an implied equity value of the value of La Trinidad. The Comparable Companies Analysis implied a price-to-NAV range of 0.56x to 0.63x as well as a price-to-cash flow range of 5.77x to 5.81x, excluding any acquisition premium.

### **Precedent Transactions Analysis**

Precedent transactions consider transaction multiples in the context of previously completed transactions by the sale of a public company or assets. PI reviewed publicly available information in connection with 17 transactions involving producing gold mining companies and producing gold mining assets that PI considered relevant (the “**Precedent Transactions Analysis**”). PI considers the price-to-NAV multiples to be the most relevant metrics for Marlin in consideration of the Precedent Transactions Analysis. The Precedent Transactions Analysis implied a price-to-NAV range of 1.26x to 1.38x as well as a price to cash flow range of 6.67x to 6.85x.

### **FAIRNESS CONSIDERATIONS**

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PI based its conclusion in the Opinion upon a number of qualitative and quantitative factors, including, but not limited to:

- I. the Consideration paid by the Company pursuant to the Arrangement compares favourably with the financial range derived from our analyses using the Comparable Companies Analysis;
- II. the Consideration paid by the Company pursuant to the Arrangement compares favourably with the financial range derived from our analyses using the Precedent Transactions Analysis;
- III. the Consideration paid by the Company pursuant to the Arrangement compares favourably with the financial range derived from our analyses using the NAV based approach;
- IV. the Consideration paid by the Company pursuant to the Arrangement compares favourably with the financial range derived from our analyses using street consensus NAV based approach; and
- V. other factors or analyses, which we have judged, based on our experience in rendering such opinions, to be relevant.

## ASSUMPTIONS AND LIMITATIONS

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PI has not been asked to prepare and has not prepared a formal valuation of Golden Reign or Marlin or any of their respective securities or assets, and the Opinion should not be construed as such. Due to the nature of PI's engagement by Golden Reign and the surrounding circumstances of the Arrangement, PI has not met with the technical authors of Marlin's La Trinidad mine, and has not been provided with any information directly by Marlin or their respective representatives. For greater clarity, the Opinion is solely based on information publicly available and/or provided by Golden Reign and PI has not been provided with any access to Marlin's management. Subject to the foregoing, PI has conducted such analyses as it considered necessary in the circumstances. In addition, the Opinion is not, and should not be construed as, advice as to the price at which the Shares or Marlin Shares may trade at on any future date. PI was similarly not engaged to review or provide any legal, tax, regulatory or accounting aspects of the Arrangement, and the Opinion does not address such matters. In addition, the Opinion does not address the relative merits of the Arrangement as compared to any other transaction or the prospects or likelihood of any alternative transaction or any other possible transaction involving Golden Reign or Marlin and their respective assets or securities. The Opinion represents an impartial expert judgment, not a statement of fact. Nothing contained herein is to be construed as a legal interpretation, an opinion on any contract or document, or a recommendation to invest or divest.

With the approval of the Special Committee and as is provided for in the Engagement Agreement, PI has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources, including SEDAR, or provided to it by or on behalf of Golden Reign and its directors, officers, agents and advisors or otherwise (collectively, the "**Information**") and PI has assumed that this Information did not omit to state any material fact or any fact necessary to be stated to make that Information not misleading. The Opinion is conditional upon the completeness, accuracy and fair presentation of such Information including as to the absence of any undisclosed material change. Subject to the exercise of professional judgment and except as expressly described herein, PI has not attempted to independently verify or investigate the completeness, accuracy or fair presentation of any of the Information. PI has also assumed that:

(i) there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Golden Reign, Marlin or their respective affiliates which has not been disseminated on SEDAR; and (ii) no material change has occurred in the Information or any part thereof which has not been disseminated on SEDAR, in each case which would have or which would reasonably be expected to have a material effect on the Opinion. PI has also assumed that the final executed form of the Arrangement Agreement will not differ from the draft reviewed by us in any respect material to our analysis or this opinion and that the consummation of the Arrangement will be effected in accordance with the terms and conditions of the Arrangement Agreement, without waiver, modification or amendment of any material term, condition or agreement, and that, in the course of obtaining the necessary regulatory or third party consents and approvals (contractual or otherwise) for the Arrangement, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Golden Reign the contemplated benefits of the Arrangement.

In its analyses and in preparing the Opinion, PI has made numerous assumptions with respect to expected industry performance, general business and economic conditions and other matters, many of which are beyond the control of PI or any party involved in the Arrangement. PI has also assumed that the disclosure provided or incorporated by reference in the management information circular to be filed on SEDAR and mailed to the Shareholders in connection with the Arrangement and any other documents in connection with the Arrangement, prepared by a party to the Arrangement, will be accurate in all material respects and will comply with the requirements of all applicable laws, that all of the conditions required to implement the Arrangement will be met, that the procedures being followed to implement the Arrangement are valid and effective.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of Golden Reign and Marlin and their respective affiliates, as they were reflected in the Information.

The Opinion has been provided for the exclusive use of the Special Committee and may not be used or relied upon by any other person. Except as contemplated herein, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without the express prior written consent of PI. Notwithstanding the foregoing, PI hereby consents to the reference to PI and the description of, reference to and reproduction of the Opinion in any information circular of Golden Reign. PI will not be held liable for any losses sustained by any person should the Opinion be circulated, distributed, published, reproduced or used contrary to the provisions of the Opinion.

PI believes that the Opinion must be considered and reviewed as a whole and that selecting portions of the analyses or factors considered by PI, without considering all the analyses and factors together, could create a misleading view of the process underlying the Opinion. The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.



The Opinion is given as of the date hereof and PI disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to PI's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, PI reserves the right to change, modify or withdraw the Opinion.

## OPINION

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In considering the fairness, from a financial point of view, of the Consideration to be paid by the Company pursuant to the Arrangement, PI principally considered and relied upon the following approaches: (i) a NAV based approach, based on street consensus research and a DCF based approach; (ii) comparison of selected financial multiples, to the extent publicly available, of selected trading levels of similar companies we deemed relevant to the multiples implied by the Arrangement for the Consideration paid by the Company; (iii) a comparison of selected financial multiples, to the extent publicly available, of selected precedent transactions to the multiples implied by the Arrangement for the Consideration paid by the Company; (iv) the geopolitical risk profile, growth outlook and relative positioning of the Company to selected public companies; (v) other qualitative and quantitative factors, which we have judged, based on our experience in rendering such opinions, to be relevant.

Based upon and subject to the foregoing, PI Financial Corp. is of the opinion that, as of the date hereof, the consideration to be paid by the Company pursuant to the Arrangement is fair, from a financial point of view, to the Company.

Yours very truly,

**PI FINANCIAL CORP.**

**APPENDIX D  
INFORMATION RELATING TO MARLIN**

**See attached.**

The following information is presented on a pre-Arrangement basis and reflects the business, financial and share capital position of Marlin Gold Mining Ltd. (“Marlin”). See “Forward-Looking Statements” in this Circular in respect of forward-looking statements that are included in this Schedule.

All capitalized terms used in this Appendix and not defined herein have the meaning ascribed to such terms in the “Glossary of Defined Terms” or elsewhere in this Circular. Unless otherwise indicated herein, references to “\$” or “Canadian dollars” are to Canadian dollars, and references to “US\$” or “U.S. dollars” are to United States dollars. See “Currency and Exchange Rate Information” in this Circular. The information contained in this Schedule unless otherwise indicated, is given as of September 26, 2018.

Bret Swanson, of SRK Consulting (U.S.), Inc., and a qualified person as defined by NI 43-101, reviewed and approved the scientific and technical content herein derived from the La Trinidad PEA. Dr. Matthew D. Gray, of Resource Geosciences Incorporated, and a qualified person as defined by NI 43-101, has reviewed and approved the scientific and technical content under the heading “Mineral Projects – La Trinidad Mine - Mining Operations (As at August 31, 2018)” and “Mineral Projects – La Trinidad Mine - Exploration”.

This Schedule has been prepared by the management of Marlin and contains information in respect of the business and affairs of Marlin. Information provided by Marlin is the sole responsibility of Marlin, and Golden Reign does not assume any responsibility for the accuracy or completeness of such information.

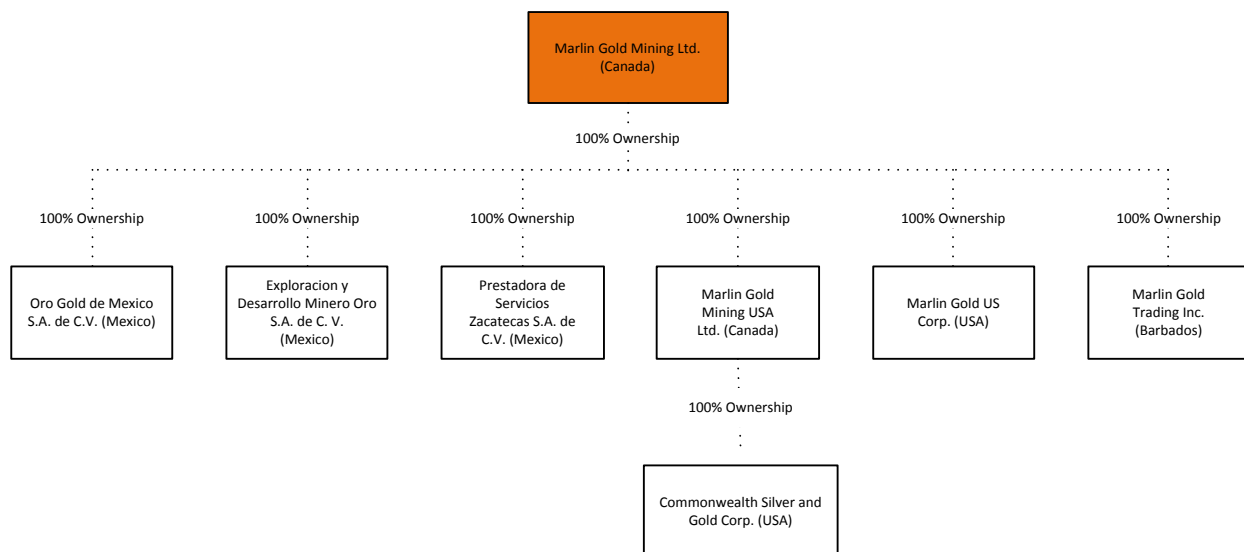
## CORPORATE STRUCTURE

### Name, Address and Incorporation

Marlin was incorporated under the *Company Act* (British Columbia) on June 9, 2000 under the name “Nunanim Exploration Ltd.” On September 15, 2004, Marlin transitioned to the BCBCA and changed its name to “Oro Gold Resources Ltd.” and its authorized capital to unlimited number of common shares and unlimited number of preferred shares, each without par value. On October 21, 2010, Marlin changed its name to “Oro Mining Ltd.” On November 19, 2012, Marlin changed its name to “Marlin Gold Mining Ltd.” Marlin’s head and registered office is located at Suite 250 – 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5.

Marlin is a reporting issuer in British Columbia, Alberta, Manitoba and Ontario.

### Inter-corporate Relationships



See section under the heading “*Information Relating to the Combined Company – Organizational Chart*” for a complete corporate chart showing Marlin and its subsidiaries following the completion of the Arrangement, as described in this Circular.

## DESCRIPTION OF THE BUSINESS

### Overview

Marlin is engaged in the exploration for, development of and production of gold and silver in the Americas. Marlin has two main assets: (i) the La Trinidad gold mine located in Sinaloa, Mexico, comprised of nine mineral concession claims owned or optioned by Marlin (the “**La Trinidad Mine**”); and (ii) the Commonwealth Project (as defined below) in Arizona, United States.

Marlin’s operating mine is the Taunus deposit at the La Trinidad Mine, located in Sinaloa, Mexico. The Taunus deposit hosts the historic La Trinidad gold mine that was operated by Eldorado Gold Corporation from 1996 until 1999. Marlin’s management, which has extensive mine development experience in Mexico, brought the La Trinidad Mine back into commercial production on November 1, 2014. See “*Appendix D Information Relating To Marlin - Mineral Projects – La Trinidad Mine*”.

On May 21, 2015, Marlin acquired Commonwealth Silver and Gold Mining Inc. (renamed to Marlin Gold Mining USA Ltd.) (“**Commonwealth**”), a privately held entity that held interests in the Commonwealth project, the Blue Jeep, San Ignacio and Six Mile Hill properties in Arizona, United States. See “*Appendix D Information Relating To Marlin Mineral Projects – Commonwealth Project*”.

### Three-Year History

#### Financial year ended December 31, 2015

On May 21, 2015, Marlin completed the acquisition of all the issued and outstanding common shares of Commonwealth by way of a statutory plan of arrangement under the *Canada Business Corporations Act*. Commonwealth holds 98% interest in eight patented mining claims hosting the historic Commonwealth mine, 100% interest in twelve adjoining unpatented claims and contiguous land and associated patented mining claims in Cochise County, Arizona (the “**Commonwealth Project**”). The total consideration payable to shareholders of Commonwealth was US\$7,396,292 (all cash transaction). As part of the consideration, Marlin also advanced US\$1,516,000 to settle liabilities of Commonwealth.

On July 30, 2015, Marlin’s shareholders approved a restricted stock unit plan (the “**RSU Plan**”) whereby restricted share units (“**RSUs**”) may be granted to senior management of Marlin. Once vested, an RSU is exercisable into one common share entitling the holder to receive the common share for no additional consideration.

On September 7, 2015, hurricane Linda, a category 2 hurricane, hit the area of the La Trinidad Mine. Based on the mine’s weather station data, the mine received over 10 inches of rain over a two-day period. In addition to the rain received at the mine site, the main arroyos, Azules to the east side of pit and the Indio to the west side of the pit overflowed and caused damage to roads and bridges and overcame the diversion channels with a significant amount flowing into the pit causing damage to haul roads within the pit as well as pit catch benches.

On October 7, 2015, Marlin entered into an agreement with Golden Reign whereby Marlin advanced US\$516,600 to provide working capital to advance Golden Reign’s San Albino gold deposit.

On October 13, 2015, Marlin announced they had fully dewatered the Taunus pit at the La Trinidad Mine. Damage to equipment was limited to a pump, a generator power source to the pump and associated electrical equipment. Marlin rebuilt certain damaged water diversion channels in preparation for the 2016 rainy season.

On October 30, 2015, Marlin completed the sale of all of the issued and outstanding shares of Oro Silver Resources Ltd. (“**Oro Silver**”) to Canarc Resource Corp. (“**Canarc**”) pursuant to a share purchase agreement between Marlin and Canarc dated October 8, 2015. Oro Silver indirectly holds the El Compas Gold-Silver mining project in Zacatecas, Mexico. In consideration for the sale of Oro Silver to Canarc, Marlin received 19,000,000 common shares in the capital of Canarc and will receive 55 troy ounces of gold on each of the first three anniversaries of the closing.

During the year ended December 31, 2015, management embarked on an exploration drill program at the San Carlos satellite target approximately 3km north of our Taunus pit. Management’s original strategy was to gain additional information on the near surface economics of the San Carlos target in an attempt to accelerate the mining of those ounces to offset the costs associated with the relatively low grade and high strip nature of Marlin’s mine between the upper (Eldorado) and lower (HS) zones of the Taunus deposit. Upon conclusion of the exploration program, management determined the near surface ounces were not economically viable at current prices and has postponed additional exploration at this time.

During 2015, Marlin determined that approximately 40,000 recoverable ounces that were included in the La Trinidad PEA mine plan were not economically viable due to the then market price of gold and as a result recognized an impairment on the La Trinidad Mine asset. For the year ended December 31, 2015 the Company recorded an impairment write down of \$22,620,352.

#### Financial year ended December 31, 2016

In February 2016, Marlin executed a new mining contract that has a minimum tonnage guarantee of 1.5 million tonnes per month for the remaining life of mine at the La Trinidad Mine. The minimum tonnage guarantee nearly doubled the mining rate that was being achieved by the previous mining contractor. The cost of the mining contract is fixed over the remaining life of mine at US\$1.50 per tonne of material moved indexed to a Mexican diesel price of US\$0.73 per litre, which will decrease the cost below US\$1.50 per tonne when Mexican diesel prices trade below US\$0.73 per litre.

On May 16, 2016, Marlin completed its rights offering. Shareholders of Marlin exercised rights to acquire 43,340,680 Marlin Shares. The 43,340,680 Marlin Shares issued pursuant to the rights offering were issued at a price of \$0.30 per Marlin Share for gross proceeds of \$13,002,204.

On July 22, 2016, Marlin completed its non-brokered private placement of 13,000,000 Marlin Shares at a price of \$0.50 per Marlin Share.

On August 24, 2016, Marlin completed a bought deal brokered private placement of 2,430,000 Marlin Shares with Red Cloud Klondike Strike Inc. for gross proceeds of \$1,215,000.

During the year ended December 31, 2016, Marlin purchased 2,000,000 Marlin Shares under the normal course issuer bid (“**NCIB**”) for \$907,716. The 2,000,000 Marlin Shares acquired under the NCIB were cancelled.

As a result of the damage sustained at the mine and the interruption to Marlin’s business due to hurricane Linda, Marlin quantified damages sustained and submitted an insurance claim to recover certain costs incurred. During the calendar year ended December 31, 2016, Marlin received insurance proceeds of US\$1,481,357.

#### Financial year ended December 31, 2017

In the first quarter of 2017, Marlin reassessed the economic viability of the 40,000 ounces previously written down for the La Trinidad Mine in 2015. Based on the results, Marlin worked the 40,000 ounces back into Marlin’s mine plan at the time.



On August 17, 2017, Marlin completed the acquisition of the Gavilanes property located in Durango State, Mexico from Stanacruz Silver Mining Ltd. for total cash consideration of \$4.5 million.

On December 22, 2017, Marlin completed the spin-out of Sailfish Royalty Corp. (“**Sailfish**”), a wholly-owned subsidiary of Marlin, whereby the shares in Sailfish were distributed to the shareholders of Marlin. At the time of the spin-out, Sailfish owned a 3.5% royalty on revenues derived from the sale of gold on Eldorado Gold Corp.’s advanced stage Tocantinzinho gold project, and a gold stream agreement on the San Albino gold project in Northern Nicaragua.

During the year ended December 31, 2017, Marlin purchased 1,359,500 Marlin Shares under the NCIB for \$980,090. The 1,359,500 Marlin Shares acquired under the NCIB were cancelled.

During the year ended December 31, 2017, Marlin incurred \$5.5 million in construction and mine costs, which mainly related to the expansion of the leach pads at the La Trinidad Mine. In addition, Marlin capitalized \$28.5 million in deferred stripping costs and reduced its provision for reclamation and rehabilitation costs based on the revised footprint associated with the expansion of the leach pad as at December 31, 2017.

#### Events Subsequent to financial year ended December 31, 2017

On February 28, 2018, Marlin entered into an option agreement with SilverCrest Metals Inc. whereby Marlin has the option to purchase all of the Guadalupe concessions surrounding the Mexican Gavilanes property for US\$500,000.

During the six months ended June 30, 2018, Marlin incurred \$0.5 million in construction and mine costs, which mainly related to the expansion of the leach pads at the La Trinidad Mine. In addition, Marlin capitalized \$13.2 million in deferred stripping costs.

As at June 30, 2018, Marlin expects to mine the La Trinidad Mine through the fall of 2018 and recover approximately 25,500 ounces of gold through the end of 2019, at which time reclamation of certain parts of the La Trinidad Mine is expected.

On August 3, 2018, Marlin entered into the Arrangement Agreement with Golden Reign pursuant to which Golden Reign will acquire 100% of the outstanding Marlin Shares in exchange for 0.5138 of a Golden Reign Share for each Marlin Share held. See “*The Arrangement*”.

### **Specialized Skill and Knowledge**

Various aspects of Marlin’s business require specialized skills and knowledge. Such skills and knowledge include the areas of permitting, geology, drilling, metallurgy, logistical planning, engineering and implementation of exploration programs as well as finance and accounting. To date, Marlin has found that it can locate and retain such employees and consultants and believes it will continue to be able to do so; however, no assurances can be made in that regard. See “Risk Factors”.

The number of persons skilled in construction, development, acquisition and exploration of mining properties is limited and competition for such persons is intense. As Marlin continues with the development of its mineral projects and its business activity grows, Marlin will require additional key construction, operations, financial and geologic personnel. There is a risk that Marlin will not be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If Marlin is not successful in attracting, training and retaining qualified personnel, the efficiency of Marlin’s operations could be impaired, which could have an adverse impact on Marlin’s future cash flows, earnings, results of operations and financial condition.

### **Competitive Conditions**

Marlin’s business of the acquisition, exploration and development of mineral properties is intensely competitive. Marlin may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and

technical capabilities than Marlin. Marlin may also encounter increasing competition from other mining companies in efforts to hire experienced mining professionals. Increased competition could adversely affect Marlin's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

### **Intangible Properties, Cycles, Changes to Contracts**

Marlin's business is not materially affected by intangibles such as business or commercial licences, patents and trademarks, nor is it significantly affected by seasonal changes other than seasonal weather. Marlin's mineral resources are within mining concessions granted by the Mexican authorities for a period of 50 years which may, under certain circumstances, be renewed by another 50 years. Marlin is not aware of any aspect of its business which may be affected by renegotiation or termination of contracts.

### **Environmental Considerations**

Marlin's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances related to mining industry operations, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving, which means stricter standards and enforcement, fines and penalties for non-compliance are potentially material. Environmental assessment of proposed projects imposes a high degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. Marlin has and intends to fully comply with all environmental regulations.

### **Employees**

At December 31, 2017, Marlin and its subsidiaries had a total of 145 employees and 161 people working through subcontractors. Additional consultants may also be retained from time to time for specific corporate activities, development and exploration programs.

### **Foreign Operations**

Marlin's properties are located in Mexico and the United States and, as such, a substantial portion of Marlin's business is exposed to various degrees of political, economic and other risks and uncertainties. Marlin's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of government orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on mineral exports, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation.

## **MINERAL PROJECTS**

### **La Trinidad Mine**

Unless stated otherwise, the information in this section is summarized, compiled or extracted from the technical report prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Properties* (“**NI 43-101**”) titled “2<sup>nd</sup> Amended NI 43-101 Technical Report, Preliminary Economic Assessment, Trinidad/Taunus Project, Sinaloa, Mexico” dated effective June 1, 2012, amended July 12, 2012 and February 1, 2013 prepared by SRK Consulting (U.S.), Inc. (“**SRK**”) (the “**La Trinidad PEA**”). The La Trinidad PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have

the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the La Trinidad PEA will be realized. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the La Trinidad PEA, which is available for review under Marlin's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### ***Property Description and Location***

The La Trinidad Mine is located in the state of Sinaloa, Mexico at the UTM coordinates of 438,928E, 2,537,196N, within the WGS84 Zone 13 system. It is approximately 110 km southeast of the city of Mazatlan (population 750,000) and 42 km southeast of the town of Rosario (population 30,000). The property is accessed by way of paved Federal Highway 15 from Mazatlan to El Rosario then by a 42 km dirt/gravel road through the villages of Palmarito and Buena Vista. The main focus area of the La Trinidad PEA is the Taunus pit area, and surrounding Colinas and Bocas areas, which lies slightly south of the center of the La Trinidad Property, as shown in Figure 1.

### **Mineral Titles**

The La Trinidad Mine consists of nine claims of mineral concessions that are either owned by, or optioned to, Marlin. The La Trinidad Mine is located in an area having excellent infrastructure. It is 90 kilometres southeast of Mazatlán and includes the former La Trinidad open-pit gold mine, previously operated by Eldorado from 1996 to 1999.

Three concessions within the La Trinidad Mine are subject to an option to purchase agreement (as amended) that includes an additional two concessions that fall outside the area. Pursuant to such agreement, Marlin has the option to purchase the three concessions over nine years for a total payment of US\$600,000. During 2016, Marlin completed the acquisition of the three concessions by making the final payment of US\$57,000.

Table 1.1: Description of Property Claims

Name	Title	Type	Area (ha)	Title Date	Expiry Date	Owner	Agreement	Agreement Date
Reduccion La Nueva Trinidad	244239	Exploration	46558.5	Nov 22, 2006	Nov 21, 2056	Oro Gold de Mexico SA de CV	Assignment of Rights Agreement	Dec 17, 2005
Nancy	226638	Exploration	100	Feb 03, 2006	Feb 02, 2056	Paulino Meza Villapudua et al	Exploration Agreement with Purchase Option	Feb 13, 2006
La Poderosa	219186	Exploration	24	Feb 18, 2003	Feb 17, 2053	Paulino Meza Villapudua et al	Exploration Agreement with Purchase Option	Feb 13, 2006
Santa Cesilia	223000	Exploration	80	Sep 30, 2004	Sep 29, 2054	Paulino Meza Villapudua et al	Exploration Agreement with Purchase Option	Feb 13, 2006
La Patilla II	238360	Exploration	360	Sep 23, 2011	Sep 22, 2061	Oro Gold de Mexico SA de CV	N/A	N/A
San Carlos	237870	Exploration	79.6	May 17, 2011	May 16, 2061	Oro Gold de Mexico SA de CV	N/A	N/A

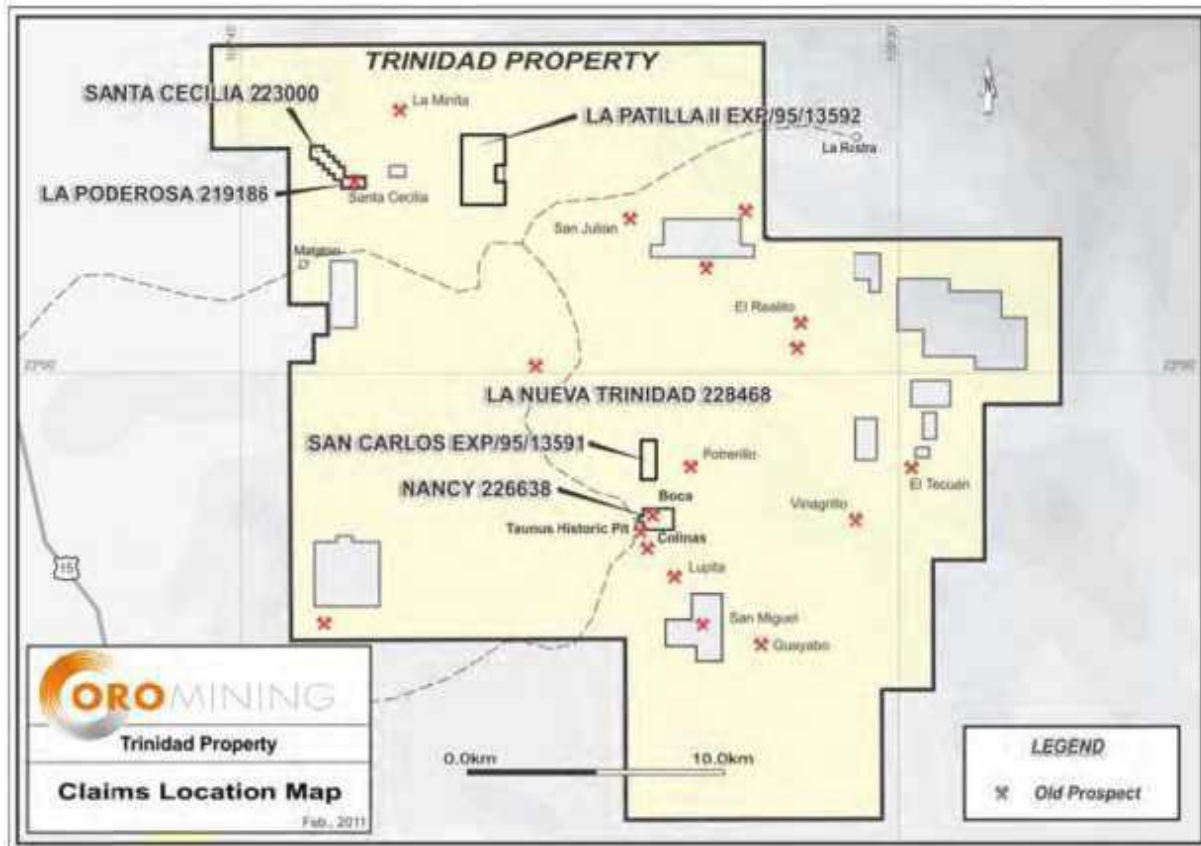
Notes:

(1) Certain claim details, as noted below, have been updated by Marlin as of the date of this Circular.

(2) On November 22, 2012, Marlin through its subsidiary Oro Gold de Mexico S.A. de C.V. was granted title to the concession San Carlos I (expiry date November 21, 2062) for a total of 10.42ha.

### Location of Mineralization

The Taunus and Colinas resource areas occur within the La Trinidad Mine and correspond to claim numbers 228468 and 226638, shown in Figure 1. The La Trinidad Mine comprises 61,602.26 ha 2 in southern Sinaloa, at about UTM Coordinate 438928E, 2537196N.



Source: Marlin

**Figure 1: Marlin's Claims in the Taunus and Colinas Resource area of the Trinidad Concession**

### Property Taxes and Assessment Rights

All property tax and assessment information provided in this section has been provided by Marlin and has not been verified by SRK. All minerals found in Mexico are the property of Mexico, and may be exploited by private entities under concessions granted by the Mexican Government. The process was defined under the Mexican Mining Law of 1992, and excludes petroleum and nuclear resources from consideration. The Mexican Mining Law of 1992 also requires that non-Mexican entities must either establish a Mexican corporation, or partner with a Mexican entity.

Under current Mexican mining law, amended April 29, 2005, the Direccion General de Minas ("DGM") grant concessions for a period of 50 years, provided the concession is maintained in good standing. There is no distinction between mineral exploration and exploitation concessions. As part of the requirements to maintain a concession in good standing, bi-annual fees must be paid, and a report submitted to the DGM each May. The La Trinidad PEA report covers work conducted over the previous year on the concession. Two schemes cover the calculation of the bi-annual fee, and are calculated on a per-hectare basis. For concessions granted prior to January, 2006, one of two fee structures apply to the calculation, depending on the type of concession (exploitation or exploration), and the

amount of time that has passed since granting of the concession. For concessions granted after January, 2006, a per/hectare escalating fee applies (updated by Marlin to 2017 figures in Table 1.2).

Table 1.2: Assessment Fee Schedule for the La Trinidad Project Properties (per hectare) for the year 2017

<b>Period During Exploration/Exploitation</b>	<b>Per Hectare Fee (Mexican Pesos)</b>
Year 1-2	5.70
Year 3-4	8.52
Year 5-6	17.62
Year 7-8	35.45
Year 9-10	70.88
After Year 11	124.74

Source: Dirección General de Minas, Mexico City, Mexico

#### Nature and Extent of Issuer’s Interest, Royalties, Agreements and Encumbrances

The Nueva Trinidad was originally staked by Minera Camargo, SA de CV in 2005. On December 7, 2005, Marlin, through its 100% owned affiliate Oro Gold de Mexico S.A. de C.V., entered into an assignment of rights agreement with Minera Camargo, whereby Marlin acquired 100% of the mineral rights to the Nueva Trinidad concession for a 0.5 to 1.0% net smelter return royalty consideration, depending on the price of gold. This agreement is registered with the Direccion General de Minas, Registro Publico de Minería.

The purchase option on the San Miguel concession, which was listed in the previous NI 43-101 Technical Report filed on July 12, 2012 was cancelled by both parties in 2010 as the concession was not considered to be a key concession and did not have any current resources.

On February 6, 2006, Marlin, through Oro Gold de Mexico S.A. de C.V., entered into an Exploration Agreement with Purchase Option (as amended) with a group of owners for the acquisition of 100% interest of, among others, the concessions Nancy, La Poderosa and Santa Cesilia in consideration for staged cash payments over time. A sliding scale net smelter return royalty of 0.5 to 1.5% depending on the price of gold also applies.<sup>1</sup> The agreement is registered with the Direccion General de Minas, Registro Publico de Minería.

La Patilla II and San Carlos were staked by the Company through Oro Gold Mexico in 2011 and therefore are not subject to a royalty with a third party.

#### ***Accessibility, Climate, Local Resources, Infrastructure and Physiography***

##### Topography, Elevation and Vegetation

Topographic relief across the property is about 1,640 m, with a maximum elevation of about 1,700 masl. Most of the rural population lives in the valley, in small, closely spaced villages. Land use is free-range cattle grazing and subsistence agriculture. The hydrology is dominated by the Baluarte river that runs through the northwest corner of the property and its tributaries, the Matatan river and Agua Zarca river draining the central and southern part of the property. Except for the Baluarte river, flow is intermittent through the year, occurring only during the summer rainy season (July through September).

##### Climate and Length of Operating Season

Rainy season is July to the end of September. The average annual temperature is 24.9° C, and the average annual precipitation is 1,067 mm. The greatest rainfall occurs in July, averaging 310 mm. Access to the southern extreme of

<sup>1</sup> Sliding Scale: 0.5% net smelter return if gold price/ounce is below US\$400.00; 1% net smelter return if gold price/ounce is greater than US\$400.00 but less than US\$499.99; and 1.5% net smelter return if gold price/ounce is equal or greater the US\$500.00. The net smelter return is payable upon fully exercise of the option and once Marlin has recovered the initial investment or the mine has been in production for 2 years, whichever happens first.

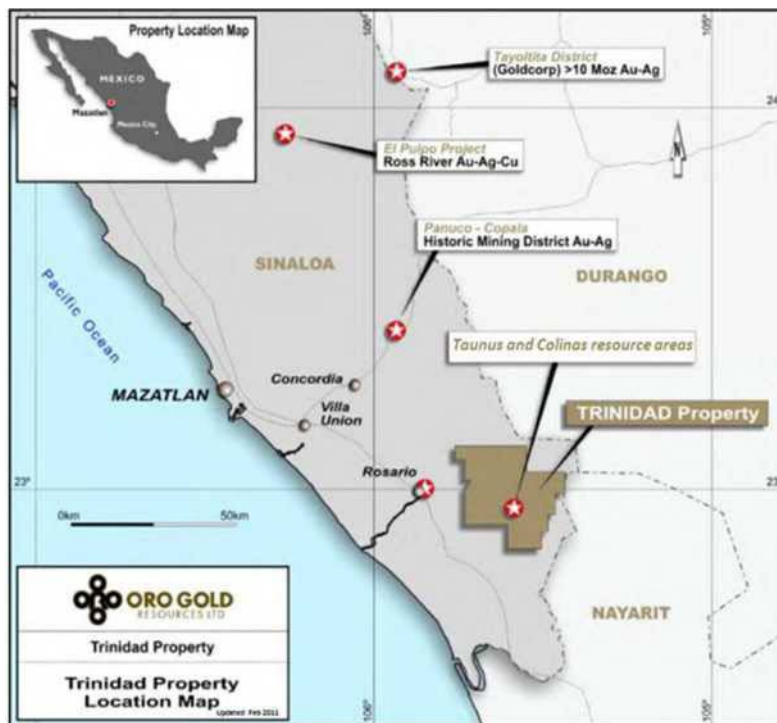
the property is difficult during the rainy season due to swollen rivers and the fact that the road crosses the river in about seven locations. Access to the campsite and Taunus areas is not an issue during the rainy season; however, on occasion the Baluarte river may swell to levels that make crossing the river unsafe. The river usually subsides within a few hours, making crossing possible again.

### Sufficiency of Surface Rights

SRK has not independently verified Marlin's surface rights to the Trinidad/Taunus property. In May 2011, Marlin's 100% affiliate Oro Gold de Mexico S.A. de C.V. entered into a 15-year exploitation and temporary occupation agreement with the Community of Maloya whereby Marlin was granted surface use and mine development rights on the Taunus deposit. The community is supportive of a mining operation and has voted in favor of building a mine on the community ground.

### Accessibility and Transportation to the Property

The La Trinidad Mine property accessed from the Mazatlan-Tepic highway (Federal Highway 15) to the town of Rosario, and by gravel roads eastward of Esquinapa, or Rosario. The gravel road passes through the villages of Palmarito and Buena Vista. The Taunus and Colinas resource area is situated adjacent to the town of Buena Vista, approximately three hours by vehicle southeast of Mazatlan, and about 1.5 hours (42 km) east of Rosario (Figure 2). It is located in the south-central part of the La Trinidad Property. Mazatlan is serviced daily by international airline flights from Los Angeles, California and Tucson, Arizona, USA, as well as numerous international flights.



Source: Oro Gold Resources de Mexico

**Figure 2: General Location Map**

### Infrastructure Availability and Sources

SRK finds the local resources and infrastructure adequate to support the current exploration program and anticipated potential future mining operations. Electrical supply is supplied from a substation in Rosario. A three-phase line using four cables supplies electricity to the town of Buena Vista where the resource is located. The capacity of the line is 33,000 volts utilizing "000" type conductors. The line will need to be upgraded for future mining and processing requirements. Water for the exploration camp is supplied from a well in Buena Vista. The water is pumped from a well into a water tank which supplies the community with water. Another well and water network is

located in the town of Maloya. Additional water wells will be required for mining and processing requirements. A deep water port is located in Mazatlan, 100 km west of the project. Marlin has refurbished the Exploraciones Eldorado offices as well as the old plant site. Both facilities are used as offices and sleeping quarters. The exploration camp can house and feed approximately 30 people and has running water and electricity. It is reasonable to assume that these facilities can be upgraded for any potential future mining requirements. The current number of workers is variable, depending on the exploration programs, and ranges between 10 and 50 people. Local skilled labour for mining operations is available from the communities of Maloya and Buena Vista, which have a combined population of approximately 200 people. There are no tailings disposal areas. There is sufficient land available for tailings storage for future operations. There is a historic heap leach pad and waste rock disposal area. Adequate locations for waste rock disposal and heap leach pads are available to accommodate the current resources for future operations.

### *History*

This section presents the property ownership changes and a short description of any exploration activities and mineral resources defined prior to Marlin acquiring this property. Any exploration results and/or mineral resource presented in this section are historic and presented only for context related to the current exploration and mineral resource estimates defined in this report. No part of this information has been updated or reviewed by the current Qualified Persons and all mineral resource estimates are no longer current.

### Prior Ownership

The Trinidad deposit was discovered by Porfirio Tirado Beltran, a Mexican “gambusino” who worked the iron-oxide rich veins for gold near the village of Buena Vista. To the south and north of Buena Vista, the towns of Pilas de Estancia and Maloya were centers for small-scale placer gold operations. In the 1980’s, an exploration campaign by Anaconda Minerals Corp. (“**Anaconda**”) culminated in 1,804 m of diamond drilling before it left Mexico in 1988. East of Pilas de Estancia, the Guayabo deposit was worked by “gambusinos” for tungsten in the 1980’s. In 1992, Almaden Resources Corporation acquired the La Trinidad Property, and increased the land position by staking. In 1993 Exploraciones Eldorado acquired an option to earn a 51% interest in the property and Almaden Resources Corporation optioned 51% interest the Property to Exploraciones Eldorado in 1993 and Exploraciones Eldorado acquired its 51% interest in 1995 by completing a feasibility study for the mine. The joint-venture eventually increased the size of the Property to about 20,000 ha. After a short RC drill campaign, they defined a non NI 43-101 compliant resource of 3,682,000 t of 1.6 g/t Au or 176,736 oz Au.

### Historical Exploration Work

Past exploration is summarized by Eldorado. There are anecdotal reports of Hispanic and pre-Hispanic exploitation. The first recorded exploration occurred in 1982 when Porfirio Tirado Beltran acquired the concessions and produced a small quantity of gold from the Taunus and Bocas areas.

Anaconda started exploration in the area in 1984, through its Mexican subsidiary, Cobre de Hercules, S.A. They completed soil sampling, geologic mapping, and bulldozer trenching and sampling in Taunus and Bocas areas, and elsewhere in the district. Their results indicated a gold mineralized zone at Taunus, of 7 to 30 m wide and 335 m long. Nineteen holes were drilled between 1985 and 1988, totaling 1,803.9 m. Of these holes, 14 or 1,209.3 m were collared in the Taunus area.

In 1993, Exploraciones Eldorado, conducted mapping, sampling, trenching and soil sampling. In 1994, they initiated a reverse circulation drill program comprising 75 holes and 4,008 m of drilling, followed by 4,226 m of drilling in 77 holes in the Taunus area, with an additional 300 m in 28 holes, intended as condemnation holes. Four more RC condemnation holes (390 m of drilling) were drilled in 1995. The next phase of drilling focused on in-fill and resource expansion at Taunus. A total of 12,113 m of drilling was completed by Exploraciones Eldorado on 30 m sections, spaced between 15 and 30 m apart. The average hole depth is 58 m. This work formed the basis of a feasibility study completed by Exploraciones Eldorado, prior to exploitation of the Taunus zone as an open-pit, heap-leach mine.

Drilling was conducted after the completion of Exploraciones Eldorado's feasibility report, and during production at the Taunus pit. Marlin has acquired several short progress reports which post-date the feasibility study and give summary assay composites of 28 RC holes in the Taunus area, 18 holes in the

Colinas area and 18 RC holes in the Bocas area. These updates do not include geology, sample intervals or assay certificates and were not included in the current resource estimate. This data has been used to guide OGR's current exploration in the three areas. A map showing the location of historic drillholes is provided in Figure 5 below.

#### Historic Mineral Resource and Reserve Estimates

Anaconda and Exploraciones Eldorado, and the consultants that they contracted made a number of mineral resource estimates (non NI 43-101 compliant). In November 2007, Marlin produced its first mineral resource estimate (NI 43-101 compliant) based on historic drillholes. In June 2008, Marlin produced a NI 43-101 compliant, inferred mineral resource estimate shown in Table 2.1 at a 0.5 g/t Au gold cut-off.

Table 2.1: June 2008 Inferred Mineral Resources at a 0.5 g/t Gold Cut-Off

<b>Tonnage (t)</b>	<b>Average Au Grade (g/t)</b>	<b>Metal Content (oz)</b>
4,491,800	1.39	200,930

#### Historic Production

According to Exploraciones Eldorado's August 1995 feasibility study (non-NI 43-101 compliant), the Trinidad project minable mineral reserves, calculated at a cut-off grade of 0.50 g/t of gold amount to 2.077 Mt at a grade of 1.98 g/t of ore, or 132,266 total troy ounces with an average strip ratio of 1.68. On an average basis, 540,000 t of ore per year will be mined, crushed and leached to produce 20,000 to 30,000 oz-t of gold. Based on Exploraciones Eldorado's annual reports of 1996, 1997 and 1998, production from the Taunus Pit commenced in 1996, and 51,692 oz of gold was produced from Trinidad prior to shutting down their Mexican operations in the fall of 1998.

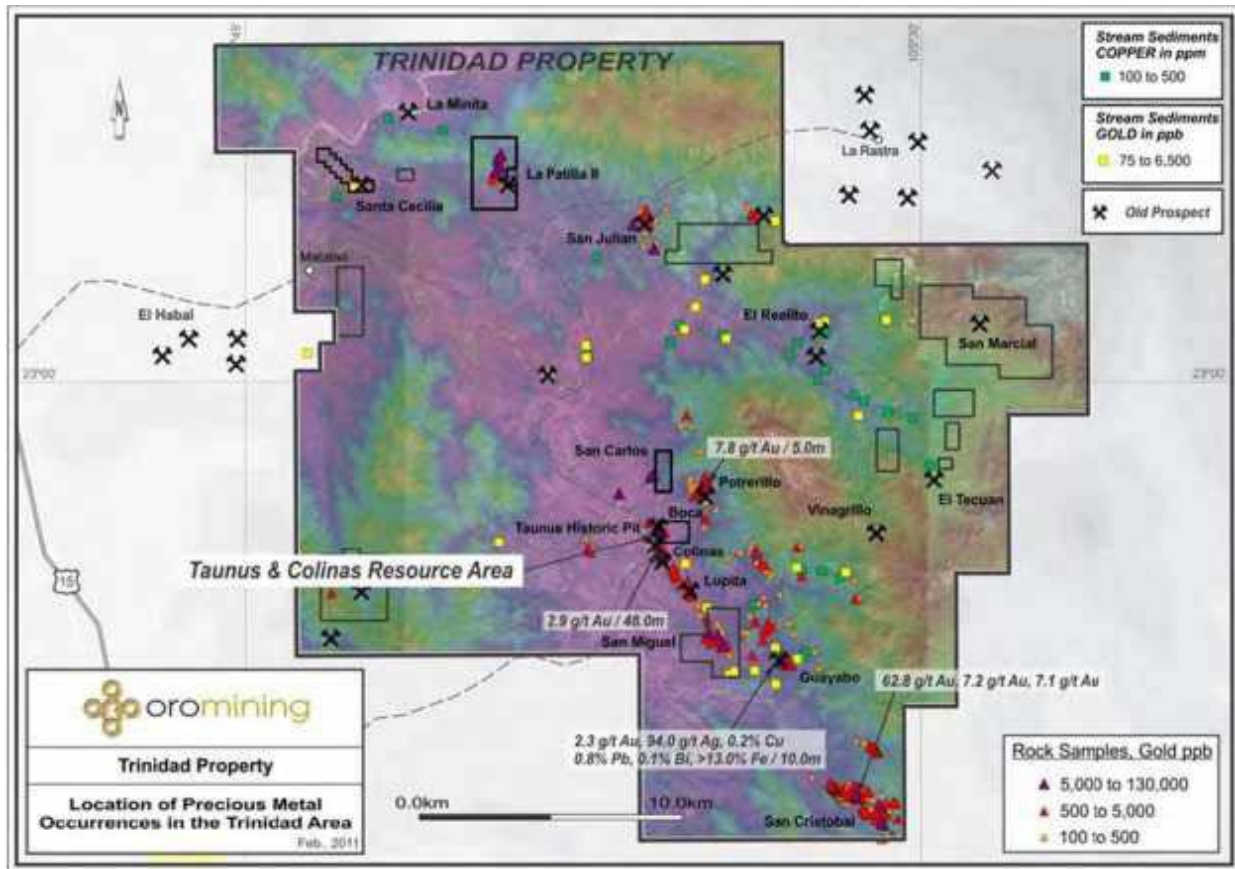
#### ***Geological Setting***

##### Regional Geology

The project lies within the moderately extended part of the Tertiary Basin-and-Range Province, and is underlain by Tertiary volcanic, volcanoclastic and intrusive rocks of the Sierra Madre Occidental geologic province. These rocks comprise late Cretaceous to Eocene volcanic arc rocks of largely intermediate composition, and upper Oligo-Miocene ignimbrites. Intermediate to felsic intrusions are exposed at low topographic level, and are likely part of the Laramide Sinaloa Batholith, which extends from southern Sinaloa into Arizona. Quartz-feldspar porphyry intrusive rocks intrude mid-Tertiary andesite volcanic rocks, suggesting a mid-Tertiary or younger age for this intrusive unit.

Jurassic to lower Tertiary plutonic and sedimentary basement rocks of the Guerrero Terrane are exposed in the region, but have not been identified on the property. Regional topography is controlled by NW- and ENE-trending oblique extensional faults of Tertiary age. The La Trinidad Property occurs within the Rosario mining district, of which the Rosario mine was probably the most significant past Au-Ag producer (Figure 2 above). The ore mined in the district was predominantly exploited from gold-rich intermediate sulfidation veins hosted by NW- and ENE trending faults. At Guayabo and La Viguita on the La Trinidad Property, small-scale exploitation of W-Mo veins was recorded. Figure 3 shows the location of precious metal mineral occurrences and past producers in the Trinidad area.





Source: Jutras and Powell, 2008

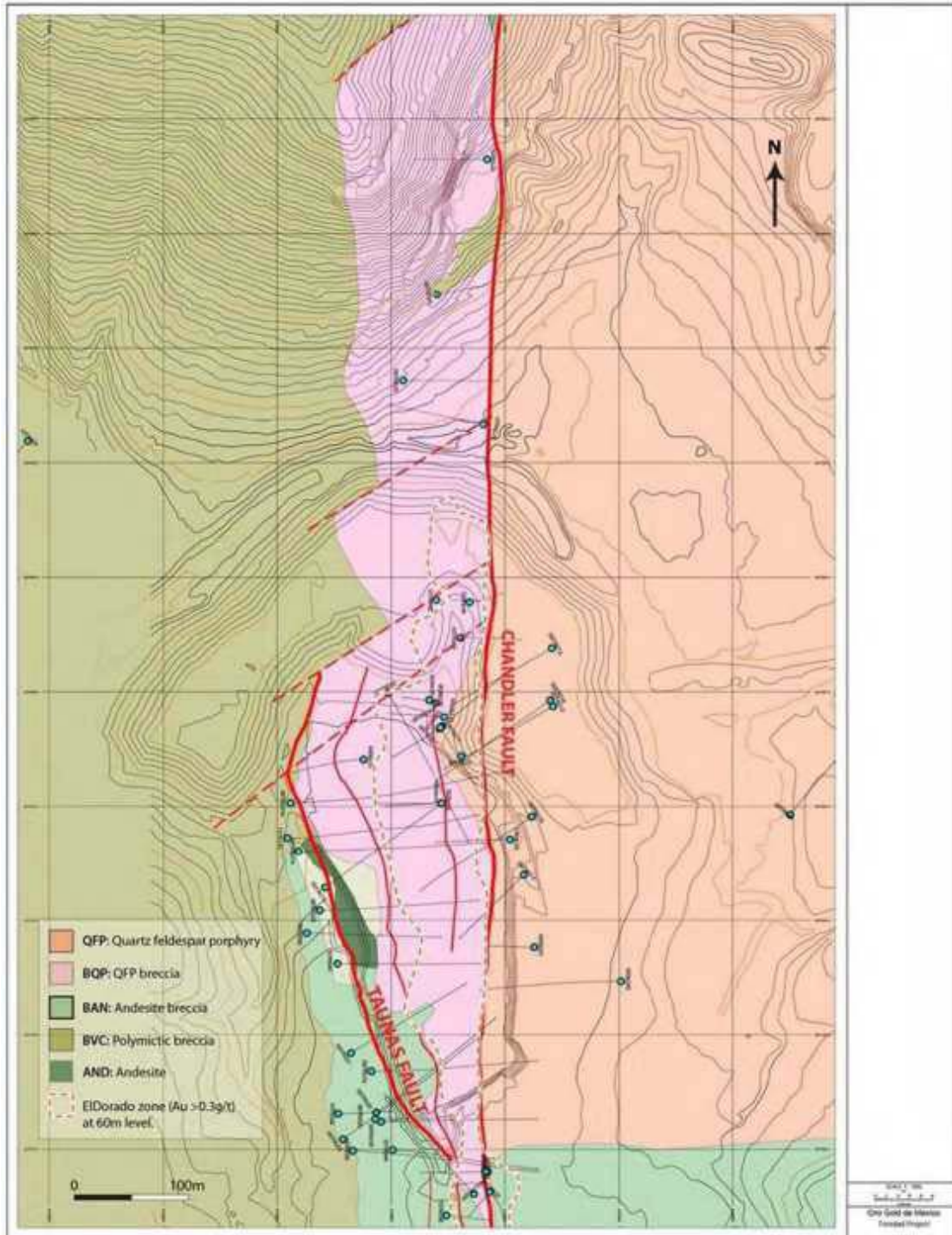
**Figure 3: Location of Precious Metal Occurrences in the Trinidad Area**

### Local Geology

The Taunus area occurs in a local low lying area on the eastern margin of a broad northwest trending valley. The Taunus area is underlain by a sequence of mid-Tertiary andesitic flows and volcanoclastic units. The volcanic units have a gentle to moderate dip to the east. Contacts between units appear to be associated with the NW-SE trending Taunus Fault system.

### Property Geology

The Taunus area lies near the contact between intermediate volcanic rocks to the west, and felsic intrusive to sub-intrusive rocks to the east. The contact between the two units forms a narrow “v” shape with the andesitic units to the west and a quartz feldspar porphyry breccia at the center of the “v”. The eastern contact is defined by the near vertical, north-south trending Chandler Fault. This fault forms the eastern wall of the current pit and is the boundary between the quartz feldspar porphyry breccia to the west and a fractured quartz feldspar porphyry to the east (Figure 4).



**Figure 4: Geology of the Taunus Area**

Lithologic information below the conglomerate is sparse due to the paucity of drillholes at this depth (approximately 300 m vertical below surface). Two units have been intersected below the conglomerate, a massive andesite interpreted to be a flow, and an andesitic-dacitic lithic tuff. The lithic tuff is intensely clay altered and pyritic in all of the holes that have intersected this unit. The relationship between the two lowest units has not been established.

Gold is hosted in two main zones at Taunus, the Eldorado zone, which was outcropping when Exploraciones Eldorado started mining operations in 1996. A portion of the zone still exists below the bottom of the current pit.

The second zone is called the HS zone and was discovered by Marlin in 2009 and is located approximately 30 m below the Eldorado zone or approximately 150 m below surface.

### ***Exploration***

Regional-scale exploration work was conducted by Marlin, and by Minera Camargo on behalf of Marlin, throughout the La Trinidad Property during 2005 to 2006. This led to smaller scale exploration work by Marlin within the Trinidad (Taunus) resource area beginning in 2007. Property scale work included prospecting and lithology/alteration mapping, in conjunction with the collection of approximately 703 stream sediment samples, 509 rock grab, chip, and channel samples, and 482 soil samples. The objective of the regional exploration program was to provide a preliminary geological and geochemical assessment of the regional potential for the area, and to better understand the regional geologic framework in which the Trinidad resource area resides.

In early 2007, Marlin carried out a diamond drill program totaling 727.6 m at its San Miguel gold prospect<sup>2</sup>, located approximately 4 km due southeast of, and along the same structural trend that passes through the Trinidad resource area.

Additional exploration work focused on defining new drill targets in the Taunus and Colinas areas, as well as regional exploration was conducted during the period June to September 2007. During this period 634 channel samples, 15 rock chip samples and 181 soil samples were collected in the Taunus and Colinas areas. Regional exploration consisted of 342 channel samples 150 rock chip samples and 1,152 soil samples. Results of this program were used to target drillholes for an 8,000 m diamond and reverse circulation drilling program which commenced in October 2007. In December 2007, Marlin completed ten HQ diamond drillholes in the Taunus and Colinas areas, for a total of 1,154 m with a maximum depth of 150 m and an average depth of 110 m. In January of 2008 Marlin drilled 34 reverse circulation holes in the Taunus, Colinas and Bocas areas for a total of 6,524 m with a maximum depth of 264 m and an average depth of 190 m. An additional 26 shallow RC holes to a depth of 20 m were drilled in the Taunus South and Buena Vista town site totaling 622 m.

In 2009 Marlin completed 6,800 m of diamond drilling comprising 27 holes in the Taunus, Bocas and Colinas areas. The focus of this drilling was to define resources at depth in the Taunus pit area and to define the extents of the newly discovered HS zone. Marlin also completed an IP and mag survey over the Bocas, Colinas and Taunus areas in an effort to identify new drill targets. The geophysical program did identify a broad resistivity anomaly interpreted to be a pull apart basin. Subsequent drill testing of a number of geophysical anomalies in the 2010 program did not yield new resources.

In 2010, Marlin completed 5,510 m of diamond drilling in 24 holes in the Colinas, Taunus and Bocas areas. An additional 8,347 m in 69 reverse circulation holes were completed in the same areas. Four shallow RC holes were also completed to test for shallow resources in the Taunus south area these holes amounted to 122 m. A pilot sonic drill program of 650 m in 17 holes was completed to test the sonic drilling technology and determine the maximum depth that sonic drilling could penetrate. The results of the sonic program were positive and a 5,000 m sonic drill program is planned for 2011.

In 2011, Marlin continued its exploration drill program. This included the completion of 38 sonic drillholes. This drilling is discussed further below under "*The La Trinidad Property Drilling*". In addition, Marlin completed a structural geology study with Sally Goodman, of SRK. The study involved mapping of structures and lithologies within the Taunus Pit as well as the analysis of the regional geological structures.

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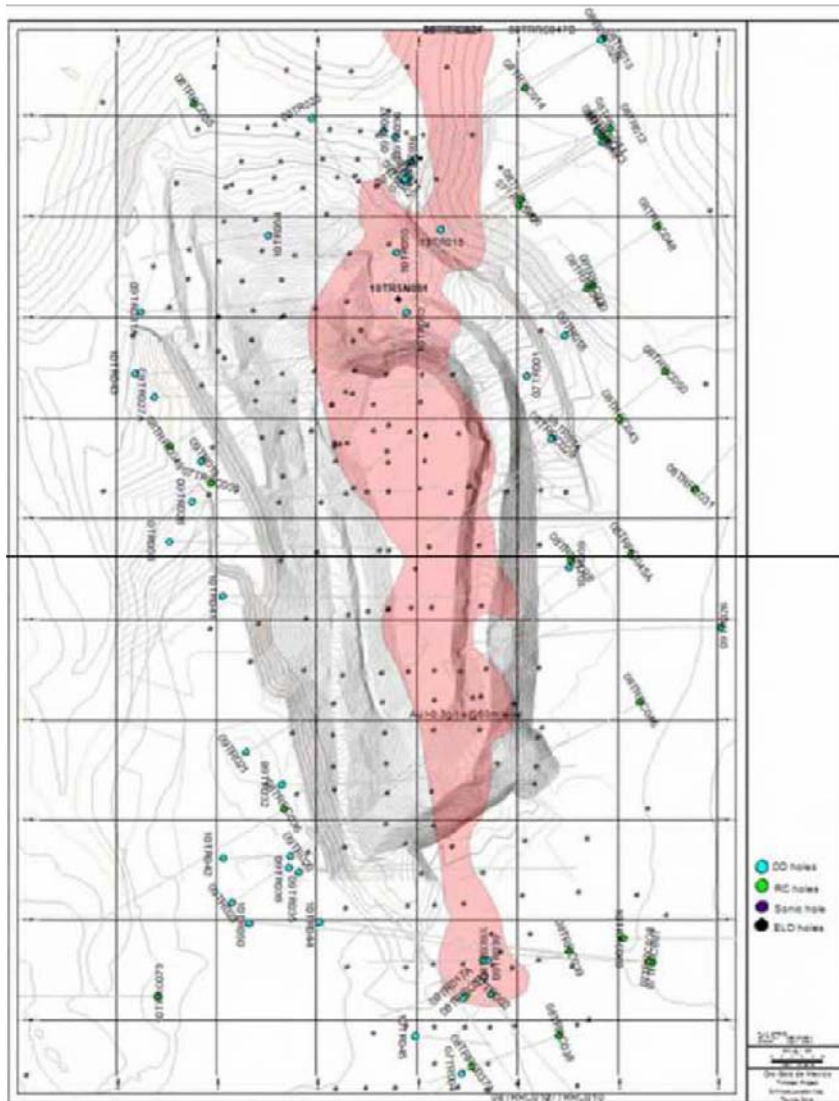
<sup>2</sup> The purchase option on the San Miguel concession, which was listed in the previous NI 43-101 report was cancelled by mutual agreement of the parties in 2010.

After mining operations began, Marlin conducted additional diamond drilling to better delineate the HS Zone. In the period 2015 to 2017, a total of 6,663 meters of drilling in 66 core holes was completed, all within the planned pit.

In 2015, the San Carlos area was evaluated by an 18 hole diamond drill program totaling 2,246 meters.

In 2017, the Colinas zone was further explored by 15 diamond core holes totaling 1,816 meters, and the San Cristobal zone was tested with 4 diamond core holes totaling 409m, including twins of historic RC holes.

In 2016 and 2017 mine production drills were used to test areas of near surface mineralization where historical exploration drillhole data was lacking. Areas tested with the production drills were the south end of the Taunus pit and Colinas. Drillholes were 6 to 8m deep. The samples collected were equivalent to blast hole samples and were analyzed at the mine assay lab. Data was used to guide production from these near surface areas.



Source: Oro Gold de Mexico (2011)

**Figure 5: Location of Drillhole Type in the Taunus and Colinas Resource Areas**

### ***Mineralization***

Descriptions of mineralization at Taunus are provided by Eldorado from geologic work completed prior to open-pit mining. Three mineralized areas were defined along a northerly striking corridor, from Colinas in the south, through

Taunus, and Bocas in the north. All three areas received historic artisanal exploitation. Only the Taunus area has experienced detailed modern exploration and exploitation.

### Mineralized Zones

#### *Taunus Zone*

Potentially economic mineralization identified by Marlin and Eldorado at Taunus is consistent with intensely silicified tectonic and quartz-matrix hydrothermal breccia, with chlorite and hematite, and occasional adularia. Quartz textures are described as massive, fine-grained and cherty, drusy coatings, colloform banding and cockscomb. Amethyst also occurs in the Taunus area. Distal alteration is described as quartz veinlets in both andesite and quartz-feldspar porphyritic rocks, and weak propylitic alteration in the andesite rocks. Carbonate minerals are not reported, but may occur outside of areas affected by sulfide weathering.

The breccia zones are hosted within a quartz-feldspar porphyry unit, and its contact with adjacent andesite rocks. This lithologic contact is described as both structural, and intrusive in nature. Silicified breccia bodies in the Eldorado zone dip steeply east in the southern part of the Taunus area, and sub-horizontal to shallow east-dipping in the central and northern part of the Taunus zone. The breccia zone appears to be constrained between the Colinas, Taunus and Chandler faults. The HS zone is located below the Eldorado zone and has a shallow easterly dip in the northern part of the Taunus area, the zone is not well constrained in the southern part of Taunus. Eldorado interprets breccia-hosted mineralization as a relatively high-level expression of a precious metal epithermal system, overlying a moderate to steep-dipping north-south trending “feeder” structure.

Metallic assay analysis and petrographic evaluation of gold-bearing specimens, conducted by Metcon Research and Sid Williams on behalf of Eldorado indicate gold occurs as native gold, is fine-grained, and is not subject to appreciable “nugget” effect. They report an Ag: Au ratio of 6:1, making Taunus a relatively goldrich intermediate sulfidation-state epithermal system. The area evaluated by Exploraciones Eldorado is entirely within the supergene oxidation zone. Primary sulfide minerals are therefore rare, comprising very minor pyrite and chalcopyrite, digenite, and covellite. Copper occurs as the secondary copper minerals chrysocolla and malachite, and with Pb and Zn as a secondary vanadian mineral, mottramite. Silver occurs as native silver, and jalpaitite. Silver and the base metal elements are reported to have a good positive correlation, and very poorly correlated with gold.

#### *Type, Character and Distribution of Mineralization*

Petrographic descriptions were completed on two polished thin sections collected from panned concentrates of two metallurgical samples from the HS zone. The samples were composites of PQ half-core from diamond drillhole 10TR034. The first sample represents 18 m down hole and was collected from the interval 132 to 150 m. The average core recovery from this interval is 87% and is considered to be good core recovery; the weighted average grade was 10.7g/t gold. The second sample represents 16.5 m and was collected from the interval 150 to 165.5 m. The average core recovery from this interval is 40% and is considered to be poor recovery; the weighted average grade was 7.8 g/t gold.

The style of mineralization and alteration is conserved to be representative of the HS zone based on geologic logging of other diamond holes in the same zone. The following results are extracted from the report prepared by Economic Geology Consulting, March 6, 2010.

Petrographic descriptions are based on preserved textures/mineralogy in small chips, typically <4 mm.

Many of the chips are from a porphyritic igneous rock that includes resorbed quartz phenocrysts, and euhedral feldspar and biotite phenocrysts in a finely crystalline matrix of vuggy, granular to reticulate quartz, locally chalcedonic. Gold occurs in vugs and less commonly in a goethite replacement of pyrite or encapsulated within the quartz matrix. The rock matrix is largely silicified and cut by quartz veinlets commonly with disseminated or aggregate specular hematite. Three types of alteration were observed in the groundmass: 1) quartz-sericite-pyrite (now hematite), 2) hydrothermal biotite flooding and 3) hydrothermal specular hematite.

Results from the petrographic analysis are consistent with megascopic observations by Marlin Gold's geologists who have described the HS zone as a matrix supported breccia where the matrix is composed of a red/orange hematitic rock flour/clay. Clasts are described as subangular multi-phase silica often displaying colliform banding of calcedonic quartz, goethite and a dark grey green mineral interpreted to be chlorite/biotite. Qualitatively the higher grades appear to be associated with the presence of fine laminations chlorite/biotite.

Visible gold is rare and has only been observed in a few core samples with assay grades over 30 g/t. When observed it has been very fine grained gold in open vugs or associated with vuggy hematite. The Taunus deposit is a complex deposit composed of a number of individual zones. Ten individual solids were modeled in the Taunus area based on geology and grade. The two main zones are the Eldorado Zone and the HS Zone.

### ***Drilling***

The historic drilling in the Taunus and Colinas resource areas is discussed above under "*The Trinidad La Property Exploration*". Drilling assays and geologic information for drillholes completed by Cobre de Hercules, S.A are not available to Marlin. These holes were inclined diamond drillholes. Later drilling conducted by Exploraciones Eldorado was by reverse circulation, in vertical holes.

#### Marlin Drilling, 2007 to 2010

Marlin commenced diamond drilling on the property in October 2007. Drill programs between 2007 and 2010 have been discussed by previous technical reports.

#### 2011 Drilling Program

The following is a brief synopsis of the new drilling available since the February 2011 mineral resource estimate, completed by SRK.

The previous mineral resource (February 2011) included diamond drill holes to 10TR057 and RC holes to 10TRRC076 and did not include any sonic drill hole data. Three diamond drill holes were completed in 2010 after the resource cutoff date, all in the southern portion of the Taunus area. All diamond drill holes were drilled by BDW and all RC holes were drilled by Drift Drilling.

Late in 2010, a sonic drill rig was brought in from Boart-Longyear to test the viability of the sonic technique due to recovery concerns from traditional diamond drilling methods. Hole 10TRSN001 demonstrated that the sonic rig was able to penetrate and recover this material and thus, five more holes were drilled to compare results of the sonic technique to the previous methods.

The late 2010 results indicated that the sonic method would give more accurate results and solve many recovery problems. The sonic drill program commenced in February 2011 with a plan to complete 5000 m of drilling. Unfortunately, the drilling proved to be slower than projected and in early June, the program was abandoned because of the inability to maintain stable drill platforms, due to the excessive precipitation associated with the seasonal rains. A total of 3703 m from 32 holes was completed during the 2010 to 2011 sonic drill program.

The main target for the drill program was to define a "feeder" zone connecting the shallow mineralized zone mined by Eldorado (termed the Eldorado zone by Marlin) and the deeper, higher grade zone discovered by Marlin dubbed the HS zone. There were a few holes testing for structural corridors possibly hosting offset mineralization as well, but this type of mineralization was not found. Some exploratory holes were planned in the original 5000 m program, but these were not completed because of the truncation of the program.

As with the historical drillholes, the 2011 sonic holes were challenging to complete due to poor ground conditions and the largely unconsolidated coarse breccia material. This made completion of downhole surveys difficult and in 2011, 18 of the 32 sonic drillholes did not have any down hole surveys completed. The lack of down hole surveys does make the spatial location of samples within these holes slightly uncertain, however the large diameter of the sonic holes (5 to 7 inch) likely resulted in relatively small deviations.

A summary of drilling campaigns at Taunus and Colinas are shown in Table 3.1.

**Table 3.1: Summary of Drilling Campaigns at Taunus & Colinas**

Type of Drilling	Year	# of holes	Meters	Contractor	# of Assays
Diamond	2007	10	1,110	Tecmin	974
Diamond	2008	4	650	Corebeil	332
Diamond	2009	27	6,810	Boart Longyear	3,611
Diamond	2010	24	5,530	Boart Longyear	2,894
<b>Total Diamond Drilling</b>		<b>65</b>	<b>14,100</b>		<b>7,811</b>
RC	2007	10	1,970	Layne	984
RC	2008	66	8,440	Layne	4,217
RC	2010	73	8,470	Drift	4,196
<b>Total RC Drilling</b>		<b>149</b>	<b>18,880</b>		<b>9,397</b>
Sonic	2010	17	650	Boart Longyear	586
Sonic	2011	32	3,840	Boart Longyear	3,047
<b>Total Sonic Drilling</b>		<b>49</b>	<b>4,490</b>		<b>3,633</b>
<b>Total of All Drilling</b>		<b>263</b>	<b>37,470</b>		<b>20,841</b>

#### 2011 Drilling Procedures

Drilling was supervised by qualified Marlin geologists who were stationed nearby the drill sites 24 hours per day during the program. Drill locations were planned by a geologist and located on plans and sections. Once the planned drillhole was approved by management, the drillhole location was located in the field by a geologist using a GPS. The geologist flagged the location and supervised the pad construction. In the case of a diamond hole, a sump was usually dug nearby with a backhoe.

To mark the location of all completed holes, a PVC or a metal tube was cemented into the hole and the drillhole number was marked on the tube as well as etched into the cement.

Down hole survey readings were usually taken once a hole was completed. Readings were typically taken at the bottom of the hole and then every 50 m upward, however many holes did not have completed surveys due to unstable ground conditions at the completion of the hole. Down hole surveys were completed utilizing a flex-it down hole tool drawn through the open hole where this was possible.

Due to generally poor sample recovery with conventional diamond core and reverse circulation drilling, Marlin employed sonic drilling in the Taunus Pit during 2011, with the objective to provide a better measure of grade and continuity of mineralization. The sonic drilling was completed under contract to Boart-Longyear.

Sonic drilling employs the use of high-frequency, resonate energy to advance a core barrel or casing into subsurface formations. The sonic drill has the capability to recover unconsolidated material with a minimum of disturbance as well as coring consolidated material. Contamination is minimized by the process of overriding the core barrel to limit the amount of foreign material that can enter the sample. As there is no wire line system, the complete drill string must be pulled to retrieve the sample. Three sizes of core barrels are used; nominally 5" (12.7 cm), 6" (15.24 cm) and 7" (17.78 cm). Typically, the hole will begin with the larger diameter core, reducing with depth.

#### Interpretation and Relevant Results

SRK is of the opinion that the Marlin drilling operations were conducted in a professional manner, and that the RC chips, diamond drill core and sonic drill material were handled, logged and sampled in an acceptable manner by professional geologists and the results are suitable for use in resource estimation.

Reputable contractors using industry standards have conducted the drilling. Drilling conditions on the Taunus project are considered to be very challenging due to the nature of the rock in most of the resource area. Unconsolidated breccias have been encountered to depths of 250 to 300 m. Due to these conditions, it is not

uncommon to get drilling rods stuck in the hole or lose a drillhole due to caving. As such, drillers need to case the hole as deep as possible and keep the hole “conditioned” using a variety of drilling muds. Marlin has worked closely with the drilling contractors to develop and refine techniques to optimize the drilling.

### ***Sampling, Analysis and Data Verification***

#### **Drill Hole Sampling**

Historic sample data was obtained from Exploraciones Eldorado’s Feasibility study drill programs; they describe their sampling and procedures in their Feasibility and summary geology reports.

All Eldorado drillholes were completed by reverse circulation, collecting samples at 2 m intervals. For dry holes, a double cyclone was used to minimize loss of fine material. A rotary splitter was used for wet holes, and in some cases, a series of two rotary splitters were used. Samples were collected from both outlets of the splitter. Flocculent was used to facilitate sedimentation of fine material in pails before collection in sample bags. Sample bags were “micropore” sample bags. For dry samples, a Jones splitter was used to reduce sample size to between 2 and 5 kilograms.

During the 2007 to 2011 drill program, Marlin sampled both diamond and reverse circulation drillholes. Diamond sample intervals were marked by a geologist using pink flagging and sample tags. Intervals were based on geology and have a minimum length of 40/cm and a maximum length of 2 m. Recovery and RQD was measured on all sample intervals. Drill core was photographed in both wet and dry conditions, using a digital camera. Diamond drill samples were cut in half with a gas powered diamond core saw. Half samples were placed in a plastic bag with a sample number and sealed with a plastic tie and sent to the Inspectorate sample prep facility in Durango, Mexico.

Reverse circulation chips were sampled on 2 m intervals at the drill rig. Drilling consisted of two 12 hour shifts and sampling was under direct supervision of a geologist on both shifts. For dry holes samples were collected using a cyclone into a large plastic bag inside a rice bag. Dry samples were weighed to check for recovery and then split at site with a Jones splitter. The Jones splitter was cleaned with compressed air between samples. Wet samples were collected using a rotary splitter into plastic pails. The rotary splitter was set to split the samples into a ¼ and ¾ splits. The ¼ split was transferred from the bucket into clear plastic bags and sealed with a plastic tie. Samples were left to settle and small holes were poked in the top of the bags when the water was clear to drain. On occasion, samples were composed of colloidal material which did not settle, these samples were placed in large double plastic bags inside a rice bag and sent in their entirety to the inspectorate sample prep lab in Durango.

#### **Marlin 2011 Sonic Sampling**

To provide an even split, the sample was frozen in the plastic bag and cut with a diamond saw just as diamond core samples. Water is added to the sample prior to freezing to consolidate dried or damp sections then placed in a custom built 'walk in freezer'.

Prior to shipping to the sample preparation facility, quality control samples including a field blank, certified reference material (standard) and a field duplicate are added into the sample stream at the rate of one of each per 20 samples submitted.

#### **Marlin Mining Quality Assurance and Quality Control Procedures**

A comprehensive quality assurance/quality control (“QA/QC”) program has been established at Trinidad (Taurus) and includes routine insertion of standards, field duplicates as indicated previously, but also includes a preparation duplicate split after coarse crushing in each group of 20 samples. Pulp duplicates taken by Inspectorate were also incorporated with the field and preparation duplicates to monitor precision at each stage of sample mass and particle size reduction.

Analytical results from the quality control samples were continuously and independently monitored to assure that the quality of analyses is maintained. A ‘failure table’ was been maintained to document departures from the accepted limits and to track corrective action. Assays exceeding the acceptable limits are examined to determine if



there has likely been a sample mix-up in the field or laboratory, or whether it is likely an analytical issue that will require corrective action. Where necessary the analytical batch is re- assayed.

### Bulk Density

Specific gravity (“SG”) measurements were taken to determine appropriate bulk density values for both the mineralized and unmineralized rocks.

Bulk density samples were collected by four methods:

- waxed core;
- waxed sonic;
- vacuum; and
- in-situ measurement.

The core SG determinations were done on dried waxed core. These types of core samples did not include the matrix of the breccia. The core samples were wax sealed and weighed in water and to calculate a specific gravity value.

The sonic samples represent dried and waxed clasts and matrix. They exhibit generally lower SG values than the core SG values. The lower SG values are most likely due to some swelling of the in situ volume after extraction. Once again SG was derived by differential weight of the material in air and water.

The vacuum sealed plastic bag samples were tested by first vacuum sealing core material before water immersion measurement of SG. Remnant air in the sealed bag made this method unreliable. In-situ measurement of density was completed by excavating a known volume from the pit bottom or other location and weight the material derived from the sample.

### Historic Data

Marlin received all property data in paper format. Drill logs were provided without assay data, but with sample interval and sample identification number. Assay data was provided as copies of the original assay certificates. A collar location file, or list of collar coordinates, was not included with the data package.

Marlin manually entered into Excel the geologic data, geologic interval, and sample number. Assay certificates were scanned and processed with optical character recognition (“OCR”) software. Misidentification errors created by the OCR software amounted to less than 0.1% and were mainly restricted to specific assay report pages. Corrections were then made to the digital database by manual entry. As a final verification step, 2% of the digital geologic data and the sample intervals, each, were checked against the original data. The final scanned assay data were found to be without error, after a random check of 5% of the data. Following this, a check was made of 10% of the assay data, which recorded an error rate of 0.3%.

Drill collar locations were determined from collar location maps. Location maps of Eldorado displayed a “UTM” grid, but did not specify the UTM projection. It was found that the projection was neither NAD 27, NAD 83, nor WGS84. Maps were then scanned, and registered to existing topographic features present in the field, and on the maps. In most areas, the planned and actual pit outline, and existing road and drainage traces, corresponded within 5 m, suggesting relatively small spatial error was imparted by the registration process. Collar locations were then digitized from the maps, and a drill collar location file created from these data. During a site visit in August 2007 a drill collar for hole TCC-090 was spotted in the field and GPS measurements indicated reasonable agreement given the GPS’ accuracy.

### Verification by SRK

SRK visited the La Trinidad project in July, 2011. Mike Johnson, P.Geo. (APEGBC# 34923) traveled to the site on July 4, 2011 and left the site on July 6, 2011. The site visit was completed while drilling was underway on the project. During the site visit, SRK reviewed the data accumulated on the property, the local and regional geology in outcrop, the historic pit, and sonic drill material. SRK also observed and reviewed the processes and procedures

associated with sonic drilling, logging, sampling and material handling, and shipping. SRK found that the procedures and practices being implemented were reasonable for the geology of this deposit and the drilling method being utilized.

#### Database Verification

SRK downloaded assay certificates from Inspectorate Labs and compared them with the assays from the database. Approximately 6,150 samples were compared and 200 assays from the lab certificates had different values than those in the database. Most of the miss-matched assays turned out to be re-assays of the failed batches. A small portion was identified as data entry errors. Those were corrected in the database.

A portion of historical Eldorado data available in PDF format was converted to ASCII format and compared with the database assays. Approximately 1,550 assays were compared. Some errors in 96 assays were resolved.

After the review, SRK is of the opinion that the Trinidad Property database is sufficiently reliable for resource estimation.

#### Comparisons of different data types

The La Trinidad project has been drilled out by three types of drill holes: RC, Core, and Sonic. Throughout the history of the project there has been some concern that assays from RC holes may be biased on the low side. In 2009, Marlin drilled four diamond twins of RC holes. Results from the core holes confirmed that the assays from RC drilling are generally biased on the low side.

For the 2011 resource update, SRK made some additional comparisons of assays from different types of drill holes. The comparisons confirmed that assays from RC drill holes are marginally biased closer to surface in the Top domain and strongly biased at depth in the Bottom domain. In the Bottom domain, assays from the Sonic drilling or from the core drilling are generally much higher. For this reason, for the estimation, assays from RC drilling in the Bottom domain were not used. Note that a description of the Top and Bottom zones is provided in the Resource Section.

#### Verification of Analytical Quality Control Data

Analytical results following the 2008 NI 43-101 Technical Report and prior to 2010 were continuously monitored by a QC program consisting of the insertion of standards, blanks and duplicates. The 2010 drill program continued with the sampling protocol established with the previous program with a number of changes implemented as the program was evaluated. These changes included the increase in the number of quality control samples submitted, introduction of new standards, the insertion of more systematic preparation duplicates and regular update reports to management and field staff. Reports include a 'failure table' documenting all samples exceeding established limits indicating any corrective action taken. In addition to the routine QC samples inserted into each sample shipment, a randomly selected set of pulps were submitted to a second laboratory as a check on relative accuracy.

#### 2010 Monitoring of Analytical QA/QC

##### *Accuracy*

To monitor accuracy, certified reference materials (standards) were inserted at regular intervals in the sampling stream. All standards in use were purchased from CDN Resource Laboratories Ltd. of Langley BC, Canada. All standards are certified through a round robin program consisting of 120 analyses at 12 independent laboratories.

A listing of the standards in use, recommended values and standard deviation can be found in Table 4.1. Also listed are the actual results received from the prime analytical laboratory.

**Table 4.1: Standards Used on the Resource Analytical Dataset**

Standard	Analyses	Certified Mean	Certified SD	Actual Mean	Actual SD	Bias %
CDN-GS-1E	14	1.16	0.030	1.20	0.064	3.67
CDN-GS-4A	20	4.42	0.230	4.42	0.281	-0.06
CDN-GS-14A	6	14.9	0.435	14.89	0.806	-0.05
CDN-GS-P8	124	0.78	0.030	0.79	0.030	1.08

Note: SD = standard deviation

Upper and lower control limits (“UCL” & “LCL”) are established at recommended mean  $\pm 3s$  (standard deviation) and warning limits (“UWL” & “LWL”) at recommended mean  $\pm 2s$ . Assuming a normal distribution of analyses of a single standard, one could expect 5% of analyses exceeding  $\pm 2s$  and only 0.3% of analyses exceeding  $\pm 3s$ . Any single standard analyses beyond the UCL or LCL is considered a ‘failure’. In addition two successive standard analyses exceeding UWL or LWL on the same side of the mean could also constitute a ‘failure’.

Analytical batches are not automatically re-analyzed in the event of a standard failure; the complete batch is examined to determine the cause and significance of the failure. Analyses with large differences from expected values are often mixed standard identifiers or have been switched with a routine drill samples. Batches where all results are less than detection generally do not require reanalyses, but batches where there are mineralized results are always re-analyzed if it is determined that the error is analytical rather than a sample mix-up.

#### *Precision*

Precision was monitored through a program of field and laboratory duplicates representing each time a sub-sample was taken. These included quarter core duplicates from drill core, a duplicate split from RC cuttings and preparation duplicate splits after coarse crushing. In addition to these samples, Inspectorate Lab routinely analyzed pulp duplicates. With the exception of gross errors indicating sample mix-ups, samples or batches are not passed or failed based on the results of duplicate analyses, rather they indicate how representative the sampling and sub sampling procedures are. The general expectation is that the precision will improve progressively from the field duplicate to preparation duplicate to pulp duplicate as the samples become more homogenous due to finer crushing, pulverizing and mixing. It is also expected that precision will improve with concentration.

Of all of these duplicates, the most important are the duplicates of the core and RC cuttings (the first split) as precision error estimated with these data is a cumulative error, which will include all subsequent sample preparation and analytical error as well as the natural variation of the parent material.

The split core represents the maximum geological variability and ideally the duplicate should consist of the other half of the primary sample. As this leaves no material for that interval for a permanent record, this practice is often not acceptable and as a compromise, ¼ split core is used, ¼ core sent to lab as primary sample, and ¼ core sent as duplicate with a half core split retained in box.

#### Contamination

Contamination during sample preparation is monitored by the routine insertion of coarse field blank material that goes through the complete sample preparation process of crushing and pulverizing. It is industry practice to set an arbitrary limit at 5X the detection. With some assays with very low detection limits this can be unrealistic as the normal background of the material can be greater than 5X the detection limit. There were a relatively large number of failures early in the program, but there was no indication of contamination in the actual drill samples indicating that the higher values likely originated with the blank material

#### Corrective Action

As indicated previously, all results exceeding the established limits were logged into a failure table with an indication of the nature of the failure and what remedial action if any was required. Where standards have failed,

batch reanalyses would be considered if the interval was mineralized or above background. Where the failure appeared to be due to sample mix-ups or misidentification of the standard, multi-element data was used to compare the analyzed standard with a geochemical ‘fingerprint’ of the specific standard to confirm the actual standard identification. There were 9 groups of samples re-assayed due to QC failures and 11 standards that had been misidentified in the field.

#### External Check Assays

As an external check on relative accuracy, a set of randomly selected pulp samples were submitted to the ALS sample preparation facility in Guadalajara with analyses in Vancouver. The selection was made using a random number generator computer program from a subset of samples that had been geologically determined to be part of the Taunus mineralizing system. The selection consisted of 5% of this subset and included samples from all holes from 2007 to 2010.

Comparing the original Inspectorate analyses with the ALS checks indicates a low bias of the Inspectorate original assays at lower concentrations. The mean of the Inspectorate originals are 2.3% lower than the ALS duplicates. The median of the originals is 14% lower. What is significant, however, is that at the third quartile (75th percentile) the Inspectorate original assays are actually 0.35% higher than the check samples.

Overall the check samples are relatively similar to the original sample results.

#### 2011 Monitoring of Analytical QA/QC Accuracy

Accuracy was monitored by the analyses of certified reference material. Six different standards were employed during the 2011 drill program with recommended values ranging from 0.91 g/t to 14.9 g/t gold. The standards employed are certified commercial standards provided by CDN Resource Laboratories Ltd. of Langley BC, Canada (Table 4.2) and have values established by at least 120 analyses from 12 labs.

**Table 4.2: Commercial Standards Utilized by Marlin in 2011**

Standard	Analyses	Certified Mean	Certified SD	Actual Mean	Actual SD	Bias %
CDN-CM-6	65	1.43	0.045	1.488	0.067	4.04
CDN-CM-8	1	0.91	0.055	0.957	-	5.16
CDN-GS-14A	5	14.9	0.435	15.035	0.962	0.9
CDN-GS-1G	91	1.14	0.045	1.128	0.058	-1.07
CDN-GS-4C	6	4.26	0.11	4.093	0.211	-3.93
CDN-GS-6A-ICP	51	5.69	0.24	5.673	0.255	-0.29
CDN-GS-6A-GRAV	51	5.79	0.23	5.631	0.962	-2.75

There were 23 standard analyses considered ‘failures’ during the drill program. Four of these were identified as misidentified standards. Ten standard failures required corrective batch re-analyses.

#### *Precision*

Precision of the analytical results has been monitored plotting field duplicate, preparation duplicates and pulp duplicates (from Inspectorate’s internal QC program) on a variety of plots including scatterplots, ARD% vs. rank and ARD% vs. pair mean.

Although there is considerable variability in the gold analyses at the various stages of sample grain size/volume reduction as interpreted from the various plots, an overall measure of precision error expressed by the average coefficient of variation (CVAVE(%)) indicates that the results are within the high range the acceptable precision. The

CVAVE(%) for duplicate analyses was 29% for field duplicates, 19% for preparation duplicates and 15% for pulp duplicates.

#### *Contamination*

To monitor contamination during the sample preparation stage, coarse blank material from a local quarry was inserted into the sample stream at a rate of 1 in each group of 20 samples submitted. A general industry guideline is that blanks should not return results greater than 5 times the detection limit. This guideline obviously has to take into account the actual detection limit and the gold background values of the blanks. As the background was variable a threshold of 0.05 g/t was used rather than the 0.025 g/t gold based on the detection limit.

There were three analyses exceeding the threshold and were documented in the failure table. It was concluded that these analyses represented some minor contamination from a very high grade section, with no indication of contamination of following samples.

#### *External Check Assays*

As a check for relative bias and as an independent confirmation of grade, 139 sonic core pulps from the 2011 drill program were randomly selected and submitted to a second laboratory for gold analyses. The samples, representing 5% of all core samples analyzed, were assayed at the ISO 9001 accredited Activation Laboratories Ltd. (Actlabs) facility in Zacatecas, using comparable methods as those used by Inspectorate for the primary analyses.

A statistical summary of the original and duplicate results indicates that there is a relative high bias of the primary Inspectorate assays compared to the Actlabs check assays of 0.678% comparing means and 5.479% comparing medians. Correlations are good at 0.994 and 0.989. Significant outliers were removed prior to statistical calculations.

The primary analytical laboratory, Inspectorate, is an ISO 9001:2008 accredited laboratory. External check assays have been performed at Actlabs in Zacatecas, Mexico, which is also accredited to ISO 9001 and at ALS in Vancouver, which is accredited to ISO/IEC 14025:2005.

The quality control and check assays completed confirm that the 2010 and 2011 Trinidad (Taunus) assay data is accurate, precise and free of contamination to industry standards and is of sufficient quality to be used in resource estimation.

#### ***SRK Conclusions on Data Verification***

The drilling, logging and sampling procedures described in previous sections are consistent with industry standards and are suitable for resource estimation. The sample length is appropriate to accurately characterize the mineralization and distinguish any zones internal to the mineralization which may have anomalously high or low grades.

After reviewing Marlin's procedures, practices, QA/QC data as well as the monitoring compilation produced by G.N. Lusting Consulting, SRK found that the methods implemented were reasonable for the geology of this deposit and the applied drilling methods. SRK is of the opinion that the Trinidad Project database is sufficiently reliable for resource estimation.

#### ***Security of Samples***

##### Marlin 2007-2011 Sample Preparation

Samples were transported by company employees directly to the sample preparation facility of Inspectorate de Mexico, S.A de C.V., in Durango, Mexico, maintaining chain of custody until received by the lab.

Samples were crushed in a jaw crusher to >70% passing 10 mesh (2 mm). A 250 g split of the 10 mesh material was pulverized to >85% passing 200 mesh (75 µm) using a ring-and-puck pulverizer. A split of this pulp was sent to Inspectorate's ISO 9001:2008 certified analytical lab in Sparks (Reno), Nevada, USA.

Gold was analyzed by fire assay fusion of a one assay ton sample (29.17 g) followed by digestion of the resulting bead in aqua regia and analyzed for gold by atomic absorption spectroscopy (“AAS”). Samples returning an initial assay of greater than 5 g/t gold are re-assayed by fire assay followed by gold separation by nitric acid and a gravimetric gold measurement.

Inspectorate inserts standard reference materials, analytical blanks and pulp duplicates in each analytical batch. The first sample in each work order is coarse barren rock that is prepared to a pulp in the same manner as the routine samples. It is only analyzed if the first drill sample of the work order is “suspicious”.

### ***Mineral Resource and Mineral Reserve Estimates***

#### Introduction

In February 2011, SRK prepared a NI 43-101 compliant technical report on resources on the La Trinidad project, based on December 23, 2010 resource estimates (Table 5.1).

**Table 5.1: Previous Mineral Resource December 23, 2010\***

<b>Resource Category</b>	<b>Zone</b>	<b>K-Tonnes</b>	<b>Au Grade (g/t)</b>	<b>Contained Au (koz)</b>
<i>Measured</i>	All Zones	0	0	0
<i>Indicated</i>		3,868	1.51	187
<i>Inferred</i>		2,539	1.45	118

\* Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resource estimate will be converted into Mineral Reserves estimate; Resources stated as contained within a potentially economically minable open pit stated above a 0.3g/t Au cut-off; Pit optimization is based on an assumed gold price of \$1,200/oz, metallurgical recovery of 95% and a processing and G&A cost of \$22.00/t; Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding; and Mineral resource tonnage and grade are reported as diluted to reflect a potentially minable bench height of 6m.

Since then, additional drilling by Marlin led to further updates of the Taunus geology model. Consequently, SRK Consulting (Canada) Inc. (“SRK”) was engaged by Marlin in June 2011 to update the mineral resources for the Trinidad Project.

The mineral resource model presented herein incorporates all drilling completed by Marlin to date. The mineral resource estimate was completed by Marek Nowak, P.Eng. (APEGBC#16985), an appropriate “independent qualified person” as this term is defined in National Instrument 43-101. The effective date of the resource statement is November 29, 2011.

This section describes the mineral resource estimation methodology and summarizes the key assumptions considered by SRK. In the opinion of SRK, the mineral resource evaluation reported herein is a reasonable representation of the gold mineral resources found in the Trinidad Project at the current level of sampling. The mineral resources have been estimated in conformity with generally accepted CIM “Estimation of Mineral Resource and Mineral Reserves Best Practices” guidelines and are reported in accordance with the Canadian Securities Administrators’ National Instrument 43-101. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resource will be converted into mineral reserve.

The database used to estimate the La Trinidad project mineral resources was audited by SRK. SRK is of the opinion that the current drilling information is sufficiently reliable to interpret with confidence the boundaries for hydrothermal breccia mineralization and that the assay data are sufficiently reliable to support mineral resource estimation.

SURPAC Version 6.2 was used to evaluate and validate the geological solids, and GEMS Version 6.3 was used to prepare assay data for geostatistical analysis, construct the block model, estimate metal grades and tabulate mineral resources. Non-commercial software was used for geostatistical analysis and Sage2001 was used for variography.

This section describes the work undertaken by SRK and key assumptions and parameters used to prepare the mineral resource model. Roughly 80% of the overall resource is located in the Taunus deposit. Other resources from the Colinas deposits, referred to in the report as satellite deposits, and almost all in the inferred category, are scattered throughout five much smaller gold mineralized areas. There has been no new drilling done outside the Taunus deposit since the last NI 43-101 report. Therefore, the discussion, and more specifically data statistics, will be presented mainly for the Taunus deposit.

### Mineral Resource Estimation Procedures

The mineral resource evaluation methodology involved the following procedures:

- Database compilation and verification;
- Validation of Marlin designed wireframe models for the boundaries of the mineralization;
- Definition of resource domains;
- Data conditioning (compositing and capping) for geostatistical analysis and variography;
- Block modeling and grade interpolation;
- Resource classification and validation;
- Assessment of “reasonable prospects for economic extraction” and selection of appropriate cut-off grades; and
- Preparation of the Mineral Resource Statement.

### Mineral Resource Database

#### *Drill Holes*

The database used to estimate the Taunus and Colinas Zones was audited by SRK. The gold mineralized boundaries of the Zones were modeled by Marlin personnel and validated by SRK.

SRK is of the opinion that the current exploration information is sufficiently reliable to adequately interpret the boundaries of the gold mineralization and that the assay data are sufficiently reliable to support the estimation of mineral resources.

The Trinidad database was provided to SRK in an Access format. Within the mineral resource area, the database contains almost 22,000 samples from 384 drill holes. Table 5.2 provides a summary of the database used for the Trinidad resource estimation.

**Table 5.2: Exploration Data within the Trinidad Resource Area**

Source	Type	Number DH	Length (m)	Number of Samples
Marlin	DDH	56	12,060	6,839
	RC	80	11,637	5,822
	Sonic	38	4,300	3,510
Eldorado	DDH	4	312	195
	RC	206	11,080	5,540

The Trinidad database comprises data from drilling programs conducted by Marlin as well as Exploraciones Eldorado during the period 1994 to 2010. The 2011 database received by SRK is much smaller than the database with more than 600 drill holes reported by SRK in the previous report. The current database includes only historical drillholes (Eldorado) to which there is access to drill logs or assay certificates. In addition, the historical drill holes had to have located and surveyed the collars to be included for the resource estimates. Current drillhole database includes additional 92 holes not used in the December 2010 resource model, as they were completed after this analysis.

## Bulk Density

The available SG data was evaluated to determine appropriate bulk density values to be used to convert volumes into tonnages. Currently, there are a large number of bulk density data collected by four methods: (1) waxed core, axed sonic, (3) vacuum, and (4) in-situ.

The core SG determinations were done on dried waxed core. These types of core samples do not include the matrix of the breccia. The sonic samples represent dried and waxed clasts and matrix.

## *Solid Body Modeling*

Solid models were created by Marlin using Vulcan three dimensional (“**3D**”) wireframes. The wireframes were used to bound the gold mineralization and the geological and structural units. SRK reviewed all wireframes.

To create a 3D model in the Eldorado-HS zone, geological units, gold and zinc grades were interpreted on 60 east-west cross sections at 30 m spacing. Zinc was used to guide the overall trend of the gold mineralization, while gold values and brecciated quartz porphyry (“**BQP**”) geology were directly used to form the final models. Sections were interpreted between 2,537,510 mN and 2,536,850 mN. The sectional interpretation for the BQP geological unit and gold grades were then imported into Vulcan where 3D polygons were created for these units by snapping to the holes.

Interpretation of the gold mineralization was based on a combination of geology, gold grade, zinc grade and field observations. A 0.2 g/t cut-off for gold grade was used as a guide for the polygons, which were modeled roughly parallel to the interpreted geology.

## *Evaluation of Outliers*

Block grade estimates may be unduly affected by very high grade assays. Therefore, the assay data were evaluated for the high grades outliers. The capping values were chosen by establishing a correlation between indicators of assays in the same drill holes at different thresholds and by reviewing probability plots. The inflection points on probability plots at high ends of grade distributions were interpreted as thresholds to high grade populations and candidates for choice of capping. Capping was completed on original assays in the Top and Bottom domains and is presented in Table 5.3. No capping was carried out in the satellite deposits.

**Table 5.3: Capping of Original Assays in the Eldorado-HS Zones**

<b>Domain</b>	<b>Ndat</b>	<b>Maximum Value</b>	<b>Cap Value</b>	<b>Number Capped</b>	<b>Lost Metal (%)</b>
Top	3881	68.57	15	17	3
Bottom	1314	104.6	30	5	9

## Model Validation

The Taunus resource block model was validated by completing a series of visual inspections and by:

- Comparison of declustered average capped composite grades with average block estimates;
- Comparison of local “well-informed” block grades with composites contained within those blocks; and
- Comparison of average assay grades with average block estimates along different directions– swath plots.

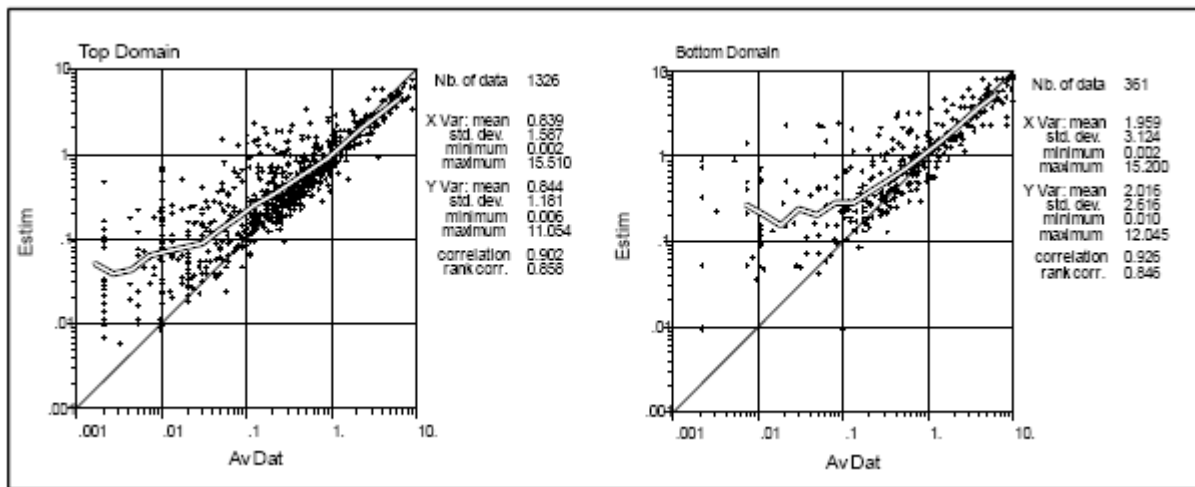
Table 5.4 shows how the declustered average composite assay grades compare with the block estimated grades in the mineralized zones. Overall, the block estimated grades are quite close to the average composite grades. One of the largest differences is in the RedZ domain. Considering that there are only 86 composite assays in this domain, the differences are acceptable. Note that the average block grades represent straight average and were not weighted by the mineralized volumes.



**Table 5.4: Comparison of assay grades to estimated block grades**

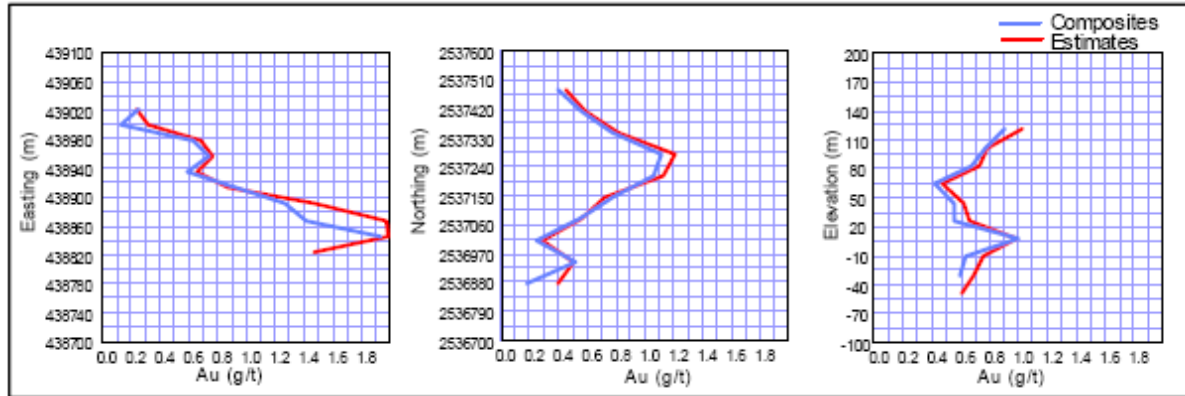
Domain	Average Au (g/t)	
	Assays	Estimates
Top	0.78	0.83
Bottom	1.68	1.6
RedZ	0.41	0.48
Tmq1	0.21	0.23
Colo02	0.68	0.68
Colo05	0.7	0.68
Boca	0.23	0.23

Figure 8 shows a comparison of estimated gold block grades with borehole assay composite data contained within those blocks within the Top and Bottom gold mineralized domains in the Taunus deposit. On average, the estimated blocks are similar to the composite data, although there is a substantial scatter of points around the  $x = y$  line. This scatter is typical of smoothed block estimates compared to the more variable assay data used to estimate those blocks. This is indicated by a thick white line. The thick white line that runs through the middle of the cloud is the result of a piece-wise linear regression smoother.

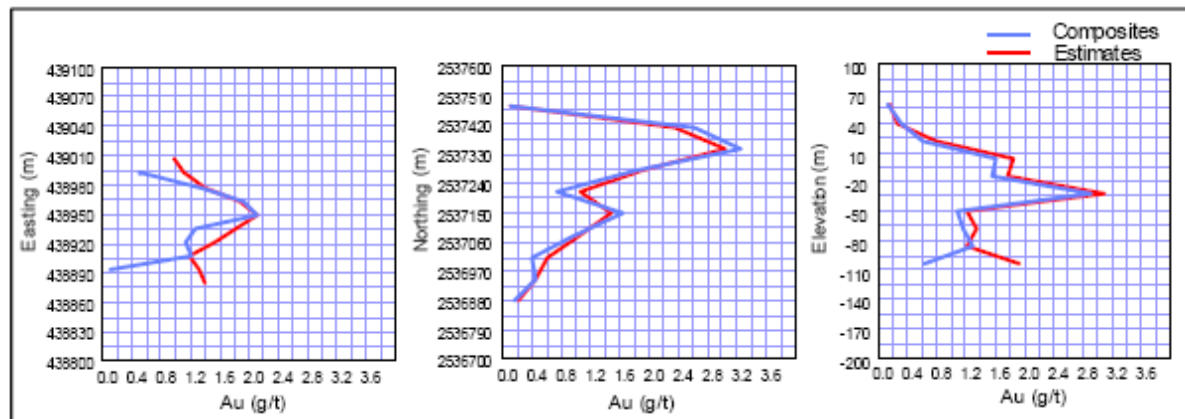


**Figure 8: Comparison of Block Estimates with Borehole Assay Data Contained Within the Blocks in the Gold Mineralized Domains in the Taunus Deposit**

As a final check, average composite grades and average block estimates were compared along different directions. This involved calculating de-clustered average composite grades and comparison with average block estimates along east-west, north-south, and horizontal swaths. Figure 9 and Figure 10 show the swath plots in the Top and Bottom domains. The average composite grades and the average estimated block grades are very similar in all directions. Overall, the validation shows that current resource estimates are a very good reflection of drill hole assay data.



**Figure 9: Declustered Average Gold Composites compared to Gold Block Estimates in the Top Domain**



**Figure 10: Declustered Average Gold Composites compared to Gold Block Estimates in the Bottom Domain**

### Mineral Resource Classification

Block model quantities and grade estimates for the La Trinidad project were classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves (December 2005) by Marek Nowak, P.Eng. (APEGBC#16985), an appropriate independent qualified person for the purpose of NI 43-101.

SRK is satisfied that the geological modeling honors the current geological information and knowledge. The location of the samples and the assay data are sufficiently reliable to support resource evaluation. The sampling information was acquired primarily by core, RC, and sonic drilling.

Sample data in the Taunus deposit are sufficient for geostatistical analysis and evaluating spatial grade continuity by variography. For the satellite deposits, there are an insufficient number of assays to model reliable variograms. SRK is therefore of the opinion that the amount of sample data is generally sufficient to demonstrate reasonable geostatistical confidence for the Taunus deposit, but that for the satellite deposits there is a low confidence in both geological and grade continuity.

The estimated blocks were classified according to:

- Confidence in interpretation of the gold mineralized zones;
- Continuity of Au grades defined from the variogram models in the Taunus deposit;
- Number of data used to estimate a block; and
- Average distance to the composites used to estimate a block.

In order to classify gold mineralization as an Indicated Mineral Resource, “the nature, quality, quantity and distribution of data” must be “such as to allow confident interpretation of the geological framework and to reasonably assume the continuity of gold mineralization.” (CIM Definition Standards on Mineral Resources and

Mineral Reserves, December 2005). To satisfy this requirement, all blocks estimated during the first step of the estimation process in the Top and Bottom domains were flagged for Indicated category. Search radii in the first step can be roughly approximated to modeled grade continuity at 85% of the variogram sill. Those blocks were estimated from three or more drill holes within an average distance from samples to estimated blocks of approximately 15 m in the Top and 20 m in the Bottom domains.

The boundaries of the Indicated category were adjusted by a smoothing procedure. This procedure excluded small clusters of blocks assigned to the Indicated category and included some areas originally assigned to the inferred category. This necessary smoothing of the boundaries resulted in a number of blocks re-classified from the Inferred to the Indicated resource. All estimated block grades not assigned to the indicated category were assigned to the inferred category.

Considering the higher uncertainty of volume of smaller gold mineralized domains in the satellite deposits, SRK considers that resource blocks in those domains would be appropriately classified as an Inferred Mineral Resource.

### Mineral Resource Statement

CIM Definition Standards for Mineral Resources and Mineral Reserves (December 2005) defines a mineral resource as:

*“A concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge”.*

The “reasonable prospects for economic extraction” requirement generally implies that the quantity and grade estimates meet certain economic thresholds and that the Mineral Resources are reported at an appropriate cut-off grade taking into account extraction scenarios and processing recoveries. SRK considers that the gold mineralization evaluated on the La Trinidad Property is amenable for open pit extraction.

In order to determine the quantities of material offering reasonable prospects for economic extraction from an open pit, SRK used a Whittle pit optimizer to evaluate the profitability of each resource block based on certain optimization parameters selected from comparable projects. The optimization parameters include: mining costs of US\$1.50 per mined tonne, material processing and G&A costs of US\$5.00 per processed tonne, overall pit slope angles of 45°, metallurgical recovery of 70%, and a gold price of US\$1,365 per ounce was used. The reader is cautioned that the results from the conceptual pit optimization work are used solely for the purpose of reporting Mineral Resources that have “reasonable prospects” for economic extraction by an open pit and do not represent an attempt to estimate mineral reserves.

SRK considers that the blocks located within the conceptual pit envelope show “reasonable prospects for economic extraction” and can be reported as a mineral resource. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resource estimate will be converted into Mineral Reserves estimate.

The Mineral Resource Statement for the Taunus and the Colinas (satellite) deposits at 0.3 g/t cut-off is presented in Table 5.5.

**Table 5.5: Mineral Resource Statement\*, Trinidad Project, State of Sinaloa, Mexico, SRK Consulting (Canada) Inc., November 29, 2011**

Domain	Classification	Tonnes (000's)	Gold (g/t)	Contained Gold (oz)
Top	Indicated	2,096	1.09	73,340
Bottom		2,229	2.45	175,240
Bocas		1	0.68	20
RedZ		1	0.42	10

<b>All Indicated</b>		<b>4,326</b>	<b>1.79</b>	<b>248,610</b>
Top		517	0.88	14,554
Bottom		285	1.77	16,275
Bocas		532	0.57	9,710
RedZ		185	0.54	3,215
Tnq1	Inferred	221	0.55	3,936
Colo02 Colo05		90	0.68	1,975
		94	0.85	2,580
<b>All Inferred</b>		<b>1,925</b>	<b>0.84</b>	<b>52,245</b>

Note: Reported at a cut-off of 0.3 g/t. Mineral resources are not mineral reserves and do not have demonstrated economic viability. All numbers have been rounded to reflect the relative accuracy of the estimates.

### Sensitivity Analysis

The mineral resources of the La Trinidad Property are sensitive to the selection of the reporting cut-off grade. To illustrate this sensitivity, the block model quantities and grade estimates within the conceptual pit used to constrain the mineral resources are presented in Table 5.6 and Table 5.7 at different cut-off grades. As can be observed from these cut-off tables, the resource is relatively insensitive to cut-off grade in the 0.2 to 0.5 g/t Au cut-off range on a contained metal basis, which is likely the cut-off grade range of economic interest.

The reader is cautioned that the figures presented in this table should not be misconstrued with a Mineral Resource Statement. The figures are only presented to show the sensitivity of the block model estimates to the selection of cut-off grade. Figure 11 and Figure 12 present this sensitivity as grade tonnage curves.

**Table 5.6: Sensitivity Analysis of Indicated Resources from the Taunus and Satellite Deposits**

<b>Cut-off (g/t)</b>	<b>Tonnes (000's)</b>	<b>Gold (g/t)</b>	<b>Contained Gold (oz)</b>
0.1	5,631	1.42	256,820
0.2	4,945	1.59	253,520
0.3	4,326	1.79	248,610
0.5	3,449	2.14	237,470
0.8	2,503	2.71	218,100
1	2,075	3.08	205,820
1.5	1,473	3.85	182,140
2	1,142	4.46	163,650

Note: The reader should be cautioned that the figures presented in the table should not be misconstrued as mineral resource statement.

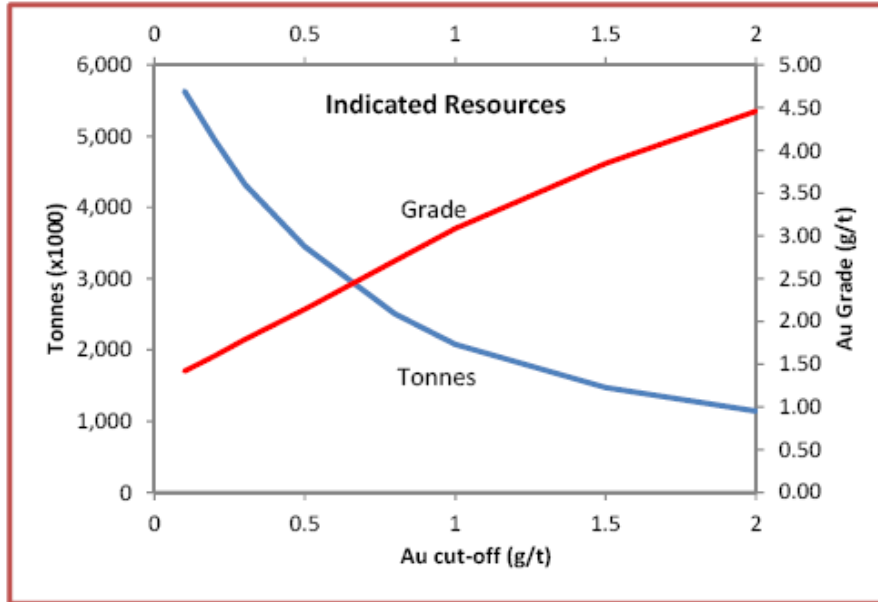
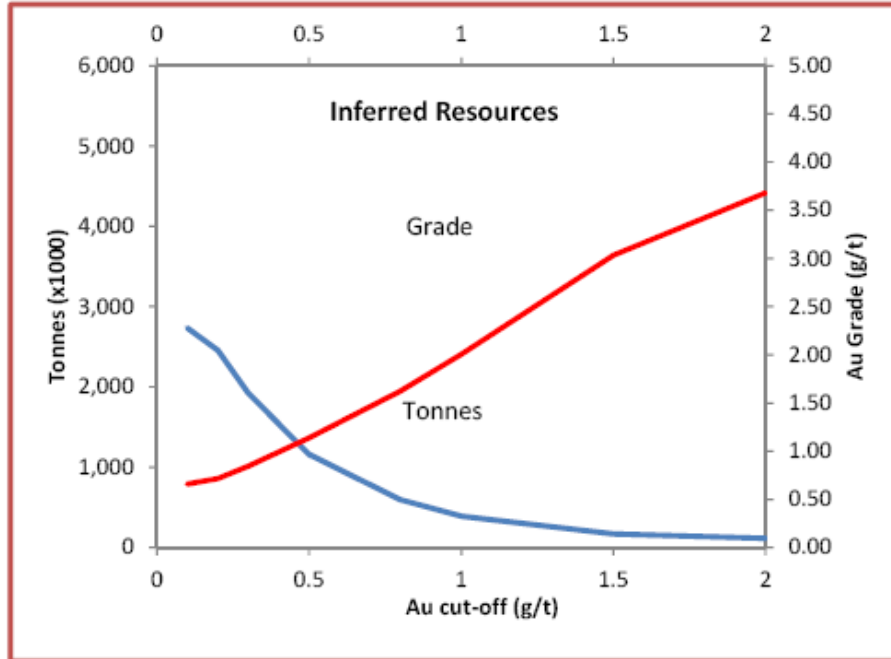


Figure 11: Grade Tonnage Curves for Indicated Mineral Resources in the Taunus and Satellite Deposits

Table 5.7: Sensitivity Analysis of Inferred Mineral Resources from the Taunus and Satellite Deposits

Cut-off (g/t)	Tonnes (000's)	Gold (g/t)	Contained Gold (oz)
0.1	2,735	0.66	57,930
0.2	2,453	0.72	56,530
0.3	1,925	0.84	52,240
0.5	1,162	1.14	42,590
0.8	596	1.62	31,140
1	392	2.01	25,270
1.5	172	3.03	16,770
2	116	3.68	13,710



**Figure 12: Grade Tonnage Curves for Inferred Resources in the Taunus and Satellite Deposits**

***Mining Operations (As at August 31, 2018)***

To date, mining operations at La Trinidad have been mostly in line with the analysis from the La Trinidad PEA (as outlined further in this section). Specifically, Marlin’s Mexican subsidiary contracted the drilling, blasting and hauling of material from the Taunus deposit to Peal Mexico S.A. de C.V. (“PEAL”). PEAL supplies a mining fleet of anywhere from nine to twelve 100 t capacity (Caterpillar 777 or equivalent) rigid body haul trucks supported by one to two front end loaders and one to two hydraulic excavators. The PEAL mining fleet has averaged a production rate of 50 kt/d.

***Mining Operations (As Contemplated in the PEA)***

The Taunus deposit was historically mined by Eldorado Gold Corporation and is situated in relatively flat terrain, ringed by ephemeral arroyo’s in a semi-arid environment that are influenced by periods of heavy rain in the wet season. To the north and south, the Taunus pit is supported by two satellite areas of mineralization that are currently classified as inferred. For the La Trinidad PEA, the size of the pits have not been constrained by site infrastructure, arroyo’s or other factors that may reduce the size of the potential pit and a 45° slope formed the bases for potential economic extraction. The final pit was determined to be approximately 225 m deep, 900 m from north to south, 550 m from east to west with a total volume of 27 Mm<sup>3</sup>. Above a cut-off grade of 0.17 g/t Au, the total feed is estimated at 7.8 Mt at a grade of 1.12 g/t Au with a strip ratio of 7.2:1 (waste: feed) and 281 koz of gold contained in situ before recovery. The production schedule calls for a 5 year mine life with annual gold delivery to the heap of 30 koz Au, 40 koz Au, 60 koz Au, 60 koz Au and finally 90 koz Au with an average LoM total production rate of 37 kt/d.

The mine fleet will likely consist of 100 t capacity (Caterpillar 777 or equivalent) rigid body haul trucks supported by either front end loaders or hydraulic excavators. Blasting will be included in the default mine assumptions but some areas may be amenable to free-dig operations.

It is likely that mine contractors will be employed at Taunus and initial contractor interviews have been taking place through early 2012.

Waste will be disposed approximately 1.5 km away from the pit.

The mineral resource numbers referenced in the mining and economic modeling section are based on an internal cut-off of 0.17 g/t. This is different from the 0.3 g/t reported above. As such, mining figures represent diluted grades to a selective mining unit of 5 m x 5 m x 5 m that result in more tonnes at a lower grade and slightly less contained ounces than reported in the resource.

The La Trinidad PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this La Trinidad PEA will be realized.

Assumed Pit slope design constraints

Open pit production rate will be 32,000 t/d over 5 years to mine to the ultimate pit shell. This mining rate includes stripping and waste rock removal. A mining flitch will be in 5 m vertical block height increments. A single operating bench is assumed to be 3 flitches or 15 m high. Consistent, good quality controlled blasting will be used to produce a relatively undisturbed wall face.

The average density of the heap material is assumed to be about 2.7 t/m<sup>3</sup> and the averaged density of waste rock is about 2.53 t/m<sup>3</sup>. These values were used to convert pit volumes into tonnes of rock mined.

This area of Mexico receives over 120 cm of rain per year. Groundwater elevations are known to be near the ground surface from observations of water levels in the inactive pit. It is anticipated that pit dewatering will be required to depressurize the rock mass below the pit walls. This will be necessary to maintain the required stability of pit walls. Dewatering will be on an inter-ramp scale on all rock walls.

Pit Design Parameters

Table 6.1 is a summary of the recommended geotechnical design parameters for the open pit design. Pit design parameters will need to be verified with additional slope stability analyses for the prefeasibility design, however, for this scoping-level design the parameters are reasonable.

**Table 6.1: Pit Design Parameters**

<b>Parameter</b>	<b>Unit</b>	<b>Value</b>
Overall Slope Angle	Degrees	45
Batter Angle	Degrees	65
Bench Height	m	15
Berm Width	m	7
Double Bench Height	m	30
Double Bench Berm Width	m	14
Max Height to Catch Bench	m	100
Ramp Width – 2 way	m	14
Ramp Width – 1 way	m	7
Ramp Gradient (Shortest)	%	10

Pit Optimization

Pit optimization was based on preliminary economic estimations of mining, processing and selling related costs. These preliminary costs are likely to vary from those reported in the final economic analysis, which are based on the final pit selection and mine production schedule. As part of the resource evaluation, Whittle® pit optimizations were carried out on Taunus Deposit. For the La Trinidad PEA, pit optimization results have been used as a guide for pit and waste dump construction. In all cases, measured, indicated and inferred resources have been considered during pit optimization.

Pit optimization was carried out on the SRK resource model using Whittle™ v4.2 pit optimization software in conjunction with Maptek’s Vulcan 8.1™ general-purpose mine planning package.

The La Trinidad PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this PEA will be realized.

#### Whittle® Parameters

The block model parameters used for pit optimization of the Taunus deposit are detailed in Table 6.2.

**Table 6.2: Taunus Model Parameters**

<b>Whittle® Parameter</b>	<b>Type</b>	<b>Value</b>
Block Model Restriction	None	
<b>Base Units</b>		
Measured, Indicated, Inferred	Au	grams
<b>Block Model Dimensions</b>		
	<b>Geological</b>	
	X	6
	Y	6
	Z	6
	No. X	200
	No. Y	350
	No. Z	75
Re-block in Whittle®	Combine 2 3 1	
<b>Slope</b>		
	Value	Slope Angle
<b>Zone</b>		
	All	45

The financial assumptions made at the time of optimization are detailed in Table 6.3. The initial capital is used to determine the mining risk associated during the optimization run and was applied to the deposit as a whole.

**Table 6.3: Pit Optimization Financial Assumptions**

<b>Whittle® Parameter</b>	<b>Type</b>	<b>Value</b>
<b>Mining Cost</b>		
	Reference Mining Cost	1.7
<b>Processing Cost</b>		
Rock Type	Process Name	Heap
	Rock type	Mix
Process Cost (\$/crushed-t)	Selection Method	Cut-Off
	Process Cost (\$/crushed-t)	5.10
Recoveries	Au	0.7
<b>Revenue and Selling Cost</b>		
	Au Units	t.oz
	Au Price(\$/t.oz)	\$1,500
<b>Royalty, Refining, Transport etc.</b>		
	Au Selling Cost (\$/t.oz)	5
<b>Optimization</b>		
	Revenue factor range	0.3-1 50
<b>Operational Scenario – Time Costs</b>		
	Initial Capital Cost	\$25,000,000
	Discount Rate Per Period	5%
<b>Operational Scenario – Limits</b>		

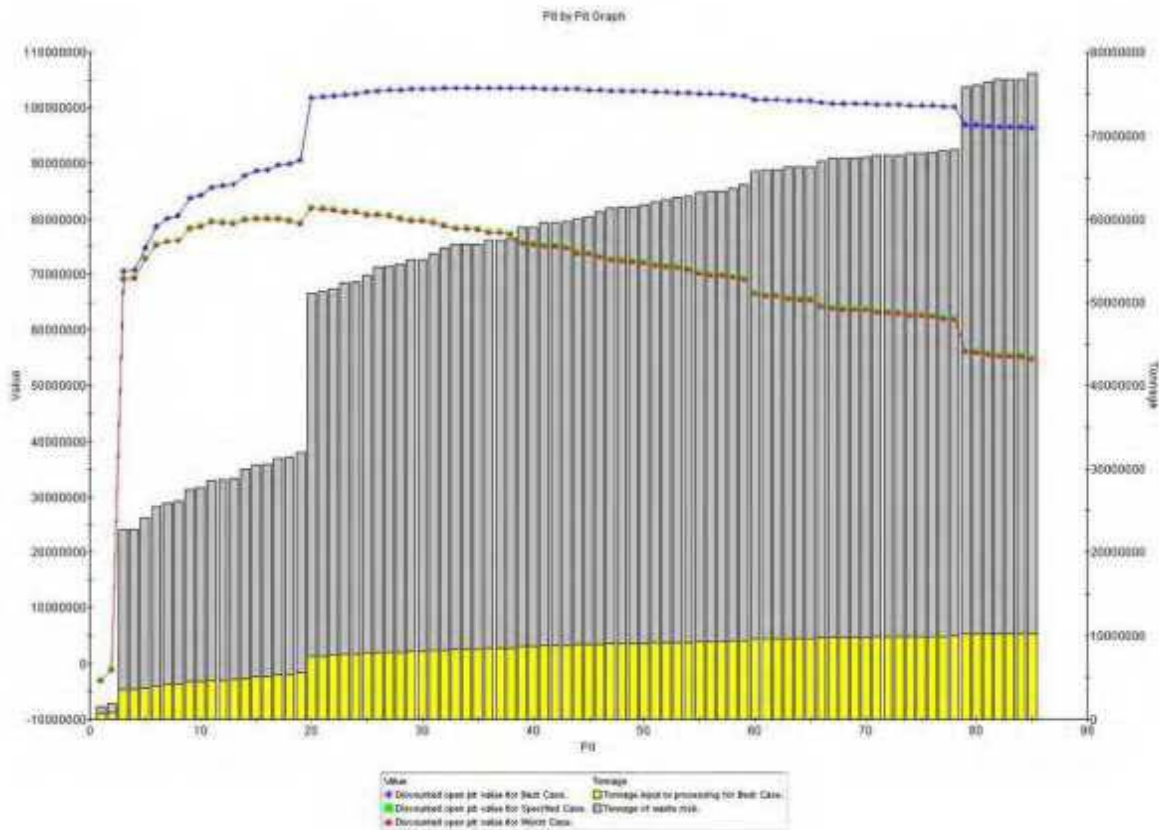


	Mining Limit	14,000,000
	Process Limit	700,000

The La Trinidad PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this La Trinidad PEA will be realized.

### Whittle® Results and Analysis

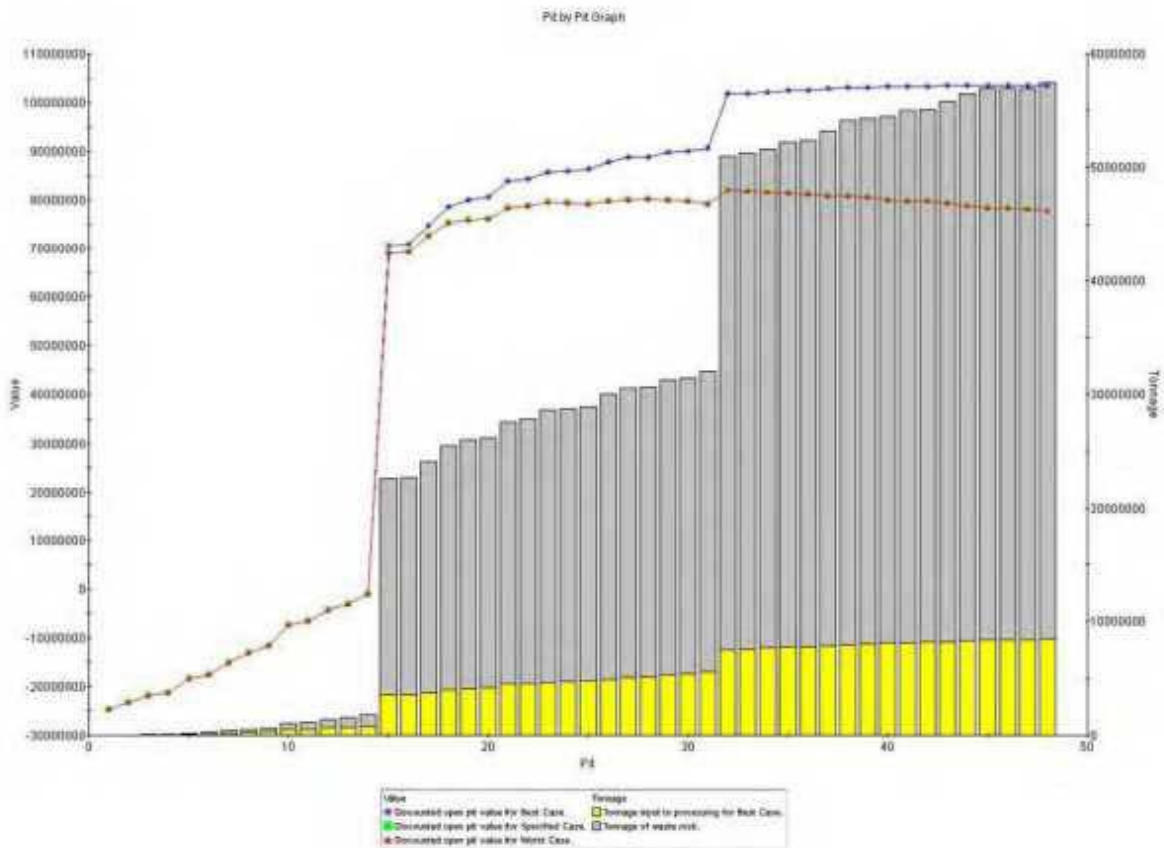
As a result of the pit optimization, the relationship of potential pit shells is based on stripping ratio variability and subject to a gold revenue of US\$1,500/oz Au. By looking at the relationship of potentially mineable resource to waste and the associated best case (blue line) and worst case (red line) cash flows (Figure 13) generated at each incremental pit, the risk profile and revenue generating potential of the deposit can be estimated. For illustration purposes, pit 36 represents the maximum possible cash flow at US\$1,500/oz Au, pit 86 represents a pit constructed using US\$3,000/oz Au gold (But dependent on US\$1,500/oz Au revenue) and pit 1 represents a pit constructed using US\$420/oz Au.



**Figure 13: Default Pit Shell Graph**

With reference to Figure 14, the Whittle® analysis for Taunus indicated that the best value within the deposit can be obtained from pit 0 through pit 20. After this time the majority of resource is depleted and only incremental increase in value can be achieved. SRK would consider this deposit to be resource limited at US\$1,500/oz Au.

An unusual feature of the pit analysis, are the two pronounced increases of resources at pit 3 and pit 20. To better define additional pits that may form the basis for detailed phase design, the optimization parameters relating to revenue factor were restricted to 0 and 1 (or \$0 to \$1500 gold).



**Figure 14: Detailed Pit Shell Analysis**

Even using a much lower gold value increment for pit shell construction, (pit 48 = \$1,500Oz Au and pit 1 = \$90/Oz Au) the definitive step between a potential phase 1 and phase 2 pit still exists. This pronounced jump between these two shells (pit 15 and pit 33) and significant size difference, indicate how sensitive the optimization is to liberate the main pods of heap material, and, lack of mine selectivity for phase design. Without the inclusion of mining width and detail economic modeling, whittle suggest the breakeven pit is between the \$480/oz Au and \$510 oz Au pit shells.

### In-Situ Production Schedule

Production scheduling was carried out using Vulcan™ (v8.1.2) and its scheduling package Chronos™. The schedule was constructed around a maximum annual tonnage that decreases as the pit deepens and balanced by the consistent ounce supply that grade upward as deeper higher grade resource is encountered.

The potential heap feed was defined using a 0.17 oz/t Au cut-off grade (“CoG”) as indicated from pit optimization work. A preproduction pre-strip period was not included in the production schedule although with the inclusion of re-processing of the historical heap pad, year one may be treated as pre- production.

Phase design triangulations were cut into benches, and then into reasonably sized mining shapes for creating an annual schedule. Tonnes and grades were calculated for each of these mining shapes and this information was imported to the schedule. An optimized scheduling method using CPLEX linear solver was then used until ounce and total production targets were met for each time period.

This scheduling method ensured control of the following:

- Number of benches mined in a period;

- Lag between phases; and
- Ramp up ounce feed

Table 6.4 illustrates the annual open pit production schedule:

**Table 6.4: Production Schedule**

Item	2013	2014	2015	2016	2017
Ounces	30,000	40,571	60,000	60,000	90,672
Total tonnes	16,500,000	16,500,000	14,000,000	12,000,000	7,411,542
Waste tonnes	13,197,412	14,659,581	12,932,962	10,592,348	5,005,678
ROM tonnes	1,527,818	1,402,734	1,067,038	1,407,652	2,405,864
Dump tonnes	1,782,927	440,918			
Benches	8.29	6.70	5.50	14.30	10.21
Au Grade	0.61	0.90	1.75	1.33	1.17
HG Au Grade	0.93	1.39	2.42	1.91	1.48
HG Au tonnes	784,172	790,415	732,444	901,388	1,781,977
LG Au Grade	0.27	0.27	0.27	0.28	0.28
LG Au tonnes	735,489	609,086	334,594	506,263	623,887
ROM t/d	4,186	3,843	2,923	3,857	6,591
Waste t/d	36,157	40,163	35,433	29,020	13,714
Dump t/d	4,885	1,208			
Total t/d	45,205	45,205	38,356	32,877	20,306

The PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this PEA will be realized.

#### Mine Operations

Contractor mining operations are expected to be used at Taunus given the short mine life of the Project. As part of initial evaluations, Marlin has interviewed 6 potential mine contractors and the results are detailed in Table 6.5 Prices do not include explosives and therefore have been estimated at \$0.15/t.

**Table 6.5: Contractor Quotations**

Item	Contractor					
	1	2	3	4	5	6
Final weighted average price US\$ /Tonne Heap Material	\$1.21	\$1.32	\$1.19	\$1.25	\$1.63	\$1.76
Final weighted average price US\$ / Tonne Waste	\$1.29	\$1.52	\$1.22	\$1.27	\$1.67	\$1.72
Final weighted average for the Project price US\$ / Tonne	\$1.28	\$1.49	\$1.21	\$1.26	\$1.67	\$1.73

The initial drilling equipment fleet would consist of Roc 9 (or equivalent) blast-hole drills capable of drilling 127 mm blast holes. Working benches will be 6 m. Blast-hole cuttings will be collected and analyzed in the mine sample laboratory. Together with blast hole survey data, the results will be plotted on maps, and laid out in the field as part of a grade control program.

Heavy ammonium nitrate/fuel oil (“ANFO”) explosives would predominantly be used but may be supplemented by emulsion during wet periods or groundwater inflows. The anticipated powder factor for main production blasting is 0.2 kg/tonne.

The main loading equipment fleet will either consist of hydraulic shovels, Terex RH90-C (or equivalent) capable of loading the truck fleet of most likely Caterpillar 777 (100st capacity) rigid body haul trucks (or equivalent) or Caterpillar 992G (or equivalent) front-end loaders.

Cycle times have not been calculated at this level of study. It is expected the haul distances will be in excess of 1,000 m so the incremental hauling cost (I.e.: 15 c/km over 1,000 m) will need to be negotiated with potential contractors.

The mine major mining support equipment may consist of one-track dozer (Cat D8 class), one rubber-tired dozer (Cat 834 class), a grader (Cat 16G class), a water truck (8,000gal) and a backhoe. The track dozer will be required for drill site preparation, road and ramp development, waste dump and stockpile maintenance, and other duties. The rubber-tired dozers will assist the hydraulic shovels if needed, and other lighter dozing duties. The grader and water truck will maintain mine roads, ramps and operating surfaces, and the excavator will perform ancillary work, and site development work including pioneering and road development. The mine will also have equipment for pit lighting. Various other mining equipment maintenance support trucks will be required.

The mine department will have mine surveying equipment, mine engineering and geology office equipment (instruments, computers, software, printers, plotter etc.), and mine communications (radios).

### Ancillary Mining Operations

Where necessary, the mining advance will be preceded by ground preparation consisting of soil clearing and cleanup, and will be carried out with a Cat D8-type track dozer and backhoe. Topsoil will be stockpiled in an appropriate location and will be used later for reclamation purposes.

The mine will be responsible for mine water management operations. To the extent possible, diversion ditches will be located above the open pit areas to drain water flowing towards the pit area and re-direct it into natural or potential engineered drainages. Where this is not possible diversion ditch structures will be developed within the pit area to drain water away from the pit. Mine dewatering will also be accomplished using diesel generator powered submersible pumps placed in sumps at pit bottoms. Water coming into contact with the mining operations will be pumped from the pit area and collected. All collected drainage water will be held in drainage basins, where suspended solids will be removed by decantation.

The process facility proposed for this project will produce doré that is estimated to be 80 to 90% purity. Doré bars will be weighted and assayed at the mine to establish value, and will be shipped regularly to a commercial refiner where the value will be verified. Sale prices are obtained based on world spot or London Metals Exchange market and are easily transacted.

A market study for gold production was not undertaken at this level of study. Gold is sold through commercial banks and market dealers. The gold market is experiencing historic highs in terms of commodity price and investment interest.

This study assumes a gold market price of US\$1,500/oz, which is close to the 12 month trailing average. No contract studies were conducted for this level of study, but typical contract conditions include:

- Refining charge: US\$0.85/oz fine gold credited; and
- Transportation and insurance charges: US\$ 5.15/oz.

### Environmental Studies and Background Information

SRK's environmental specialist did not conduct a site visit of the Trinidad/Taunus Project. As such, the following assessment is predicated on a review of available documentation and direct communications with the project proponent.

The site is currently disturbed as a result of previous mining operations. Current conditions at the site principally include residual facilities from that operation:

- Open pit (flooded);
- Waste rock disposal facility (naturally re-vegetated);

- Heap leach pad (to be re-mined and re-leached); and
- Various refurbished buildings and exploration cap facilities.

The principal document used for environmental assessment was the Manifestación de Impacto Ambiental Modalidad Particular, (“MIA”) Para el Proyecto Explotación y Exploración Mina La Trinidad, Comunidad de Maloya, El Rosario, Sinaloa was completed and submitted to SEMARNAT in April 2012, and approved in November 2012 (including the resolutions for the terms of reference for preparation of the MIA developed and issued by SEMARNAT).

The current plan for exploration and mining is provided in the MIA, along with the Level 2 Risk Analysis (Análisis de Riesgo). The ETJCUS, the third critical permitting document for exploration and mining in Mexico, was submitted for approval in November 2012, with a tentative response date by the agencies of January 31, 2013.<sup>3</sup>

There are no tailings disposal areas currently proposed or included in the project. There is sufficient land available for tailings storage for future operations, if necessary.

There is a historic heap leach pad and waste rock disposal area. Adequate locations for waste rock disposal and heap leach pads are available to accommodate the current resources for future operations. The existing heap leach material will be excavated and re-leached on a new engineered pad system, thus reducing its potential to be a future liability for the project.

#### Capital Cost Estimates

Capital costs totaling US\$25.5 million are summarized in Table 6.5. Initial capital of US\$27.9 million is included in the first year of pre-production and a negative capex of US\$(2.4) million represents the ongoing capital. This negative value is composed of the closure costs combined with a salvage value of US\$1.8 million and the return of a Mexican equivalent of Value Added Tax called *Impuesto al Valor Agregado* (“IVA”), correspondent to 16% of the original estimate of capital investment, during the first year of operation.

No sustaining capital has been included in the schedule, as construction of the complete heap leach and ponds infrastructure will occur in the pre-production year and the mine and process equipment should last through the entire life of the project, which is a short term of five years.

Cost estimates are in Q4 2011 US constant dollar terms. Table 6.6 summarized LoM capital costs.

**Table 6.6: LoM Capital Costs (US\$000s)**

Description	Pre - Production (2013)	Sustaining (2014-2018)	Total Capital
Mine	\$5,045	\$0	\$5,045
Process & Infrastructure	\$12,625	\$0	\$12,481
Owner’s	\$3,269	\$0	\$3,296
IVA Paid	\$3,350	\$0	\$3,350
IVA Recovered	\$0	\$(3,350)	\$(3,350)
Mine Closure	\$0	\$3,049	\$3,049
Salvage Value	\$0	\$(1,800)	\$(1,800)
Total Estimate	\$24,289	\$(2,102)	\$22,187
Contingencies (15%)	\$3,643	\$(315)	\$3,328
<b>Total Capital</b>	<b>\$27,933</b>	<b>\$(2,417)</b>	<b>\$25,516</b>

<sup>3</sup> The ETJCUS permit was received by Marlin on June 11, 2013

The prepared economic evaluation indicates that payback will occur in the end of the second quarter of the third year of production.

The technical-economic results summarized in this section are based upon work performed by Marlin's engineers and consultants; these have been prepared on an annual basis. The economic model was developed by SRK. All costs are in Q4 2011 US constant dollars.

The project under analysis is a brown field gold deposit, where the results were derived from a base case with an average production rate around 35,000 t/d and a maximum production rate of around 45,600 t/d, including RoM and waste movement. Life of mine stripping ratio is roughly 7.2 and average gold grade of about 1.12 ppm. Gold recovery in the model has been considered as a flat rate of 70%, where the process returns the gold deposited in the heap leach within the same modeled period.

Readers are cautioned that this analysis is only a preliminary assessment based on conceptual mine plans and process flowsheets. The La Trinidad PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this La Trinidad PEA will be realized. Since there is no estimate of proven or probable reserves for the Project, this assessment only includes cash flow forecasts on an annual basis for the mineral resource estimated as of January 2013.

#### *Principal Assumptions*

The economic model is pre-tax and assumes 100% equity to provide a clear picture of the technical merits of the project. Assumptions used are discussed in detail throughout this report and are summarized in Table 6.7.

**Table 6.7: Technical Economic Model Parameters**

<b>Model Parameter</b>	<b>Technical Input</b>
<b>General Assumptions</b>	
Pre-Production Period	1 year
Mine Life	5 years
Operating Days per year	360 days/yr
Production Rate (avg.)	35,000 t/d
<b>Market</b>	
Discount Rate	8%
Gold Price (avg.)	US\$1,500/Au-oz
<b>Royalty</b>	
Private Royalty	1% of net smelter return starting from third year of production

This study assumes one year of pre-production required to install process infrastructure, including crushing system and heap leach and ponds and ADR plant. The mine will have an estimated life of 5 years, given the resources described in this report and the assumed 35,000 t/d production rate.

Revenue from gold sales is based upon a fixed US\$1,500/Au-oz, including the calculation of the respective net smelter return, considering that the project would be selling gold in a doré bar. Transportation to the refinery and insurance charges have been considered.

#### *Pre-Tax Cashflow Forecasts and Annual Production Forecasts*

The SRK LoM plan and economics are based on the following:

- A fixed US\$1,500/Au-oz and an average net smelter return of US\$1,494/Au-oz.;
- Sales price and Opex refer to a gold doré production;
- Indicated and inferred resources, and a preliminary mining studies;

- A mine life of 5 years, at an average designed rate of 35,000 t/d;
- An overall average metallurgical gold recovery of 70%;
- A cash operating cost of US\$753 Au-oz;
- Initial capital costs of US\$27.9 million and total capital costs of US\$25.5 million dollars. The difference between initial and total capital is the recovery of an added value tax charged by the Mexican government (“IVA”);
- Capital costs include an estimate of US\$3.05 million dollars for closure costs and a salvage
- Value of US\$1.8 million; and
- Sustaining capital has not been considered, due to the short life of the project.

The base case economic analysis results, shown in Table 6.8, indicate a pre-tax net present value of US\$79 million at an 8% discount rate with an IRR of 53%.

The La Trinidad PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this La Trinidad PEA will be realized.

**Table 6.8: Pre-Tax Technical Economic Results**

<b>Description</b>	<b>Technical Input or Result</b>
<b>Potentially Mineable Resources</b>	
<b>Open Pit</b>	
Waste	56,388kt
Feed (dry)	7,800kt
Total	64,188kt
s/r	7.2
Au Grade	1.122ppm
Contained Au	281koz
<b>Mill</b>	
Feed Treated (dry)	7,800kt
Feed Au Grade	1.122ppm
Contained Au	281.2koz
Recovered Au	196.9koz
<b>Revenue (\$000s)</b>	
Gold Market Price (Au)	<i>US\$1,500/Au-oz</i>
Gold Refining	<i>US\$0.85/Au-oz</i>
Mine to Refinery	<i>US\$5.15/Au-oz</i>
Net smelter return	<i>US\$1,494/Au-oz</i>
Gross Revenue	\$294,095
Royalty	\$(2,203)
Net Income From Mining	\$291,892
<b>Operating Cost (\$000s)</b>	<b>(\$148,308)</b>
Mining	(\$86,878)
Process	(\$53,430)
Marketing	(\$8,000)
	<i>US\$753/Au-oz</i>
	<i>US\$19.01 /t-milled</i>
<b>Cash Operating Margin (\$000s)</b>	<b>\$143,548</b>
<b>Capital Cost (\$000s)</b>	
Mine	(\$5,045)
Process & Infrastructure	(\$12,625)
Owners	(\$3,269)
IVA Paid	(\$3,350)
IVA Recovered	\$3,350

Mine Closure	(\$3,049)
Salvage Values	\$1,800
<b>Total Capital</b>	<b>(\$22,187)</b>
Contingencies (15%)	(\$3,328)
<b>TOTAL</b>	<b>(\$25,516)</b>
<b>Initial</b>	<b>(\$27,933)</b>
<b>Ongoing</b>	<b>\$2,417</b>
<b>Cash Flow (\$000s)</b>	<b>\$118,068</b>
(NPV@8%) (\$000s)	\$79,001
IRR	53%

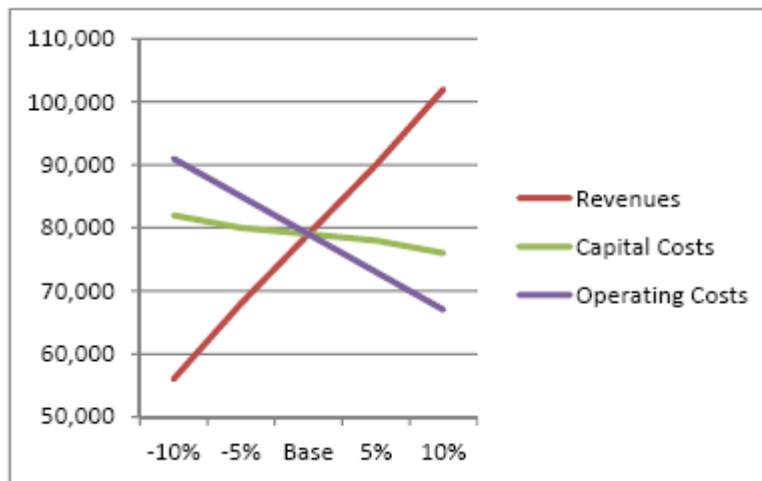
#### Base Case Sensitivity Analysis

The technical economic model has been prepared using a base case of 8% discount rate, resulting in an NPV of US\$79,001,389 and an IRR of 53%.

SRK has prepared sensitivity analyses of this base result for key economic parameters, these are shown in Table 6.9 and Figure 15. This analysis suggests that the project is most sensitive to market gold price. Operating costs are considerably more sensitive than capital costs.

**Table 6.9: Technical Economic Results**

Description	-10%	-5%	Base	5%	10%
Revenues	56,000	68,000	79,000	90,000	102,000
Capital Costs	82,000	80,000	79,000	78,000	76,000
Operating Costs	91,000	85,000	79,000	73,000	67,000



**Figure 15: Technical Economic Results**

#### Post-Tax Results

The SRK LoM plan and economics are based on the following:

- Capital costs of US\$25.5 million dollars are applicable for a depreciation schedule;
- The depreciation model adopted is a straight line rate of 12%; and
- Effective income tax rate varies between 28% and 30%.

The post-tax economic analysis results indicate a net present value of US\$53.4 million, based on an 8% discount rate, and an IRR of 43%.



## **Commonwealth Project**

On February 11, 2011, Commonwealth, signed a definitive lease with option to purchase agreement (the “**Commonwealth Agreement**”), with the underlying property owners to acquire an 88% interest in eight patented mining claims hosting the historic Commonwealth Mine and 100% of the mineral rights on ten adjoining unpatented mining claims in Cochise County, Arizona for total option payments of US\$4.5 million. Upon acquiring Commonwealth in 2015, Marlin was required to make the remaining option payments pursuant to the Commonwealth Agreement totaling US\$3.45million (paid) to the underlying property owners. During the year ended December 31, 2016, Marlin completed the acquisition of the mineral claims per the Commonwealth Agreement by making the final option payments (US\$3.25million). Upon completion of the property option payments, title in the mining claims was transferred to Marlin.

These mineral claims are subject to a 2% net smelter return royalty on all mineral production from the unpatented mining claims and on 88% of mineral production from the patented mining claims, up to 1% of which can be bought back at any time at Marlin’s discretion for US\$2 million in two separate payments of US\$1million, each for 0.5%. The total US\$4.5million in property option payments represents an advance against the future net smelter return royalty and in the event that the property goes into production, the amount will be recovered as a credit for pre-payment of the first US\$4.5million of the net smelter return royalty. Marlin shall have the right to transfer its interest in the property at all times and the property can be abandoned by Marlin at any time with no further amounts owing and no minimum work requirements.

Prior to the Commonwealth Arrangement, Commonwealth had completed the outright purchase of an additional 10% interest in the eight patented mining claims, covered by the Commonwealth Agreement, bringing Marlin’s interest to 98%. There is no net smelter return royalty on the additional 10% interest. Commonwealth had also acquired a 100% ownership interest in the mineral rights on twelve unpatented mining claims and mineral and surface rights on a private parcel of land, all adjoining the mining claims covered by the Commonwealth Agreement.

During the year ended December 31, 2016, Marlin acquired land and associated patented mining claims contiguous to the Commonwealth Project for a purchase price of US\$750,000 and acquired the surface and mineral rights surrounding the patented mining claims of the Commonwealth Project for a purchase price of US\$3.5 million.

## **Other (Blue Jeep, San Ignacio, Six Mile Hill Projects)**

On January 25, 2011, Commonwealth Silver and Gold Corp. (“**Commonwealth (US)**”) signed a definitive lease with option to purchase agreement (the “**Cartmell Agreement**”), with the underlying property owners to acquire a 100% interest in the mineral rights on thirty-four unpatented mining claims in Cochise County, Arizona for total option payments of US\$2million. These mining claims surround the historic Commonwealth Mine in Pearce, Arizona and include the Blue Jeep, San Ignacio and Six Mile Hill properties. The Blue Jeep property consists of ten contiguous mining claims known as Blue Jeep 1 through 9 and the Brindle Steer. The San Ignacio property consists of eighteen mining claims known as San Ignacio 1 through 18. The original Six Mile Hill property consists of six mining claims known as San Ramon 1 through 6 as well as the surrounding claims known as CWSG#1 through #35 and CWSG#38 and #39. In July 2017, Marlin expanded the Six Mile Hill property to include an additional 18 mining claims known as CWSG#102 through #119 and the open State Trust Lands directly to the south.

Upon acquiring Commonwealth (US) in 2015, Marlin was required to make the remaining option payments pursuant to the Cartmell Agreement totaling US\$1.35 million (paid) to the underlying property owners. During the year ended December 31, 2016, Marlin completed the acquisition of the mineral claims per the Cartmell Agreement by making the final option payments (US\$1.25million). Upon completion of the property option payments, title in the mining claims was transferred to Marlin.

These mineral claims are subject to a 2% net smelter return royalty on all mineral production, 1% of which can be bought back at any time at Marlin’s option for US\$1million. The total US\$2million in property option payments represent an advance against the future net smelter return royalty and in the event that the property goes into production, the amount will be recovered as a credit for pre-payment of the first US\$2million of the net smelter

return royalty. During the period ended December 31, 2017, Marlin acquired land for a purchase price of US\$120,506.

Prior to the completion of the Arrangement, Marlin intends to sell certain assets, including its Commonwealth silver and gold property in Cochise County, Arizona, to Wexford Capital LP or funds controlled by it (“**Wexford**”), which will extinguish all of Marlin’s loans and any other debts and liabilities owing to Wexford.

## ANNUAL AND INTERIM MANAGEMENT’S DISCUSSION AND ANALYSIS

Marlin’s annual carve-out MD&A for the year ended December 31, 2017 and 2016 and interim carve-out MD&A for the three and six months ended June 30, 2018 are attached as Appendix G and H, respectively to the Circular.

### DESCRIPTION OF SHARE CAPITAL

#### General Description of Share Capital

Marlin is authorized to issue an unlimited number of Marlin Shares without par value and an unlimited number of preferred shares without par value issuable in series. As of the Record Date, 171,568,219 Marlin Shares were issued and outstanding as fully paid and non-assessable shares and no preferred shares were issued and outstanding.

#### Common Shares

The holders of Marlin Shares are entitled to receive notice of and attend any meeting of Marlin’s shareholders and are entitled to one vote for each Marlin Share held (except at meetings where only the holders of another class of shares are entitled to vote). Subject to the rights attached to any other class of shares, the holders of Marlin Shares are entitled to receive dividends, if, as and when declared by the Marlin Board and are entitled to receive the remaining property upon liquidation of Marlin.

#### Preferred Shares

The preferred shares may be issued at any time in one or more series, each series consisting of a number of preferred shares as determined by the Marlin Board, who may fix the number of preferred shares in, and determine the designation of that series; and create, define and attach special rights and restrictions to the preferred shares of that series. The holders of preferred shares shall be entitled to receive dividends in preference to the holders of common shares; as long as any preferred shares are issued, no dividend shall be paid on the common shares, nor common share may be purchased, redeemed or acquired by Marlin unless all dividend on all series of preferred shares have been paid; and preferred shares shall not be entitled to participate in any dividends declared and paid on common shares. Preferred shareholders are entitled on the distribution of assets or on the liquidation, dissolution or winding up of Marlin to receive the repayment of capital before any distribution to common shares holders. Holders of preferred shares shall not be entitled to vote at general meetings of Marlin’s shareholders but shall be given notice of and be invited to attend any of these meetings. As at the date hereof, there are no preferred shares issued and outstanding.

#### Capitalization

The following table sets forth the consolidated capitalization of Marlin as at the dates indicated:

	As at December 31, 2017	As at June 30, 2018
Common Shares	171,568,219	171,568,219
Warrants	-	-
Stock Options	6,000,000	6,000,000

## DIVIDEND POLICY

Marlin has not paid any dividends since its incorporation. Marlin does not anticipate paying any dividends in the short-term. Any decision to pay dividends on Marlin Shares in the future will be made by the Marlin Board in its discretion on the basis of earnings, financial requirements, business objectives and opportunities and such other factors and conditions as the Marlin Board may consider relevant at such time. See “Appendix D – Information relating to Marlin - Risk Factors”.

## EQUITY PLAN DESCRIPTIONS

### Stock Option Plan

As at the date of this Circular, the following Marlin Options were outstanding under the Marlin Stock Option Plan:

Number of Marlin Options	Exercise Price	Expiry Date
6,000,000	\$0.1611	February 5, 2021

The following table sets out the Marlin Options held by the directors of Marlin as of the Record Date.

Name	Option-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date (M/D/Y)
Akiba Leisman	4,500,000	0.1611	February 5, 2021
Cesar Gonzalez	1,500,000	0.1611	February 5, 2021

### Description of Stock Option Plan

The Marlin Board has established the Marlin Stock Option Plan for directors, senior officers, employees, management company employees and consultants of Marlin and its subsidiaries (collectively the “**Eligible Persons**”). The purpose of the Marlin Stock Option Plan is to give to Eligible Persons, as additional compensation, the opportunity to participate in the success of Marlin by granting to such individuals options, exercisable over periods of up to five years as determined by the board of directors of Marlin, to buy shares of Marlin at a price not less than the market price prevailing on the date of the option is granted less applicable discount, if any, permitted by the policies of the TSXV and approved by the board of directors of Marlin.

Pursuant to the Marlin Stock Option Plan, the board of directors of Marlin may grant options to Eligible Person in consideration of them providing their services to Marlin or a subsidiary. The number of shares subject to each option is determined by the board of directors of Marlin within the guidelines established by the Marlin Stock Option Plan. The options enable the Eligible Persons to purchase shares of Marlin at a price fixed pursuant to such guidelines. The options are exercisable by the Eligible Persons giving Marlin notice and payment of the exercise price for the number of shares to be acquired.

The Marlin Stock Option Plan authorizes the board of directors of Marlin to grant stock options to the Eligible Persons on the following main terms:

1. The number of shares subject to issuance pursuant to any outstanding equity compensation plans, in the aggregate, cannot exceed 10% of Marlin’s issued shares on a non-dilutive basis.

2. Any share subject to an option granted under the Marlin Stock Option Plan that was subsequently cancelled or terminated without having been exercised in accordance with the terms of the Marlin Stock Option Plan, will again be available for issuance pursuant to the exercise of options granted under the Marlin Stock Option Plan.
3. The number of shares reserved for issuance under the Option Plan and all of Marlin's other previously established or proposed share compensation arrangements in any 12-month period:
  - (a) to any Eligible Person, shall not exceed 5% of the total number of issued and outstanding shares on the grant date on a non-diluted basis unless Marlin has obtained disinterested shareholder approval to exceed such limit;
  - (b) to insiders as a group and to any one insider in any one-year period shall not exceed 10% of the total number of issued and outstanding shares on the grant date on a non-diluted basis unless Marlin has obtained disinterested shareholder approval to exceed such limit;
  - (c) to any one consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on the grant date on a non-diluted basis; and
  - (d) all Eligible Persons who undertake investor relations activities shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on the grant date on a non-diluted basis.
4. The exercise price of the options cannot be set at less than the closing trading price of Marlin's shares less the applicable discount market price, if any, on the grant date for grants to any Eligible Person other than Eligible Persons from the United States where the exercise price payable per share shall be no less than the fair market value on the grant date.
5. The Marlin Options may be exercisable for up to five years.
6. There are no vesting requirements unless the Eligible Person is a consultant providing investor relations services to Marlin, in which case the options must vest over at least 12 months with no more than one-quarter vesting in any three month period. However, the board of directors of Marlin may impose additional vesting requirements and, subject to obtaining any required approval from the TSXV, may authorize all unvested options to vest immediately. If there is a "change of control" of Marlin (due to take-over bid being made for Marlin or similar events), all unvested options, subject to obtaining any required approval from the TSXV, shall vest immediately.
7. The Marlin Options may only be exercised by the Eligible Person (to the extent they have already vested) for so long as the Eligible Person is a director, officer or employee of, or consultant to, Marlin or any subsidiary or is an employee of Marlin's management corporation and within a period thereafter not exceeding the earlier of:
  - (a) the original expiry date;
  - (b) 90 days after ceasing to be a director, officer or employee of, or consultant to, Marlin due to early retirement, to termination by Marlin other than for cause, or to voluntary resignation; and
  - (c) if the Eligible Person dies or becomes disabled, within the earlier of 365 days from the Eligible Person's death or disability and the expiry date.

If the Eligible Person is terminated "for cause" the options will terminate concurrently.

8. The Marlin Options are not assignable except to a wholly-owned holding company.
9. Disinterested shareholder approval must be obtained prior to the reduction of the exercise price of Marlin Options granted to insiders of Marlin.
10. Marlin may take such steps as are considered necessary or appropriate for the withholding and/or remittance of any taxes which Marlin is required by any law or regulation of any governmental authority whatsoever to withhold and/or remit (at the highest marginal income tax rate unless a lower marginal income tax rate is demonstrated by the Eligible Person to the satisfaction of Marlin) in connection with any option or option exercise.

Any amendments to the Marlin Stock Option Plan or outstanding stock options by the board of directors are subject to the approval of the TSXV and, if required by the TSXV, of the shareholders of Marlin, possibly with only disinterested shareholders' being entitled to vote. An amendment to an outstanding stock option will also require the consent of the Eligible Person.

The Marlin Stock Option Plan does not permit stock options to be transformed into stock appreciation rights.

The Marlin Stock Option Plan was most recently approved by Marlin's shareholders at the annual and special meeting of shareholders on December 14, 2017.

### **Restricted Share Unit Plan**

As of the date of this Circular, there are no RSUs outstanding.

### **Description of Restricted Share Unit Plan**

The board of directors of Marlin has established a restricted share unit ("RSU") plan (the "**RSU Plan**") for directors, senior officers, employees, management company employees and consultants of Marlin and its subsidiaries (collectively, the "**Participants**"). The purpose of the RSU Plan is to align the interests of the Participants with the long-term interests of Marlin's shareholders by giving the Participants, as additional compensation, the opportunity to participate in the success of Marlin by granting to such individuals share units that vest over periods of up to five years as determined by the board of directors of Marlin entitling the holder to receive shares of Marlin.

Pursuant to the RSU Plan, the Marlin Board may grant share units to Participants in consideration of them providing their services to Marlin or a subsidiary. The number of shares subject to each share unit is determined by the Marlin Board within the guidelines established by the RSU Plan. The share units entitle the Participants to receive shares of Marlin at a later date, subject to any vesting conditions established by the Marlin Board.

The RSU Plan authorizes the board of directors of Marlin to grant share units to Participants on the following main terms:

1. The number of shares subject to issuance cannot exceed 3,500,000 shares.
2. Any share subject to a share unit granted under the RSU Plan that was subsequently cancelled or terminated without having been paid out in accordance with the term of the RSU Plan, will again be available for issuance pursuant to the share units granted under the RSU Plan.
3. The number of shares reserved for issuance under the RSU Plan and all of Marlin's other previously established or proposed share compensation arrangements in any 12-month period:
  - (a) to any one Participant, shall not exceed 5% of the total number of issued and outstanding shares on the grant date on a non-diluted basis unless Marlin has obtained disinterested shareholder approval to exceed such limit;
  - (b) to insiders as a group and to any one insider in any one-year period shall not exceed 10% of the total number of issued and outstanding shares on the grant date on a non-diluted basis unless Marlin has obtained disinterested shareholder approval to exceed such limit;
  - (c) to any one consultant shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on the grant date on a non-diluted basis; and
  - (d) all Participants who undertake investor relations activities shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on the grant date on a non-diluted basis.
4. The share units may vest over a time period of up to five years.
5. There are no absolute vesting requirements unless the Participant is a consultant providing investor relations services to Marlin, in which case the share units must vest over at least 12 months with no more than one-quarter vesting in any three month period. However, the Marlin Board may impose additional vesting requirements and, subject to obtaining any required approval from the TSXV, may authorize all unvested share

units to vest immediately. If there is a “change of control” of Marlin (due to take-over bid being made for Marlin or similar events), all unvested share units, subject to obtaining any required approval from the TSXV, shall vest immediately.

6. The share units may only be paid to the Participant (once they have already vested) for so long as the Participant is a director, officer or employee of, or consultant to, Marlin or any subsidiary or is an employee of Marlin’s management corporation and within a period thereafter not exceeding the earlier of:
  - (a) the original expiry date;
  - (b) any statutory, contractual or common law severance period or any period or reasonable notice required by law; and
  - (c) as otherwise may be determined by Marlin in its sole discretion.
7. The share units are not assignable except to a wholly-owned holding company.
8. Marlin may take such steps as are considered necessary or appropriate for the withholding and/or remittance of any taxes which Marlin is required by any law or regulation of any governmental authority whatsoever to withhold and/or remit (at the highest marginal income tax rate unless a lower marginal income tax rate is demonstrated by the Participant to the satisfaction of Marlin) in connection with any option share unit.

Any amendments to the RSU Plan or outstanding share units by the board of directors are subject to the approval of the TSXV and, if required by the TSXV, of the shareholders of Marlin, possibly with only disinterested shareholders being entitled to vote. An amendment to an outstanding share unit will also require the consent of the Participant.

The RSU Plan was approved by Marlin’s shareholders at the annual general and special meeting held on December 14, 2017.

## OPTIONS TO PURCHASE SECURITIES

The following table sets out, as at the end of Marlin’s most recently completed financial year, information regarding outstanding options, share units, warrants and rights (other than those granted *pro rata* to all shareholders) granted by Marlin under its equity compensation plans.

### Equity Compensation Plan Information

Plan Category	Number of shares issuable upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of shares remaining available for issuance under equity compensation plan <sup>(1)</sup>
Equity compensation plans approved by shareholders	6,000,000	\$0.1611	11,156,821
Equity compensation plans not approved by shareholders	-	-	-
<b>Total</b>	<b>6,000,000</b>	<b>\$0.1611</b>	<b>11,156,821</b>

Note:

- (1) Excluding the number of shares issuable upon exercise of outstanding options, share units, warrants and rights show in the second column.

## PRIOR SALES

For the 12-month period before the date of this Circular, Marlin did not issue any securities.

**ESCROWED SECURITIES AND SECURITIES  
SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFERS**

To the knowledge of Marlin, as of the date of the Circular, no securities of any class of securities of Marlin are held in escrow or subject to contractual restrictions on transfer or are anticipated to be held in escrow or subject to contractual restrictions on transfer following the completion of the Arrangement.

**PRINCIPAL SHAREHOLDERS**

To the knowledge of management of Marlin, no person, firm or company beneficially owns, controls or directs, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to any class of voting securities of Marlin other than as set below:

<b>Name</b>	<b>Number of Marlin Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</b>	<b>Percentage of Outstanding Marlin Shares</b>
Wexford Spectrum Trading Limited	117,791,164	68.7% <sup>(3)</sup>
Wexford Catalyst Trading Limited	28,174,223	16.4% <sup>(4)</sup>

Notes:

(1) Calculated based upon information provided by Wexford Capital LP.

(2) Wexford Capital LP exercises control or direction over these Common Shares. The partners of Wexford Capital LP are Charles Davidson, Joseph Jacobs, Richard Shapiro, James Rubin, Mark Zand, Kenneth Rubin, John Sites, Paul Jacobi, Philip Braunstein, Marc McCarthy, Aaron Meyer, Arthur Amron and Dante Domenichelli.

(3) Wexford Spectrum Trading Limited owns 66.3% of outstanding Marlin Shares on a fully diluted basis.

(4) Wexford Catalyst Trading Limited owns 15.9% of outstanding Marlin Shares on a fully diluted basis.

**DIRECTORS AND EXECUTIVE OFFICERS**

**Name, Occupation and Security Holding**

The following table sets out the names, province or state and country of residence, positions with or offices held with Marlin, and principal occupation for the past five years of each of Marlin's directors and executive officers, as well as the period during which each has been a director of Marlin.

The term of office of each director of Marlin expires at the annual general meeting of shareholders each year.

<b>Name, Position and Province/State and Country of Residence<sup>(1)</sup></b>	<b>Principal Occupation During the Past Five Years<sup>(1)</sup></b>	<b>Director/Officer Since<sup>(2)</sup></b>	<b>Number of securities beneficially owned, or controlled or directed, directly or indirectly<sup>(3)</sup></b>
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Name, Position and Province/State and Country of Residence <sup>(1)</sup>	Principal Occupation During the Past Five Years <sup>(1)</sup>	Director/Officer Since <sup>(2)</sup>	Number of securities beneficially owned, or controlled or directed, directly or indirectly <sup>(3)</sup>
Akiba Leisman <sup>(4)</sup> Director Executive Chairman Interim CEO New York, USA	Consultant to Wexford Capital LP from 2015 to present; Vice President at Wexford Capital LP from 2011 to 2015; Senior Analyst at Red Kite Capital Management from 2008 to 2011.	September 12, 2012	745,000 <sup>(6)</sup>
Jesse Muñoz <sup>(5)</sup> Director Interim Chief Operating Officer Arizona, USA	President and Director of Sonoran Resources, LLC from April 2008 to present; and President and Director of FCO, Incorporated (dba) Arizona Electrical and Process Systems from June 2000 to October 2010.	February 25, 2014	22,500
Guillermo Kaelin <sup>(4)(5)</sup> Director Lima, Peru	Managing Partner and Head of Latin America at Appian Capital Advisory LLP. Previously, Mr. Kaelin was a Managing Director at Arias Resource Capital Management LP from February 2008 to June 2015.	April 10, 2018	Nil
John Pontius <sup>(4)(5)</sup> Director Connecticut, USA	President of 75th Street Associates LLC, a Connecticut based energy and infrastructure consulting firm which he founded. Previously Managing Director at Ruton Capital LLC, a New York City based private equity firm; divisional President at Mammoth Energy Partners LP, a drilling, production and completion services company and a Wexford portfolio company; previously served as senior management at other Wexford portfolio companies from 2004–2014.	March 30, 2015	50,000
Cesar Gonzalez VP Corporate Development Florida, USA	VP Corporate Development of Marlin Gold Mining Ltd. and a consultant to Wexford Capital LP.	February 27, 2014	343,750 <sup>(7)</sup>
Scott Kelly Chief Financial Officer Vancouver, British Columbia	Chief Financial Officer of Marlin Gold Mining Ltd.	June 19, 2014	Nil

Notes:

(1) The information as to residence and principal occupation, is not within the knowledge of Marlin, and has been individually provided by the respective directors and officers.



- (2) Each of Marlin’s directors was elected by Marlin’s shareholders at an annual general and special meeting held on December 14, 2017 to serve until the next annual general meeting of shareholders or until a successor is elected or appointed. Marlin’s officers serve at the determination of Marlin’s board of directors.
- (3) Shares beneficially owned, controlled or directed, directly or indirectly as of the Record Date, based upon information provided to Marlin by the respective director.
- (4) Member of the audit committee and of the corporate governance committee.
- (5) Member of the compensation committee.
- (6) Owns 4,500,000 Marlin Options.
- (7) Owns 1,500,000 Marlin Options.

As at the date of this Circular, Marlin’s directors and executive officers as a group, beneficially owned, directly and indirectly, or exercised control or direction over, a total of 1,161,250 of Marlin Shares, being approximately 0.6% of Marlin’s issued share capital.

Except as otherwise disclosed, to the knowledge of Marlin, no director:

- (a) is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer (“CEO”) or chief financial officer (“CFO”) of any company (including Marlin) that:
  - (i) was the subject, while the proposed director was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
  - (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, CEO or CFO but which resulted from an event that occurred while the proposed director was acting in the capacity as director, CEO or CFO of such company; or
- (b) is, as at the date of this Circular, or has been within 10 years before the date of the Circular, a director or executive officer of any company (including Marlin) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

The following directors of Marlin hold directorships in other reporting issuers as set out below:

Name of Director	Name of Other Reporting Issuer(s)
Akiba Leisman	Golden Reign Resources Ltd. and Metanor Resources Inc.

Name of Director	Name of Other Reporting Issuer(s)
Guillermo Kaelin	Ascendant Resources Inc.

### Conflicts of Interest

The directors of Marlin are required by law to act honestly and in good faith and in what the director believes to be the best interests of the company. The articles of Marlin provide that a director shall forthwith after becoming aware that he or she is interested in a transaction entered into or to be entered into by the company, disclose the interest to all of the directors. If a conflict of interest arises at a meeting of the board of directors of Marlin, any director in a conflict will disclose his or her interest and abstain from voting on such matter.

Except as disclosed in this Circular, to the best of Marlin's knowledge, there are no known existing or potential conflicts of interest among Marlin and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

## DIRECTOR AND EXECUTIVE OFFICER COMPENSATION

Unless otherwise noted the following information is for Marlin's last completed financial year ended December 31, 2017.

### Named Executive Officers

For the purposes of this Circular, a named executive officer (“NEO”) of Marlin means each of the following individuals:

- a) the CEO of Marlin;
- b) the CFO of Marlin;
- c) each of the three most highly compensated Executive Officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000. “Executive Officer” means the chairman, and any vice-chairman, president, secretary or any vice-president and any officer of Marlin or a subsidiary who performs a policymaking function in respect of Marlin; and
- d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of Marlin, nor acting in a similar capacity, at the end of the year.

Akiba Leisman, Executive Chairman of the Board and Interim CEO, Scott Kelly, Chief Financial Officer and Corporate Secretary, Jesse Muñoz, Director and Interim Chief Operating Officer (“COO”), and Cesar Gonzalez, VP Corporate Development, are each a NEO of Marlin for purposes of this disclosure.

### Compensation Discussion and Analysis

#### Overview

The Compensation Discussion and Analysis describes, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* (“NI 51-102”), the compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly by Marlin to each NEO and director.

Marlin’s general compensation philosophy is to provide its executive officers with a compensation package that is competitive within the Canadian marketplace. The process for determining executive compensation relies on board discussion upon the recommendation of the Compensation Committee. The members of the Compensation Committee are listed under Corporate Governance.

In making its recommendation to the Board, the Compensation Committee conducts a survey of other similarly sized junior mining companies to determine a competitive compensation package. The Compensation Committee aims to establish a compensation package between the median and the top quartile of those companies surveyed.

#### *Elements of Compensation*

Marlin employs a combination of an annual base compensation, annual cash incentive and option-based awards as key elements of executive compensation.

The specific key elements of compensation are outlined in detail below. Marlin does offer other perquisites but such are not material on an annual basis.

##### a) Annual base compensation

The objectives of the base compensation are to retain high calibre individuals, recognize market pay and acknowledge the competencies and skill of individuals. Base compensation for the NEOs is determined by the Board upon the recommendation of the Compensation Committee.

The base compensation for the most recently completed financial year consisted of an annual limit, which was not revised from the prior year.

##### b) Annual cash incentives

Annual cash incentives in the form of annual bonuses are designed to add a variable component of compensation and are given at the discretion of the Board upon the recommendation of the Compensation Committee. Given that Marlin only commenced commercial production in November 2014, the objectives are not necessarily based on Marlin’s performance factors such as stock prices and earnings per share and can be subjective to a certain degree. The objectives are based more on the general improvement of Marlin in terms of successful corporate targets such as financings, property acquisitions, property option agreements, demonstrations of extraordinary personal commitment to Marlin’s interest and other factors as determined by the Compensation Committee. These factors are assessed against the objectives of Marlin in light of the external environment and current business situation.

Upon the recommendation of the Compensation Committee, the Board determined that no cash incentive was to be paid to any NEO in respect of the 2017 financial year.

##### c) Option-based and Share-based awards

The objective of option-based awards in the form of incentive stock options and share-based awards in the form of restricted share units are to encourage executive officers to acquire an ownership interest in Marlin over a period of time, which acts as a financial incentive for such executive officer to consider the long-term interests of Marlin and its shareholders. The grant of stock options and share units, as a key component of the executive compensation package, enables Marlin to attract and retain qualified executives. Stock option and share unit grants are based on the total of stock options and share units available in the equity compensation pool as determined by regulations.

In granting stock options and share units, the Compensation Committee reviews the total of stock options and share units available in the equity compensation pool and recommends grants to newly hired executive officers at the time

of their employment, and considers recommending further grants to executive officers from time to time thereafter. The amount and terms of outstanding options and units held by an executive are taken into account when determining whether and how new grants should be made to the executive. The exercise periods are to be set at the date of grant. These grants may also contain vesting provisions in accordance with Marlin’s stock option and restricted share unit plans.

#### *Compensation Risks*

Neither the Board nor any committee of the Board considered the implications of the risks associated with Marlin’s compensation program during the most recently completed financial year. All of Marlin’s option-based and share-based awards for the benefit of executive officers (if any) were fully discretionary.

#### *Hedging by Named Executive Officers or Directors*

Marlin has no policy with respect to NEOs or directors purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

#### *Other*

Certain compensation factors were considered and not included within the compensation structure and philosophy. Some of the factors not considered were target share ownership guidelines, pension plans, specific target weightings, and percentage of compensation at risk. In addition the perquisites offered were limited to health plans and excluded other items such as low or interest free loans, company car and other perquisites which may be offered by other companies.

See “Corporate Governance” for a discussion of Marlin’s compensation governance policies and practices.

#### **Summary Compensation Table – NEOs**

The following table sets forth a summary of the compensation paid to the NEOs for the three most recently completed financial years.

<b>Non-equity Incentive Plan Compensation (\$)</b>								
<b>Name and Principal Position</b>	<b>Year Ended Dec 31,</b>	<b>Compensation (\$)</b>	<b>Share Based Awards<sup>(1)</sup> (\$)</b>	<b>Option Based Awards<sup>(2)</sup> (\$)</b>	<b>Annual Incentive Plans</b>	<b>Long-term Incentive Plans</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
Akiba Leisman CEO & Director	2017	250,790	Nil	101,184	Nil	Nil	Nil	351,974 <sup>(3)</sup>
	2016	222,289	Nil	250,051	Nil	Nil	Nil	472,790
	2015	214,290	219,718 <sup>(4)</sup>	Nil	Nil	Nil	Nil	434,008
Scott Kelly CFO	2017	135,000	Nil	Nil	Nil	Nil	Nil	135,000
	2016	120,000	Nil	Nil	Nil	Nil	Nil	120,000
	2015	120,000	Nil	Nil	Nil	Nil	Nil	120,000
Jesse Muñoz COO & Director	2017	245,630	Nil	Nil	Nil	Nil	Nil	233,630 <sup>(5)</sup>
	2016	252,247	Nil	Nil	Nil	Nil	Nil	252,247
	2015	186,799	Nil	Nil	Nil	Nil	Nil	186,799
Cesar Gonzalez VP Corporate Development	2017	197,028	Nil	33,456	Nil	Nil	Nil	230,484 <sup>(6)</sup>
	2016	167,822	Nil	83,517	Nil	Nil	Nil	251,339
	2015	164,230	69,902 <sup>(4)</sup>	Nil	Nil	Nil	Nil	234,132

Notes:

(1) For the purposes of this table, “Share Based Awards” refers to restricted share units issued pursuant to the RSU Plan.

- (2) Option-Based Award figures do not represent realization of capital gains. Marlin uses the fair value method of accounting for all stock-based payments to employees, directors and officers. During the year ended December 31, 2017, Marlin issued no stock options and 30,000 stock options expired.
- (3) Of the \$351,974 (2016 - 472,790; 2015 - \$434,008) that Mr. Leisman received as total compensation, \$22,500 (2016 - \$22,500; 2015 - \$22,500) was received for his services as a director and \$329,474 (2016 - \$450,290; 2015 - \$411,508) was received for his services as an officer.
- (4) Mr. Leisman and Mr. Gonzalez were granted 1,500,000 RSUs and 500,000 RSUs respectively, in 2015. 875,000 of Mr. Leisman's and 306,250 of Mr. Gonzalez's RSUs were cancelled on February 5, 2016.
- (5) Of the \$245,630 (2016 - \$252,247; 2015 - \$186,799) that Mr. Muñoz received as total compensation, \$12,500 (2016 - \$12,500; 2015 - \$12,500) was received for his services as a director and \$233,630(US\$180,000) (2016 - \$239,747(US\$180,000); 2015 - \$174,299(US\$135,000)) was received for his services as an officer.
- (6) Of the \$230,484 (2016 - \$251,339; 2015 - \$234,132) that Mr. Gonzalez received as total compensation, \$Nil (2016 - \$Nil; 2015 - \$3,125) was received for his services as a director and \$230,484 (2016 - \$251,339; 2015 - \$231,007) was received for his services as an officer.

## NEO Contracts

### *Current Executives*

Marlin is party to the following employment and/or services agreements with its NEOs. The agreements have an indefinite term and are subject to termination and change of control terms as described under section “*NEO Termination Benefits*” below.

- (a) Akiba Leisman, Executive Chairman and Interim CEO

Consulting services agreement dated January 1, 2015 (the “**Leisman Services Agreement**”) pursuant to which Mr. Leisman is entitled to an annual compensation of US\$150,000 (2017 - US\$150,000) and is eligible to receive an annual performance bonus. Eligibility criteria and the amount of any annual bonus shall be determined at the sole discretion of the Board.

- (b) Scott Kelly, Chief Financial Officer

Consulting services agreement dated June 26, 2014, as amended May 18, 2017 (the “**Kelly Services Agreement**”), pursuant to which Mr. Kelly is entitled to an annual compensation of \$150,000.

- (c) Jesse Muñoz, Director and Interim COO

Consulting services agreement dated May 1, 2015 (the “**Muñoz Services Agreement**”) pursuant to which Mr. Muñoz is entitled to an annual compensation of US\$180,000 (2017 - US\$180,000) and is eligible to receive an annual performance bonus. Eligibility criteria and the amount of any annual bonus shall be determined at the sole discretion of the Board.

- (d) Cesar Gonzalez, VP Corporate Development

Consulting services agreement dated January 1, 2015 (the “**Gonzalez Services Agreement**”) pursuant to which Mr. Gonzalez is entitled to an annual compensation of US\$126,000 (2017 - US\$126,000) and is eligible to receive an annual performance bonus. Eligibility criteria and the amount of any annual bonus shall be determined at the sole discretion of the Board.

## NEO Incentive Plan Awards

### *Outstanding option-based and share-based awards*

The following table sets out for each NEO the incentive stock options to purchase Marlin Shares (option-based awards) and restricted share units entitling the holder to receive Marlin Shares (share-based awards) held as of December 31, 2017. All incentive stock options to purchase Marlin Shares are issued pursuant to the Marlin Stock Option Plan, the terms of which are described below under “*Description of Stock Option Plan*”. All restricted share

units are issued pursuant to the RSU Plan, the terms of which are described below under “*Description of Share Unit Plan*”.

Option-Based Awards					Share-Based Awards <sup>(1)</sup>		
Name of Director/Officer	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Akiba Leisman CEO & Director	4,500,000	\$0.1611	February 5, 2021	1,739,273	Nil	Nil	Nil
Scott Kelly CFO	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jesse Muñoz COO & Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Cesar Gonzalez VP Corporate Development	1,500,000	\$0.1611	February 5, 2021	579,758	Nil	Nil	Nil

Notes:

- (1) For the purposes of this table, “share-based awards” refers to restricted share units issued pursuant to the RSU Plan.
- (2) Calculated using the closing trading price of the Marlin Shares on December 29, 2017 of \$1.02 less the exercise price of in-the-money stock options (options for which the closing trading price is greater than the exercise price), multiplied by the number of shares subject to option.

#### *Value vested or earned during the year*

The following table summarizes the value vested or earned under our equity compensation incentive plans for the most recently completed financial year, for each NEO.

Name of Director/Officer	Option-based awards – Value vested during the year (\$) <sup>(1)</sup>	Share –based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value vested during the year (\$)
Akiba Leisman CEO & Director	\$773,010	Nil	Nil
Scott Kelly CFO	Nil	Nil	Nil
Jesse Muñoz COO & Director	Nil	Nil	Nil
Cesar Gonzalez VP Corporate Development	\$257,670	Nil	Nil

Note:

- (1) Calculated using the closing trading price of Marlin Shares on December 29, 2017 of \$1.02 less the exercise price of in-the-money stock options (options for which the closing trading price is greater than the exercise price), multiplied by the number of shares subject to option.

#### **Pension Plan Benefits**

Marlin does not have a pension plan or deferred compensation plan.

#### **NEO Termination Benefits**

The following section provides a description of the termination clauses in the services agreement for each of the following NEO’s.

*Akiba Leisman, Executive Chairman and Interim CEO*

a) Termination by Mr. Leisman

Mr. Leisman may terminate the Leisman Services Agreement upon providing 60 days' written notice to Marlin or immediately, upon written notice and without further services, if Marlin materially breaches any term of the Leisman Services Agreement.

If the Leisman Services Agreement is terminated by Mr. Leisman, any Marlin Options held by Mr. Leisman will terminate on the earlier of their respective expiry dates or 90 days following termination, any vested share units held by Mr. Leisman will be paid out by Marlin (subject to certain restrictions set out in the RSU Plan (defined below)), and all share units not yet vested will be forfeited and terminated.

b) Termination by Marlin

Marlin may terminate the Leisman Services Agreement without cause upon providing 60 days' notice or immediately upon written notice, without further pay, if Mr. Leisman materially breaches any term of the Leisman Services Agreement.

If Mr. Leisman is terminated without cause, any Marlin Options held by Mr. Leisman will terminate on the earlier of their respective expiry dates or 90 days following termination, any vested share units held by Mr. Leisman will be paid out by Marlin (subject to certain restrictions set out in the RSU Plan), and any share units held by Mr. Leisman which have not yet vested will be forfeited and terminated.

If Mr. Leisman is terminated for material breach of the Leisman Services Agreement, any Marlin Options held by Mr. Leisman will terminate immediately, any vested share units held by Mr. Leisman will be paid out by Marlin (subject to certain restrictions set out in the RSU Plan), and any share units held by Mr. Leisman which have not yet vested will be forfeited and terminated.

*Scott Kelly, Chief Financial Officer*

a) Termination by Mr. Kelly

Mr. Kelly may terminate the Kelly Services Agreement upon providing 90 days' written notice. If the Kelly Services Agreement is terminated by Mr. Kelly, any Marlin Options held by Mr. Kelly will terminate on the earlier of their respective expiry dates or 90 days following termination, any vested share units held by Mr. Kelly will be paid out by Marlin (subject to certain restrictions set out in the RSU Plan), and all share units not yet vested will be forfeited and terminated.

b) Termination by Marlin

Marlin may terminate the Kelly Services Agreement upon written notice to Mr. Kelly, in which case Mr. Kelly will be entitled to a payment equal to the value of 12 months of fees. If Mr. Kelly is terminated for cause, any Marlin Options held by Mr. Kelly will terminate immediately. If Mr. Kelly is terminated without cause, any options held by Mr. Kelly will terminate on the earlier of their respective expiry dates or 90 days following termination. In either case, any vested share units held by Mr. Leisman will be paid out by Marlin (subject to certain restrictions set out in the RSU Plan) and any share units held by Mr. Leisman which have not yet vested will be forfeited and terminated.

*Jesse Muñoz, Director and Interim COO*

a) Termination by Mr. Muñoz

Mr. Muñoz may terminate the Muñoz Services Agreement upon providing 30 days written notice to Marlin.

b) Termination by Marlin

Marlin may terminate the Muñoz Services Agreement upon providing 30 days' written notice to Marlin.

*Cesar Gonzalez, VP Corporate Development*

a) Termination by Mr. Gonzalez

Mr. Gonzalez may terminate the Gonzalez Services Agreement upon providing 60 days' written notice to Marlin or immediately, upon written notice and without further services, if Marlin materially breaches any term of the Gonzalez Services Agreement.

If the Gonzalez Services Agreement is terminated by Mr. Gonzalez, any Marlin Options held by Mr. Gonzalez will terminate on the earlier of their respective expiry dates or 90 days following termination, any vested share units held by Mr. Gonzalez will be paid out by Marlin (subject to certain restrictions set out in the RSU Plan (defined below)), and all share units not yet vested will be forfeited and terminated.

b) Termination by Marlin

Marlin may terminate the Gonzalez Services Agreement without cause upon providing 60 days' notice or immediately upon written notice, without further pay, if Mr. Gonzalez materially breaches any term of the Gonzalez Services Agreement.

If Mr. Gonzalez is terminated without cause, any Marlin Options held by Mr. Gonzalez will terminate on the earlier of their respective expiry dates or 90 days following termination, any vested share units held by Mr. Gonzalez will be paid out by Marlin (subject to certain restrictions set out in the RSU Plan), and any share units held by Mr. Gonzalez which have not yet vested will be forfeited and terminated.

If Mr. Gonzalez is terminated for material breach of the Gonzalez Services Agreement, any Marlin Options held by Mr. Gonzalez will terminate immediately, any vested share units held by Mr. Gonzalez will be paid out by Marlin (subject to certain restrictions set out in the RSU Plan), and any share units held by Mr. Gonzalez which have not yet vested will be forfeited and terminated.

*Summary of Termination Benefits*

Assuming a termination without cause of the NEOs had occurred as at the date of the last financial year end of Marlin, it is estimated that such individuals would have been entitled to the following amounts in addition to any unpaid compensation and vacation:

<b>Name of Director/Officer</b>	<b>Bonus (up to)<sup>(1)</sup> (\$)</b>	<b>Severance (\$)</b>
Akiba Leisman CEO & Director	Nil	Nil
Scott Kelly CFO	Nil	100,000
Jesse Muñoz COO & Director	Nil	Nil
Cesar Gonzalez VP Corporate Development	Nil	Nil

Note:

(1) No annual cash incentives were accrued to the NEOs during the most recently completed financial year.

**Director Compensation**



The following table describes director compensation for non-NEO directors for Marlin’s most recently completed financial year.

Name <sup>(1)</sup>	Fees earned (\$)	Share-based awards (\$)	Option-based awards <sup>(2)</sup>	Non-equity incentive plan compensation (\$)	Pension Value (\$)	All other compensation (\$)	Total (\$)
John Pontius	12,500	N/A	Nil	N/A	N/A	N/A	12,500
Mike Liddell <sup>(3)</sup>	12,500	N/A	Nil	N/A	N/A	N/A	12,500

Notes:

- (1) See “*Summary Compensation Table – NEOs*”, above, for information regarding Mr. Leisman’s and Mr. Muñoz’s compensation as directors.
- (2) Marlin granted no stock options to non-NEO directors for the year ended December 31, 2017
- (3) Mr. Liddell ceased to be a director of Marlin on April 10, 2018.

As at December 31, 2017, each non-NEO director was entitled to receive an annual fee of \$12,500, the chair of the Audit Committee was entitled to receive an additional fee of \$5,000 and the Chairman of the Board was entitled to receive an additional annual fee of \$5,000 payable in quarterly instalments and subject to appropriate required statutory deductions and tax withholdings.

*Outstanding option-based and share-based awards*

The following table sets out for each non-NEO director the incentive stock options to Marlin Shares (option-based awards) and restricted share units entitling the holder to receive Marlin Shares (share-based awards) held as of December 31, 2017. All incentive stock options to purchase Marlin Shares are issued pursuant to the Marlin Stock Option Plan, the terms of which are described below under “*Description of Stock Option Plan*”. All restricted share units are issued pursuant to the RSU Plan, the terms of which are described below under “*Description of Share Unit Plan*”.

Option-Based Awards				Share-Based Awards			
Name of Director	Number of securities underlying exercise options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (\$)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
John Pontius	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mike Liddell <sup>(2)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Calculated using the closing trading price of the Marlin Shares on December 29, 2017 of \$1.02 less the exercise price of in-the-money stock options (options for which the closing trading price is greater than the exercise price), multiplied by the number of shares subject to option.
- (2) Mr. Liddell ceased to be a director of Marlin on April 10, 2018.

*Value vested or earned during the year*

The following table summarizes the value vested or earned under our equity compensation incentive plans for the most recently completed financial year, for each non-NEO director.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation – Value vested during the year (\$)
John Pontius	Nil	Nil	Nil
Mike Liddell <sup>(2)</sup>	Nil	Nil	Nil

Notes:

- (1) Calculated using the closing trading price of the Marlin Shares on December 29, 2017 of \$1.02 less the exercise price of in-the-money stock options (options for which the closing trading price is greater than the exercise price), multiplied by the number of shares subject to option.
- (2) Mr. Liddell ceased to be a director of Marlin on April 10, 2018.

## INDEBTEDNESS OF DIRECTORS, OFFICERS AND EMPLOYEES

No individual who is, or who at any time during the last financial year was, a director or executive officer or employee of Marlin, a proposed nominee for election as a director of Marlin or an associate of any such director, officer or proposed nominee is, or at any time since the beginning of the last completed financial year has been, indebted to Marlin or any of its subsidiaries and no indebtedness of any such individual to another entity is, or has at any time since the beginning of such year been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Marlin or any of its subsidiaries.

## AUDIT COMMITTEE

The overall purpose of the Marlin Audit Committee is to ensure that Marlin's management has designed and implemented an effective system of internal financial controls, to review and report on integrity of the consolidated financial statements of Marlin and to review Marlin's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts.

### Composition of the Audit Committee

The Marlin Audit Committee consists of three directors.

The following table sets out the names of the members of the Audit Committee and whether they are 'independent' and 'financially literate' for the purposes of NI 52-110.

Name	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Akiba Leisman <sup>(3)</sup>	No	Yes
John Pontius	Yes	Yes
Guillermo Kaelin	Yes	Yes

Notes:

- (1) To be considered independent, a member of the Committee must not have any direct or indirect 'material relationship' with Marlin. A material relationship is a relationship which could, in the view of the Board of Directors of Marlin, reasonably interfere with the exercise of a member's independent judgment.
- (2) To be considered financially literate, a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Marlin's financial statements.
- (3) Chairman of the Audit Committee.

### Relevant Education and Experience

#### *Akiba Leisman*

Mr. Leisman is currently the Executive Chairman and Interim CEO of Marlin. He is also CEO of Sailfish and is a consultant for Wexford, where he oversees the precious metal public and private equity portfolios. Prior to consulting for Wexford, he was a Senior Analyst at Red Kite Capital Management for the Mine Finance funds where he was responsible for investments in metal mining assets. Previously, he was an Associate at Standard Bank working in the Structured Commodity Products and Mine Finance groups. Mr. Leisman has an MBA from New York University, and a B.S. in Chemical Engineering from Carnegie Mellon University.

### *John Pontius*

John Pontius is currently President of 75th Street Associates LLC, a Connecticut based energy and infrastructure consulting firm which he founded. His clients primarily include private equity firms and operating holding companies. Prior to 75th Street Associates, Mr. Pontius was a Managing Director at Ruton Capital LLC, a New York City based private equity firm founded by a large, private Chinese asset manager with one billion of designated capital. Mr. Pontius was also a Divisional President of Mammoth Energy Services LLC, a Wexford Capital LP portfolio company which he helped take public on the NASDAQ in October of 2016. From 2004 - 2014, he served in various investment roles at Wexford and also in senior management positions at other Wexford portfolio companies including Muskie Proppant LLC (also now a Mammoth division), Stampede Farms LLC, ICx Technologies Inc (formerly NASDAQ: ICXT), Digital Power Capital LLC and other oilfield service related businesses. Mr. Pontius currently sits on the board of Predator Drilling Inc. and was a board observer of ICx Technologies until its acquisition by Flir Systems, Inc. He holds a B.S. in Business Administration from the University of North Carolina at Chapel Hill.

### *Guillermo Kaelin*

Guillermo Kaelin is a capital markets professional with over 19 years of experience in private equity, investment banking, research and public securities. He is currently the Head of Latin America of Appian Capital Advisory LLP and focuses on originating investments, structuring transactions and selecting management teams within Latin America. Previously, he served as a Managing Director with Arias Resource Capital Management LP, a mining focused private equity fund, which he joined in 2008. Mr. Kaelin has an MBA from the University of Chicago, an MS in Finance from ESAN (Peru) and a BS in Industrial Engineering from the Universidad de Lima. He currently serves on the board of directors of Ascendant Resources Inc. (TSX: ASND) and W Capital SAFI S.A., a Peruvian investment fund.

## **Complaints**

The Audit Committee has established a “Whistleblower Policy” which outlines procedures for the confidential, anonymous submission by employees regarding Marlin’s compliance with all applicable government laws, rules and regulations, corporate reporting and disclosure, accounting practices, accounting controls, auditing practices and other matter relating to fraud against shareholders (the “**Accounting Concerns**”), without fear of retaliation of any kind. If an applicable individual has any concerns about any of the Accounting Concerns which they consider to be questionable, incorrect, misleading or fraudulent, the applicable individual is urged to come forward with any such information, complaints or concerns, without regard to the position of the person or persons responsible for the subject matter of the relevant complaint or concern.

The applicable individual may report their concern in writing, by telephone or e-mail and forward it to the Chairman of the Audit Committee. All submissions will be treated on a confidential and anonymous basis, except when the Accounting Concerns refer to violation of any applicable law, rule or regulation that relates to the corporate reporting and disclosure, and to violation of Marlin’s Code of Business Conduct and Ethics, when the person making the submission must be identified for purposes of performing the investigation. Further, Marlin will not discharge, discipline, demote, suspend, threaten or in any manner discriminate against any person who submits in good faith an Accounting Concern.

Promptly following the receipt of any complaints submitted to it, the Audit Committee will investigate each complaint and take appropriate corrective actions.

The “Whistleblower Policy” is reviewed by the Audit Committee on an annual basis and it is posted on Marlin’s website at [www.marlingold.com](http://www.marlingold.com) under *Company – Corporate Governance*.

## **Audit Committee Oversight**

Since the commencement of Marlin’s most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by Marlin’s Board of Directors.

### **Reliance on Exemptions in NI 52-110 regarding Audit Committee Composition & Reporting Obligations**

Since Marlin is a venture issuer it is relying on the exemption contained in section 6.1 of NI 52-110 from the requirements of Part 3 *Composition of the Audit Committee* and Part 5 *Reporting Obligations* of NI 52-110 (which requires certain prescribed disclosure about the Audit Committee in the Marlin’s Annual Information Form, if any, and this Circular).

### **Reliance on Exemptions in NI 52-110 regarding *De Minimis* Non-audit Services**

At no time since the commencement of Marlin’s most recently completed financial year, has Marlin relied on the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110 (which exempts all non-audit services provided by Marlin’s auditor from the requirement to be pre-approved by the Audit Committee if such services are less than 5% of the auditor’s annual fees charged to Marlin, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the Audit Committee prior to the completion of that year’s audit); or an exemption from NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (*Exemptions*) of NI 52-110.

### **Pre-Approval Policies and Procedures**

The Marlin Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in section 4.0 “Non-Audit Services” of the Audit Committee Charter.

### **External Auditor Service Fees( By Category)**

The following table discloses the fees billed to Marlin by its external auditor during the last two financial years.

<b>Financial Year Ending</b>	<b>Audit Fees<sup>(1)</sup></b> \$	<b>Audit Related Fees<sup>(2)</sup></b> \$	<b>Tax Fees<sup>(3)</sup></b> \$	<b>All Other Fees<sup>(4)</sup></b> \$
December 31, 2016	180,000	-	124,399	-
December 31, 2017	252,068	-	188,551	-

Notes:

- (1) The aggregate fees billed by Marlin’s auditor for audit fees.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of Marlin’s financial statements and are not disclosed in the “Audit Fees” column.
- (3) The aggregate fees billed for professional services rendered by Marlin’s auditor for tax compliance, tax advice, and tax planning.
- (4) All other fees billed by the auditor for products and services not include in the foregoing categories. Such fees may relate to reading and commenting on Marlin’s interim financial statements, participation in due diligence calls, tax related questions, research analysis and subsidiary-related financial structure advice, among others.

## **CORPORATE GOVERNANCE**

National Policy 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian securities administrators requires Marlin to annually disclose certain information regarding its corporate governance practices. A description of Marlin’s governance practices is set out below:

### **1. Board of Directors**

The Marlin Board facilitates its exercise of independent supervision over Marlin's management through frequent meetings of the Marlin Board being held to obtain an update on significant corporate activities and plans, both with and without members of Marlin's management being in attendance.

The Marlin Board has determined that two directors, namely Guillermo Kaelin and John Pontius are independent based upon the tests for independence set forth in National Instrument 52-110.

## **2. Directorships**

Certain directors hold directorships in other reporting issuers (public companies). Refer to the table above under "*Directors and Executive Officers*".

## **3. Orientation and Continuing Education**

Marlin has not yet developed an official orientation or training program for directors. If and when new directors are added, however, they have the opportunity to become familiar with Marlin by meeting with other directors and with officers and consultants of Marlin. As each director has a different skill set and professional background, orientation and training activities are and will continue to be tailored to the particular needs and experience of each director.

## **4. Ethical Business Conduct**

The Marlin Board has responsibility for the stewardship of Marlin including responsibility for strategic planning, identification of the principal risks of Marlin's business and implementation of appropriate systems to manage these risks, succession planning (including appointing, training and monitoring senior management) and the integrity of Marlin's internal control and management information systems. To facilitate meeting this responsibility, the Marlin Board seeks to foster a culture of ethical conduct by striving to ensure Marlin carries out its business in line with high business and moral standards and applicable legal and financial requirements. In that regard, the Marlin Board:

- a. has adopted a written Code of Conduct (the "**Code**") for its directors, officers, employees and consultants. A copy of which is posted on [www.marlingold.com](http://www.marlingold.com);
- b. has established a Whistleblower Policy which details complaint procedures for financial concerns and it is posted on [www.marlingold.com](http://www.marlingold.com) under "Company - Corporate Governance";
- c. encourages management to consult with legal and financial advisors to ensure Marlin is meeting those requirements
- d. is cognizant of Marlin's timely disclosure obligations and reviews material disclosure documents such as financial statements, Management's Discussion & Analysis (MD&A) and press releases prior to their distribution
- e. relies on the Marlin Audit Committee to annually review the systems of internal financial control and discuss such matters with Marlin's external auditor; and
- f. actively monitors Marlin's compliance with the Marlin Board's directives and ensures that all material transactions are thoroughly reviewed and authorized by the Marlin Board before being undertaken by management.

The Marlin Board must also comply with the conflict of interest provisions of the BCBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

## **5. Nomination of Directors**

The Marlin Board, as a whole, has responsibility for identifying potential Marlin Board candidates. The Marlin Board assesses potential Marlin Board candidates to fill perceived needs on the Marlin Board for required skills,

expertise, independence and other factors. Members of the Marlin Board and representatives of the mineral exploration/production industry are consulted for possible candidates.

## **6. Compensation**

The Compensation Committee is presently comprised of Jesse Muñoz and John Pontius. John Pontius is independent as defined in securities legislation. Jesse Muñoz is the COO of Marlin and accordingly is not independent. The Compensation Committee recommends to the Marlin Board the compensation of Marlin's directors and officers based upon, among other things, the time commitment, effort and success of each individual's contribution towards the success of Marlin and a comparison of the remuneration paid by Marlin to publicly available information of the remuneration paid by other reporting issuers (public companies) that the Compensation Committee feels are similarly placed within the same business of Marlin. All members of the Compensation Committee have had significant experience in the mining sector, including the junior exploration sector and/or on other boards of directors.

Upon the suggestion from management of Marlin, the Compensation Committee determines the amount and terms of each stock option and restricted share unit grant, within the parameters set out in the Marlin Stock Option Plan and the RSU Plan and applicable exchange rules and policies, and recommends such grants to the Board for approval. Further, the Compensation Committee assesses the objectives of Marlin in light of the external environment and current business situation of Marlin, determines if annual bonuses should be granted to executive officers and recommends those grants to the Marlin Board.

## **7. Other Board Committees**

In addition to the Compensation Committee, the Marlin Board currently has an Audit Committee and a Corporate Governance Committee. The functions of the committees are described below.

**Compensation Committee:** The Compensation Committee is responsible for: (a) the review of compensation (including stock options and bonuses – if any) paid by Marlin to the Marlin Board members and executive officers of Marlin; (b) the reporting to the Marlin Board on the results of those reviews; and (c) the recommendation to the Marlin Board for making such adjustments to compensation. Refer to previous subsection 6 for additional information.

**Corporate Governance Committee:** The Corporate Governance Committee is responsible for advising the Marlin Board of the appropriate corporate governance procedures that should be followed by Marlin and the Marlin Board and monitoring whether they comply with such procedures. The Corporate Governance Committee is presently comprised of Akiba Leisman and John Pontius.

**Audit Committee:** See "*Appendix D – Information relating to Marlin – Audit Committee*" for details.

## **8. Assessments**

The Marlin Board does not consider that formal assessments would be useful at this stage of Marlin's development. The Board conducts informal annual assessments of the Marlin Board's effectiveness, the individual directors and each of its committees. To assist in its review, the Marlin Board conducts informal surveys of its directors.

# **MARKET FOR SECURITIES**

## **Trading Price and Volume**

The Marlin Shares are listed and posted for trading on the TSXV under the ticker symbol "MLN".

The following table sets out the high and low sale prices and the aggregate volume of trading of the Marlin Shares on the TSXV for the months indicated.

<b>Date</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (no. of Marlin Shares)</b>
October 2017	0.99	0.7	21,695
November 2017	0.9	0.7	27,395
December 2017	1.02	0.73	23,747
January 2018	0.59	0.55	24,609
February 2018	0.64	0.39	82,047
March 2018	0.52	0.38	39,067
April 2018	0.47	0.41	22,057
May 2018	0.43	0.23	69,304
June 2018	0.29	0.26	299,390
July 2018	0.28	0.22	329,115
August 2018	0.26	0.11	1,338,995
September 1 – 26, 2018	0.13	0.11	388,400

## **RISK FACTORS**

An investment in Marlin Shares, as well in Marlin’s mineral prospects, is highly speculative due to the high-risk nature of its business and the present stage of its development. Shareholders of Marlin may lose their entire investment. The risks described below are not the only ones facing Marlin. Additional risks not currently known to Marlin, or that Marlin currently deems immaterial, may also impair Marlin’s operations. If any of the following risk actually occur, Marlin’s business, financial conditions and operating results could be adversely affected.

### *Mineral Exploration and Development*

The exploration for and development of minerals is highly speculative in nature and involves a high degree of financial and other risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. Substantial expenses are required to establish ore reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on Marlin.

### *Additional Capital*

As there is no certainty that the operating cash flow described in the La Trinidad PEA will be realized, the principal sources of future funds available to Marlin will be through the sale of additional equity capital, loans or the sale of interests in its properties or anticipated metal production. There is no assurance that such funding will be available to Marlin, or that it will be obtained on terms favourable to Marlin or will provide it with sufficient funds to meet its objectives, which may adversely affect Marlin’s business and financial position. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of Marlin’s properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Marlin. Additional funds will be required for future exploration and development.

### *Production at the La Trinidad Mine based on La Trinidad PEA*

Marlin has not completed a pre-feasibility study or feasibility study on the La Trinidad Mine and, accordingly, there is no estimate of mineral reserves. Rather, Marlin's decision to commence construction at the La Trinidad Mine is based upon the results of the La Trinidad PEA. The La Trinidad PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the La Trinidad PEA will be realized. As a result, there are additional risks in commencing construction based upon the La Trinidad PEA including additional risks as to capital and operating costs, mineral recovery and financial viability. There is no guarantee that financial results will be consistent with the La Trinidad PEA. Should the actual results of the La Trinidad Mine deviate from the results of the La Trinidad PEA, it could have a material adverse impact on Marlin's ability to generate revenue and cash flows sufficient to fund future mining operations at the La Trinidad Mine.

### *Stakeholder Opposition; Surface Rights*

Marlin may face opposition to its activities and interests from owners of surface rights, environmental groups, indigenous peoples, entire communities and other stakeholders in the areas in which Marlin has interests and operations. Such opposition could adversely affect Marlin's ability to advance its mining projects. There is no guarantee that Marlin will be able to acquire the surface rights that would be required for the development of its mineral properties on acceptable terms or at all.

### *Mining Operations and Insurance*

Mining operations generally involve a high degree of risk. Marlin's operations are subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, periodic interruptions due to adverse weather conditions, labour disputes and political unrest. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. Marlin does not currently carry insurance against these risks and there is no assurance that such insurance will be available, at reasonably commercial terms, in the future. Even if such insurance is available in the future at economically feasible premiums, Marlin may decide not to purchase it. The potential costs associated with liabilities not covered by insurance or excess insurance coverage may require significant capital outlays which would adversely affect the Marlin's ability to execute its plans, or even to continue its operations.

Workers at Marlin's operations are subject to health and safety risks and hazards, including from rock bursts, cave-ins, flood, falls, chemical hazards, mineral dust and gases, use of explosives, noise, electricity and heavy equipment, slips and falls and other risks that could result in occupational related illness or health issues, personal injury, loss of life and or facility or workforce evacuation. These risks cannot be eliminated and may adversely impact Marlin's reputation, ability to hire employees, and operations.

### *Financial Resources*

Marlin has limited financial resources and there is no assurance that sufficient additional funding will be available to fulfill its obligations or for further exploration and development, on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development or production and could cause Marlin to forfeit its interests in some or all of its properties or to reduce or terminate its operations.

### *Government Regulation*

The current or future operations of Marlin, including exploration and development activities and the commencement and/or continuation of commercial production, require licenses, permits or other approvals from various foreign federal, state and local governmental authorities, and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labour standards, occupational



health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters.

There can be no assurance that Marlin will obtain on reasonable terms, or at all, the permits and approvals, and the renewals thereof, which it may require for the conduct of its current or future operations or that applicable laws, regulations, permits and approvals will not have an adverse effect on any mining project which Marlin may undertake. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to Marlin's planned exploration and operations, the extent of which cannot be predicted. Failure to comply with applicable laws, regulations and permitting requirements (including obtaining permits or failure to maintain permits once obtained) may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital or increased operating expenditures, installation of additional equipment, or remedial actions. Marlin may be required to compensate those suffering loss or damage by reason of its activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

#### *Government regulation in foreign jurisdictions*

Marlin's mineral exploration and mining activities, and the activities undertaken by companies from which Marlin may acquire a royalty or streaming interest, may be affected in varying degrees by political stability and government regulations relating to the mining industry and foreign investors therein. There is no assurance that the political and investment climate of foreign countries such as the United States and Mexico, where Marlin's mineral property interests are located, will continue to be favourable. Any changes in regulations or shifts in political conditions are beyond the control of Marlin and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

#### *Properties in Mexico*

Marlin's mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry and foreign investors therein. There is no assurance that the political and investment climate of foreign countries such as Mexico, where certain of Marlin's mineral property interests (including the La Trinidad Mine) are located, will continue to be favourable. Any changes in regulations or shifts in political conditions are beyond the control of Marlin and may adversely affect its business.

#### *Title to Property*

There can be no assurance that Marlin will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which Marlin's properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. Third parties may have valid claims underlying portions of Marlin's interests and the permits or tenures may be subject to prior unregistered agreements or transfers or other land claims and title may be affected by undetected defects. If a title defect exists, it is possible that Marlin may lose all or part of its interest in the properties to which such defects relate.

#### *Environmental Risks and Hazards*

All phases of Marlin's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties or other enforcement actions. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for

companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the viability or profitability of Marlin's operations. Environmental hazards may exist on the properties in which Marlin holds interests or on properties acquired by Marlin in the future which are unknown to Marlin. Marlin may be liable for these hazards even if they have been caused by previous or existing owners or operators of the properties.

#### *Climate Change Risks*

Marlin's mining and processing operations are energy intensive and have a significant carbon footprint. A number of governments or governmental bodies have introduced or are contemplating regulatory changes to address or mitigate the potential impacts of climate change. Some jurisdictions have implemented legislation or regulations relating to emissions levels, energy efficiency or carbon taxes, and such legislation or regulation is likely to become more stringent. While a portion of the costs associated with reducing emissions may be offset through increased energy efficiency or advances in technology, there can be no assurance that Marlin will be able to implement or maintain such measures, and, as a result, Marlin's operations may face increased costs if current regulatory trends continue. In addition, climate change may result in changes to the physical environment that may adversely affect Marlin's properties and projects, as a result of extreme weather events, resource shortages, changes in rainfall and storm patterns or intensity, water shortages, changing sea levels and changing temperatures.

#### *Risks related to conducting business in emerging markets*

Marlin's mineral exploration and mining activities, and the activities undertaken by companies from which Marlin may acquire a royalty or streaming interest, are in international locations that display characteristics of emerging markets. Conducting business in these countries may be subject to a variety of risks including, but not limited to: currency fluctuations, devaluations and exchange controls; inflation; uncertain political and economic conditions resulting in unfavourable government actions such as unfavourable legislation or regulation, trade restrictions, unfavourable tax enforcement or adverse tax policies; the denial of contract rights; and social unrest, acts of terrorism or armed conflict. Management is unable to predict the extent or duration of these risks or quantify their potential impact.

#### *Potential Profitability Depends Upon Factors Beyond the Control of Marlin*

The potential profitability of mineral properties is dependent upon many factors beyond Marlin's control. For instance, world prices of and markets for gold and silver are unpredictable, volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery of mined ore may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways Marlin cannot predict and are beyond Marlin's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of Marlin.

#### *Repatriation of Earnings*

Substantially all of Marlin's business is carried on through foreign subsidiaries. There is no assurance that any countries in which Marlin operates or may operate in the future will not impose restrictions or taxes on the repatriation of earnings to foreign entities, which may adversely impact Marlin's ability to efficiently manage its cash position and adversely impact its share price.

#### *Currency Fluctuations; Foreign Exchange*

The operations of Marlin in the countries where it operates are subject to currency fluctuations and such fluctuations may materially affect the financial position and results of Marlin. Marlin is subject to the risks associated with the fluctuation of the rate of exchange of the Canadian dollar and foreign currencies, in particular the U.S. dollar and the

Mexican peso. Marlin does not currently take any steps to hedge against currency fluctuations although it may elect to hedge against the risk of currency fluctuations in the future. There can be no assurance that steps taken by Marlin to address foreign currency fluctuations will eliminate all adverse effects and, accordingly, Marlin may suffer losses due to adverse foreign currency fluctuations.

Marlin may be subject from time to time to foreign exchange controls in countries outside of Canada although no such claims are currently known to Marlin.

### *Commodity Prices*

The price of Marlin's securities, its financial results and exploration, development and mining activities may in the future be significantly and adversely affected by declines in the price of precious or base minerals, particular gold. Precious or base minerals prices fluctuate widely and are affected by numerous factors beyond Marlin's control such as the sale or purchase of precious or base metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand; production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection and international political and economic trends, conditions and events. The price of precious or base metals has fluctuated widely in recent years, and future serious price declines could cause continued development of Marlin's properties to be impracticable.

Further, resource calculations and life-of-mine plans using significantly lower precious or base minerals prices could result in material write-downs of Marlin's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment, either initiated by management or required under financing arrangements, of the feasibility of a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### *Price Volatility and Lack of Active Market*

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to their operating performance, underlying asset values or prospects of such companies. Any quoted market for Marlin's securities will likely be subject to such market trends and the value of Marlin's securities may be affected accordingly.

### *Key Executives*

Marlin is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel, whose contributions to the immediate future operations of Marlin are likely to be of importance. Locating mineral deposits and successful production from the La Trinidad Mine each depends on a number of factors, not the least of which is the technical skill of the exploration and operational personnel involved. Due to the relatively small size of Marlin, the loss of these persons or Marlin's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations. Marlin does not currently carry any key man life insurance on any of its executives. The directors and some officers of Marlin will only devote part of their time to the affairs of Marlin.

### *Competition*

The mineral exploration and mining business is competitive in all of its phases. Marlin competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of mineral properties. Marlin's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable prospects

for mineral exploration or development. There is no assurance that Marlin will be able to compete successfully with others in acquiring such prospects.

#### *Potential Conflicts of Interest*

Certain directors and officers of Marlin are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of Marlin. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of Marlin and Marlin's interests may be adversely affected.

#### *Dilution*

Issuances of additional securities under future financings will result in dilution of the equity interests of persons who are currently shareholders of Marlin or who become shareholders of Marlin.

#### *Dividends*

Marlin has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the board of directors of Marlin and will depend on Marlin's financial condition, results of operations, capital requirements and such other factors as the board of directors of Marlin deem relevant.

#### *Nature of the Securities*

The purchase of Marlin's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. Marlin's securities should not be purchased by persons who cannot afford to lose their entire investment.

#### *Safety and Security Risks*

Marlin and its personnel are subject to safety and security risks in Mexico which may have an adverse impact on Marlin or its personnel. Certain of Marlin's projects, including the La Trinidad Mine, are located in Mexico. Criminal activities in Mexico or the perception that such activities are likely, may disrupt Marlin's operations, hamper Marlin's ability to hire and keep qualified personnel and impair Marlin's access to sources of capital. Risks associated with conducting business in the region include risks relating to safety of personnel and property. Such risks may include, but are not limited to, kidnappings of employees and contractors, exposure of employees and contractors to local crime-related activity and disturbances, exposure of employees and contractors to drug trade activity, and damage or theft of Marlin or personal assets including future gold shipments. These risks may result in serious adverse consequences including personal injuries, kidnappings or death, property damage or theft, limiting or disrupting operations, restricting the movement of funds, impairing contractual rights, or causing Marlin to shut down operations, all of which may expose Marlin to costs as well as potential liability.

Marlin has implemented procedures to protect its personnel and property from these risks. However, due to the unpredictable nature of criminal activities, there is no assurance that Marlin's efforts are able to effectively mitigate risks and safeguard personnel and Marlin's property.

In addition, the manner in which Marlin's (or its subsidiaries') personnel respond to civil disturbances and criminal activities could give rise to additional risks if those responses are not conducted in a manner that is consistent with local, Canadian or international standards relating to the use of force. Although Marlin does not seek to apply force against any criminal or potentially criminal activities conducted on its properties, incidents may arise that have the potential to result in harm to employees or community members, increase tensions with local communities, indigenous groups or others, reputational damage to Marlin or criminal and/or civil liability for Marlin, its directors, officers or other personnel. Marlin is currently insured for precious metals, namely gold and silver, in all forms held inside process equipment, tanks, vessels, safes or vaults within the premises of the La Trinidad Mine in an amount that management of Marlin considers prudent for Marlin's size. A separate insurance policy is maintained by the

logistics and transport company that delivers precious metals, namely gold and silver, from the La Trinidad Mine to one of the two refineries used by Marlin in the United States. There can be no assurance, however, that such insurance coverage will be adequate to fully cover any losses or that exclusions under such policies will not apply in a given circumstance or that such insurance will be renewed on commercially reasonable terms or at all.

#### *Litigation*

Marlin may, from time to time, be involved in disputes with other parties in the future which may result in litigation or alternative dispute resolution proceedings. The results of litigation or other proceedings cannot be predicted with certainty, and the costs of defending or settling such litigation or other proceedings can be significant. If Marlin is unable to resolve such disputes in its favour, it may have a material adverse effect on Marlin's financial performance, cash flow and results of operations. In addition, the litigation may be subject to the jurisdiction of a foreign court, which may not have or adhere to similar processes and standards as a Canadian court.

#### *Anti-Corruption and Anti-Bribery Compliance*

Marlin's operations are governed by, and involve interactions with, many levels of government in several countries. Marlin is required to comply with anti-corruption and anti-bribery laws in the jurisdictions in which Marlin conducts its business, including the Corruption of Foreign Public Officials Act (Canada). In recent years, there has been an increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third party agents. If Marlin finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on Marlin, resulting in a material adverse effect on Marlin's reputation and results of its operations.

#### *Information Systems and Cyber Security Threats*

Marlin's operations depend, in part, on how well Marlin and its suppliers, contractors and service providers protect networks, equipment, information technology (IT) systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. Marlin's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact Marlin's reputation and results of operations. Although to date Marlin has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that Marlin will not incur such losses in the future. Marlin's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, Marlin may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

#### *Taxation Matters*

Marlin believes that it is in material compliance with all applicable tax legislation in the countries in which it operates. However, tax returns and other tax assessments, regulatory fees and levies and other governmental costs and fees are subject to reassessment by applicable taxation and other regulatory authorities. In the event of a successful reassessment of Marlin, such reassessment may have an impact on current and future taxes and other amounts payable.

Marlin is subject to ongoing examination by tax and other regulatory authorities in each jurisdiction in which it has operations. Marlin regularly assesses the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for current and deferred income taxes, as well as the provision for indirect, withholding and other taxes and assessments as well as related penalties and interest. This assessment relies on

estimates and assumptions, which involves judgments about future events. There is no assurance that adequate provisions have been or will be made by Marlin to fully cover its possible exposure to tax and other governmental related liabilities, and any material reassessment may have a material adverse impact on Marlin's liquidity, financial condition and results of operation.

### **PROMOTER**

No person or company is, or has been within the two years immediately preceding the date of this Circular, a promoter of Marlin for the purposes of applicable securities legislation.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

To the best knowledge of Marlin's management, there are no legal proceedings or regulatory actions involving Marlin or its properties as of the date of this Circular and Marlin knows of no such proceedings currently contemplated.

### **INTERESTS OF CERTAIN PERSONS IN MATERIAL TRANSACTIONS**

Other than as described in the Circular, there are no material interests, direct or indirect, of current directors, executive officers, any persons nominated for election as directors, or any shareholder who beneficially owns controls or directs, directly or indirectly, more than 10% of the outstanding Marlin Shares, or any known associates or affiliates of such persons, in any transaction within the most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Marlin.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

PricewaterhouseCoopers LLP, Chartered Professional Accountants are Marlin's auditors and are located at Suite 1400, 250 Howe Street, Vancouver, British Columbia.

The transfer agent and registrar of the Marlin Shares is Computershare Investor Services Inc. at its offices in Vancouver, British Columbia, Canada.

### **MATERIAL CONTRACTS**

Other than the Arrangement Agreement, all other material contracts entered into by Marlin within the financial year ended December 31, 2017 or since such time or before such time that are still in effect, were in the ordinary course of business.

Copies of the above material contracts will be available following the completion of the Arrangement under Marlin's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **INTERESTS OF EXPERTS**

The following is a list of the persons or companies named as having prepared or certified a statement, report or valuation, in this Circular either directly or in a document incorporated by reference and whose profession or business gives authority to the statement, report or valuation made by the person or company:

- (a) Michael D. Johnston of SRK Consulting (Canada) Inc., Marek Nowak of SRK Consulting (Canada) Inc., Eric Olin of SRK Consulting (U.S.), Inc., Bret C. Swanson of SRK Consulting (U.S.), Inc., John Tinucci of SRK Consulting (U.S.), Inc., and SRK Consulting (U.S.), Inc. are each a “qualified person” for the purposes of NI 43 101, and are the authors responsible for the preparation of the La Trinidad PEA.
- (b) PricewaterhouseCoopers LLP were Marlin’s external auditor for the financial year ended December 31, 2017 and 2016.

To Marlin’s knowledge, the qualified persons do not hold, directly or indirectly, more than 1% of Marlin’s issued and outstanding Marlin Shares. Based on information provided by the qualified persons, other than as disclosed in this Circular, none of the qualified persons named above, when or after they prepared the statement, report or valuation, has received any registered or beneficial interests, direct or indirect, in any securities or other property of Marlin or of one of Marlin’s associates or affiliates or is or is expected to be elected, appointed or employed as a director, officer or employee of Marlin or of any associate or affiliate of Marlin.

PricewaterhouseCoopers LLP have been the external auditor of Marlin since 2013. PricewaterhouseCoopers LLP is independent with respect to Marlin within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

#### **FINANCIAL STATEMENT DISCLOSURE**

See Appendix E to this Circular for audited carve-out financial statements of Marlin for the years ended December 31, 2017 and 2016 and Appendix F for the interim carve-out financial statements of Marlin for the three and six month period ended June 30, 2018.

**APPENDIX E**  
**AUDITED CARVE-OUT FINANCIAL STATEMENTS OF MARLIN FOR THE YEARS ENDED**  
**DECEMBER 31, 2017 AND DECEMBER 31, 2016**

**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.

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*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 \$
<b>ASSETS</b>			
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
		<b>33,995,265</b>	<b>68,180,550</b>
Mineral property, plant and equipment	7	18,639,855	5,861,047
Resource property costs	8	4,483,577	-
Other assets		-	85,598
<b>TOTAL ASSETS</b>		<b>57,118,697</b>	<b>74,127,195</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities		23,506,429	9,713,977
Due to related parties	10	1,383,531	656,682
		<b>24,889,960</b>	<b>10,370,659</b>
Deferred tax liability		167,349	113,613
Provision for reclamation and rehabilitation	11	6,594,350	7,393,826
<b>TOTAL LIABILITIES</b>		<b>31,651,659</b>	<b>17,878,098</b>
<b>SHAREHOLDERS' NET INVESTMENTS</b>	9	<b>25,467,038</b>	<b>56,249,097</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' NET INVESTMENTS</b>		<b>57,118,697</b>	<b>74,127,195</b>

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 \$
<b>Revenue</b>		69,259,765	28,393,978
<b>Cost of sales</b>			
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)
<b>Gross loss</b>		(4,966,240)	(2,690,108)
<b>Operating and administrative expenses</b>			
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)
<b>Other (expenses) and income</b>			
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)
<b>Loss before taxes</b>		(30,506,832)	(9,409,583)
Income tax expense	15	(144,539)	(115,332)
Deferred tax recovery	15	114,971	3,962,917
<b>Net loss for the year</b>		(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
<b>Comprehensive loss for the year</b>		(29,089,084)	(1,381,417)
<b>Basic and diluted loss from continued operations per share</b>		\$ (0.18)	\$ (0.04)
<b>Weighted average number of shares outstanding</b>		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 \$
<b>Cash provided by (used for):</b>			
<b>Operating Activities</b>			
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
<b>Changes in non-cash working capital</b>			
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
<b>Investing Activities</b>			
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)
<b>Financing Activities</b>			
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
<b>Net decrease in cash</b>		(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)*

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

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:

<b>Name of subsidiary</b>	<b>Referred to as</b>	<b>Place of Incorporation</b>	<b>Proportion of Ownership Interest</b>	<b>Principal Activity</b>
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**

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

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**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
	<b>\$</b>	<b>\$</b>
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
	<b>13,580,341</b>	<b>49,948,314</b>

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

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**

	<b>Mine</b>			
	<b>Property</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>For the year ended December 31, 2017</b>				
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
<b>As at December 31, 2017</b>				
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
<b>For the year ended December 31, 2016</b>				
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
<b>As at December 31, 2016</b>				
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)
<b>Total Mine Property</b>	<b>4,654,537</b>	<b>13,343,859</b>	<b>(1,235,481)</b>	<b>16,762,915</b>

**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**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
	<b>\$</b>	<b>\$</b>
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**  
**For the year ended December 31, 2017 and 2016**  
*(Expressed in Canadian Dollars)*

**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:

<b>For the year ended December 31,</b>	<b>2017</b>	<b>2016</b>
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
<b>Total</b>	<b>663,583</b>	<b>794,642</b>

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**  
**For the year ended December 31, 2017 and 2016**  
*(Expressed in Canadian Dollars)*

**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**  
**For the year ended December 31, 2017 and 2016**  
*(Expressed in Canadian Dollars)*

**12. PRODUCTION COSTS AND GENERAL ADMINISTRATIVE EXPENSES**

(a) Production costs is comprised of:

<b>For the year ended December 31,</b>	<b>2017</b>	<b>2016</b>
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)
	<b>\$ 29,811,087</b>	<b>\$ 10,991,034</b>

(b) General administrative expenses is comprised of:

<b>For the year ended December 31,</b>	<b>2017</b>	<b>2016</b>
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
	<b>\$ 1,189,601</b>	<b>\$ 1,018,361</b>

**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)*

**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

For the year ended December 31,	2017	2016
	\$	\$
<b>The significant non-cash investing transactions consisted of:</b>		
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
	\$	\$
<b>Non-cash items</b>		
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**  
**For the year ended December 31, 2017 and 2016**  
*(Expressed in Canadian Dollars)*

**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:

<b>As at December 31,</b>	<b>2017</b>	<b>2016</b>
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)
<b>Net deferred tax assets (liabilities)</b>	<b>(167,349)</b>	<b>(113,513)</b>

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

<b>As at</b>	<b>December 31, 2016</b>	<b>Recognized in Net Loss</b>	<b>Recognized in OCI</b>	<b>Recognized in CTA</b>	<b>Recognized in Contributed Surplus</b>	<b>December 31, 2017</b>
	\$	\$	\$	\$	\$	\$
<b>Deferred tax assets</b>						
Non-capital losses carried forward	11,552,656	(9,426,838)	-	-	-	2,125,818
<b>Deferred tax liabilities</b>						
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)
<b>Net deferred tax assets (liabilities)</b>	<b>(113,513)</b>	<b>114,971</b>	<b>214,898</b>	<b>9,635</b>	<b>(393,340)</b>	<b>(167,349)</b>

**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
	\$	\$	\$	\$	\$	\$
<b>Deferred tax assets</b>						
Non-capital losses carried forward	383,100	11,169,556	-	-	-	11,552,656
<b>Deferred tax liabilities</b>						
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)
<b>Net deferred tax assets (liabilities)</b>	(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.

**APPENDIX F**  
**UNAUDITED CARVE-OUT FINANCIAL STATEMENTS OF MARLIN FOR THE THREE AND**  
**SIX MONTHS ENDED JUNE 30, 2018**

**See attached.**

# **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 \$
<b>ASSETS</b>			
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	-
<b>TOTAL ASSETS</b>		<b>73,276,802</b>	<b>57,118,697</b>
<b>LIABILITIES</b>			
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
<b>TOTAL LIABILITIES</b>		<b>37,731,280</b>	<b>31,651,659</b>
<b>SHAREHOLDERS' NET INVESTMENT</b>	9	<b>35,545,522</b>	<b>25,467,038</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' NET INVESTMENTS</b>		<b>73,276,802</b>	<b>57,118,697</b>

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 \$
<b>Revenue</b>		12,488,903	16,731,175	20,413,438	49,350,466
<b>Cost of sales</b>					
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)
<b>Gross (loss) gain</b>		425,918	260,069	(3,674,649)	2,545,198
<b>Operating and administrative expenses</b>					
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)
<b>Other (expenses) and income</b>					
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)
<b>Loss before taxes</b>		807,769	(4,523,934)	(1,507,905)	(1,871,454)
Income tax expense		-	(380,039)	-	(380,039)
<b>Net gain (loss) for the period</b>		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)
<b>Comprehensive loss for the period</b>		(3,140,218)	(2,523,671)	(5,853,447)	(2,702,317)
<b>Basic and diluted loss from continued operations per share</b>		\$ 0.00	\$ (0.03)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of shares outstanding</b>		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 \$
<b>Cash provided by (used for):</b>			
<b>Operating Activities</b>			
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
<b>Changes in non-cash working capital</b>			
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
<b>Investing Activities</b>			
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)
<b>Financing Activities</b>			
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)
<b>Net change in cash</b>			
		(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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<b>Shareholders' Net Investment</b>		
	<b>Number of shares</b>	<b>Total \$</b>
<b>Balance, December 31, 2016</b>	<b>172,927,719</b>	<b>56,147,730</b>
Share based payments	-	53,713
Funded by Marlin Gold	(1,114,000)	(13,982,096)
Net loss and comprehensive loss	-	(2,702,317)
<b>Balance, June 30, 2017</b>	<b>171,813,719</b>	<b>39,517,030</b>
Share based payments	-	33,803
Funded by Marlin Gold	(245,500)	12,302,972
Net loss and comprehensive loss	-	(26,386,767)
<b>Balance, December 31, 2017</b>	<b>171,568,219</b>	<b>25,467,038</b>
Share based payments	-	23,327
Funded by Marlin Gold	-	15,908,604
Net loss and comprehensive loss	-	(5,853,447)
<b>Balance, June 30, 2018</b>	<b>171,568,219</b>	<b>35,545,522</b>

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**

*(Expressed in Canadian Dollars)*

*(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**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS**

**For the six months ended June 30, 2018**

*(Expressed in Canadian Dollars)*

*(Unaudited)*

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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**

**For the six months ended June 30, 2018**

*(Expressed in Canadian Dollars)*

*(Unaudited)*

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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**

**For the six months ended June 30, 2018**

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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**

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

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**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>\$</b>	<b>\$</b>
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
	<b>20,365,336</b>	<b>13,580,341</b>

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**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS**

**For the six months ended June 30, 2018**

*(Expressed in Canadian Dollars)*

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**6. INVESTMENT IN SECURITIES**

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

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**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED CARVE-OUT FINANCIAL STATEMENTS**

**For the six months ended June 30, 2018**

*(Expressed in Canadian Dollars)*

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**7. MINERAL PROPERTY, PLANT AND EQUIPMENT**

	Mine Property \$	Equipment \$	Vehicles \$	Total \$
<b>For the six months ended June 30, 2018</b>				
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
<b>As at June 30, 2018</b>				
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
<b>For the year ended December 31, 2017</b>				
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
<b>As at December 31, 2017</b>				
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**

**For the six months ended June 30, 2018**

*(Expressed in Canadian Dollars)*

*(Unaudited)*

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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)
<b>Total Mine Property</b>	<b>16,762,915</b>	<b>4,690,842</b>	<b>974,879</b>	<b>22,428,636</b>

**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:

<b>Exercise Prices</b> \$	<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price</b> \$
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:

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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
<b>Total</b>	<b>132,398</b>	<b>167,615</b>	<b>288,569</b>	<b>315,297</b>

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

**MARLIN GOLD MINING LTD. CARVE-OUT**  
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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.

**MARLIN GOLD MINING LTD. CARVE-OUT**  
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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

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

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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

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

**For the six months ended June 30, 2018**

*(Expressed in Canadian Dollars)*

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**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

For the six months ended June 30,	2018	2017
	\$	\$
<b>The significant non-cash investing transactions consisted of:</b>		
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
	\$	\$
<b>Non-cash items</b>		
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.

**APPENDIX G**  
**ANNUAL CARVE-OUT MANAGEMENT'S DISCUSSION AND ANALYSIS OF MARLIN OF**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016**

**See attached.**

# **Marlin Gold Mining Ltd.**

## **Carve-Out**

**MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**



## MARLIN GOLD MINING LTD. CARVE-OUT

### MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

The following Management Discussion and Analysis ("MD&A") of Marlin Gold Mining Ltd. Carve-Out (the "Company", or "Carve-Out") has been prepared as of September 26, 2018. All dollar amounts are expressed in Canadian dollars unless otherwise stated (US\$ represents United States dollars). This MD&A should be read in conjunction with the Company's audited consolidated carve-out financial statements and the notes thereto for the year ended December 31, 2017. The carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A contains forward looking information as further described in the "Cautionary Statement on Forward Looking Information" at the end of this MD&A. Reference to the risk factors described in the "Cautionary Statement on Forward Looking Information" at the end of the MD&A is advised.

#### DESCRIPTION OF BUSINESS

On August 3, 2018, Marlin Gold Mining Ltd. ("MGM") 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 MGM 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"). Refer to the "**Proposed Transactions**" section for full details of the GRR Arrangement Agreement.

As outlined in more detail in section "**Proposed Transactions**", under the GRR Arrangement Agreement, certain subsidiaries of MGM will be carved out, herein after referred to as the 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 MGM's La Trinidad Mine ("La Trinidad") in Sinaloa, Mexico.

MGM is a Canadian public company listed on the TSX Venture Exchange ("TSX-V") under the symbol "MLN" and is a reporting issuer in British Columbia, Alberta, Manitoba and Ontario. MGM also trades on the OTCQX International under the symbol "MLNZF". MGM is primarily engaged in the exploration for, development of and production of gold and silver in the Americas.

The Company has an unlimited number of authorized common shares of which 171,568,219 are issued and outstanding at the date of this MD&A (177,568,219 on a fully diluted basis). Wexford Spectrum Investors LLC ("WSI") and Wexford Catalyst Trading Limited ("WCT"), (together the "Wexford Funds") are the Company's largest shareholders and hold, directly or indirectly, 85.08% of the Company's issued and outstanding common shares.

The Carve-Out's main asset is the La Trinidad Mine in Sinaloa, Mexico.

The Company's operating mine is the Taunus deposit at the La Trinidad Mine, located in Sinaloa, Mexico. The Taunus deposit hosts the historic La Trinidad gold mine that was operated by Eldorado Gold Corporation ("Eldorado") from 1996 until 1999. Marlin's management, which has extensive mine development experience in Mexico, brought the La Trinidad Mine back into commercial production on November 1, 2014.

## 2017 FINANCIAL HIGHLIGHTS AND MAJOR ACTIVITIES

- Production of 36,979 (2016 – 24,238) ounces (“oz.”) of gold at the La Trinidad Mine for the year ended December 31, 2017.
- Sale of 43,052 oz. (2016 – 17,829 oz.) of gold for the year ended December 31, 2017 from the La Trinidad Mine.
- Revenues of \$69.3 million (2016 – \$28.4 million) for the year ended December 31, 2017.
- Net loss of \$30.5 million (2016 –\$5.6 million) for the year ended December 31, 2017.
- Finished metal inventory of 914 oz. (2016 – 6,986 oz.), leach pad inventory of 6,636 oz. (2016 – 19,050 oz.), stockpile of 1,238 oz. (2016 – 14,122 oz.) of gold at the La Trinidad Mine as at December 31, 2017.
- Cash was \$1.0 million (2016 – \$1.7 million) at December 31, 2017.
- In January 2017, the Company purchased 5.4 million common shares in Golden Reign at \$0.22 per share. This brings the Company’s current shareholding in Golden Reign to 36.3 million shares and represents an 18.9% ownership in Golden Reign.
- The Company initiated another normal course issuer bid (the “NCIB”), whereby the Company has purchased 1.4 million common shares in the capital of the Company. All common shares acquired by the Company under the NCIB have been returned to treasury and cancelled.
- 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 consideration of US\$3.6 million.
- On October 30, 2017, the Company received \$89,416 (US\$69,655), the cash equivalent of second 55 troy ounces of gold, of the Deferred Consideration Receivable.

Subsequent to December 31, 2017:

- On February 9, 2018, the Company recorded a gain of US\$0.5 million on the settlement of the Sonoran liability outstanding.
- 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.
- On August 3, 2018, MGM, Sailfish and Golden Reign entered into the GRR Arrangement Agreement, whereby Golden Reign will acquire all of the issued and outstanding shares of MGM, following completion of the Marlin Reorganization. As a condition to Closing, Sailfish has agreed to restructure its existing gold stream on Golden Reign’s wholly-owned San Albino property pursuant to the Sailfish Master Agreement. Refer to “**Proposed Transactions**” and the August 3, 2018 News Release issued on SEDAR for further details.

## REVIEW OF PROPERTIES

The Carve-Out’s properties are located in the state of Durango, Sinaloa, Mexico. The properties located in Sinaloa are categorized as two discreet areas: the southernmost concessions falling within the La Trinidad Mine concession grouping and the northern concessions falling within the El Rosario concession grouping.

### La Trinidad Mine

The La Trinidad Area consists of nine claims of mineral concessions that are either owned by, or optioned to, the Company. The La Trinidad Area is located in an area having excellent infrastructure. It is 90 kilometres southeast of Mazatlán and includes the former La Trinidad open-pit gold mine, previously operated by Eldorado from 1996 to 1999.

Three concessions within the La Trinidad Area are subject to an option to purchase agreement (as amended) that includes an additional two concessions that fall outside the area. Pursuant to such agreement (as amended), the Company has the option to purchase the three concessions over nine years for a total payment of US\$600,000. During 2016, the Company completed the acquisition of the three concessions by making the final payment of US\$57,000.

### **Gavilanes Property**

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 \$4.5 million (US\$3.6 million). The property is subject to a 3% net smelter royalty (“NSR”), up to a maximum of \$2 million.

Under the terms of the GRR Arrangement Agreement, as described in the “**Proposed Transactions**” section, the Carve-Out will provide Sailfish the right to acquire the Gavilanes property in Mexico as partial consideration for Sailfish entering into the Sailfish Master Agreement.

### **El Compas**

El Compas hosts the historic El Compas mine and consists of 24 mineral concessions and 1 application located in the state of Zacatecas which are subdivided into two properties, El Compas and Altiplano.

#### *El Compas*

On October 30, 2015, the Company completed the sale of El Compas to Canarc Resource Corp. (“Canarc”) whereby Canarc acquired 100% of the shares in the Company’s wholly owned subsidiary company, Oro Silver (the “Canarc Transaction”), which owns the fully permitted El Compas in Zacatecas, Mexico. Based on the purchase agreement, on each of the first three anniversaries of the closing date, 55 troy oz of gold (or the US dollar equivalent) will be paid by Canarc to the Company. Upon the sale, a loss of \$417,888 was realized in the year ended December 31, 2015. The final instalment of 55 troy oz of gold is to be received in October 2018.

In addition to the shares and gold payments the Company received a 1.5% NSR on all Non-Altiplano claims (the “El Compas Royalty”).

On May 30, 2016, Canarc completed the sale of El Compas to Endeavour Silver Corporation (“Endeavour”). Endeavour will now assume Canarc’s obligation to pay an aggregate of 165 troy oz. of gold to the Company (110 troy oz. paid to date) and the 1.5% El Compas Royalty.

Under the terms of the GRR Arrangement Agreement, as described in the “**Proposed Transactions**” section, the Carve-Out will assign to Sailfish its 1.5% El Compas Royalty as partial consideration for Sailfish entering into the Sailfish Master Agreement.

### **Golden Reign**

During the three months ended March 31, 2017, the Company acquired an additional 5.4 million common shares of GRR for aggregate gross proceeds of \$1.2 million, increasing the Company’s ownership to 36.3 million common shares. As at December 31, 2017, the Company’s ownership interest in GRR had increased from 18.3% to 18.9%.

Concurrent with the initial purchase of the Golden Reign shares, MGM, Sailfish and Golden Reign completed a US\$15 million (the “GRR Purchase Price”) Gold Streaming Arrangement (the “GRR Gold Stream Arrangement”) for the construction and development of San Albino. The GRR Purchase Price is due once Sailfish has approved the budget for the development of GRR’s San Albino Gold Deposit. Under the terms of the GRR Arrangement Agreement, as described in the “**Proposed Transactions**” section, upon closing, MGM, Sailfish and Golden

Reign will enter into the Sailfish Master Agreement whereby the GRR Gold Stream Arrangement will be amended to an equivalent 3% net smelter returns royalty on the San Albino project. As well, Sailfish will be granted a 2% net smelter returns royalty on concessions surrounding the San Albino project, Sailfish will extinguish Golden Reign's prepayment liability associated with the existing gold stream and the remaining balance of the GRR Purchase Price will be eliminated.

#### *Advances to the GRR Gold Stream Arrangement*

On December 18, 2017, the Company agreed to make available to Sailfish a term facility in a maximum amount of US\$14 million to be applied to the GRR Purchase Price. The facility earns interest at a rate of 8% per annum ("Sailfish Facility") and is repayable three years after the first draw down on the Sailfish Facility. As at December 31, 2017, no amount was drawn on the Sailfish Facility. Upon Closing of the Transaction, the Sailfish Facility will be eliminated.

#### **SELECTED ANNUAL INFORMATION**

The following table sets forth selected annual financial information that has been extracted from the Company's financial statements, which have been prepared in accordance with IFRS, for the periods noted:

<b>Year ended December 31</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total revenue	69,259,765	28,393,978	22,780,587
Loss for the year	(30,536,400)	(5,561,998)	(54,255,098)
Total assets	57,118,697	74,127,195	56,597,687
Total non-current liabilities	6,761,699	7,507,439	6,824,001

The loss for the year ended December 31, 2015 includes the inventory impairment write-down of \$6.0 million and \$22.6 million for the impairment of mineral property. Production costs in the cost of sales was significantly higher for the year ended December 31, 2015 when compared to the year ended December 31, 2016. There was an increase in the deferred income tax recovery of \$4 million for the year ended December 31, 2016 arising primarily from the depletion of the La Trinidad mine asset when compared to the tax value. The loss for the year ended December 31, 2017 includes \$14.5 million for the impairment of mineral property; and \$9.6 million for inventory write down to NRV.

#### **SUMMARY OF QUARTERLY RESULTS**

The following table summarizes selected financial data for the last eight quarters which have been derived from the unaudited interim financial statements of the Company, with revision to the first three quarters of 2016 as described below, which are prepared in accordance with IFRS applicable to interim financial reporting.

<b>For the quarters ended</b>	<b>2017</b>				<b>2016</b>			
	<b>Dec 31</b>	<b>Sept 30</b>	<b>June 30</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sept 30</b>	<b>June 30</b>	<b>Mar 31</b>
Total revenue	\$ 11,084,721	8,824,578	16,731,175	32,619,291	18,946,758	3,539,054	2,187,767	3,720,399
Interest and other income	\$ 34,960	10,223	13,451	42,770	20,280	(18,224)	28,152	6,496
Net profit (loss)	\$ (29,647,796)	(1,669,630)	(4,523,934)	5,304,960	8,513,420	(2,518,378)	(6,374,556)	(5,182,484)
Net profit (loss) per common share, basic & diluted	\$ (0.13)	(0.05)	(0.03)	0.03	0.06	(0.01)	(0.04)	(0.05)
Gold ounces sold	6,940	5,886	9,825	20,401	12,178	1,985	1,358	2,308
Average realized gold price per ounce in CAD	\$ 1,597	1,499	1,703	1,599	1,556	1,783	1,611	1,612

The results during the three months ended December 31, 2017 include: production costs of \$8.1 million which increased from \$3.3 million, although the number of ounces sold decreased from 12,178 oz. to 6,940 oz. the

cost of production increased from \$372 to \$1,157 per oz. resulting from increased production costs; a write down of inventory to net realizable value (“NRV”) of \$4.8 million (2016 – \$0.7 million); depreciation, depletion and amortization of \$3.6 million, a decrease from \$9.9 million as a result of a decrease in gold sales of 6,940 oz. (2016 – 12,178 oz.) and a decrease in the weighted average unit-of-production amortization charge of \$504 (2016 - \$797) per oz. of gold sold; and an impairment charge of \$14.5 million (2016 - \$nil) to the mineral property.

The results during the three months ended September 30, 2017 include: production costs of \$5.7 million which increased from \$2.9 million resulting from increased production levels of 5,683 oz. (2016 – 1,831 oz.); a write down of inventory to NRV of \$1.3 million (2016 - \$1.8 million); depreciation, depletion and amortization of \$3.8 million, an increase from \$0.5 million as a result of an increase in gold sales of 5,886 oz. (2016 – 1,985 oz.) and an increase in the weighted average unit-of-production amortization charge of \$630 (2016 - \$326) per ounce of gold sold).

The results during the three months ended June 30, 2017 include: a write down of inventory to NRV of \$2.3 million (2016 - \$4.0 million).

The results during the three months ended March 31, 2017 include: a write down of inventory to net realizable value (“NRV”) of \$1.1 million (2016 - \$3.3 million).

The results during the three months ended December 31, 2016 include: a reversal of a write down of inventory to NRV of \$0.7 million arising from the gain in the settlement of the mining contractor; depreciation, depletion and amortization expenses of \$9.9 million; increase in consulting fees at the mine site \$1.1 million which is offset by the decrease in the salaries; a non-cash share-based payment of \$217,112 on the stock options issued; and a deferred tax recovery of \$3.7 million.

The results during the three months ended September 30, 2016 include: a write down of inventory to NRV of \$1.8 million; a non-cash share-based payment of \$35,521 on the stock options issued; a foreign exchange loss of \$1.1 million arising from the strengthening of the Canadian dollar exchange rate against the US dollar.

The results during the three months ended June 30, 2016 include: a write down of inventory to NRV of \$4.0 million; exploration expenses of \$110,346; a non-cash share-based payment of \$97,414 on the stock options issued; a foreign exchange loss of \$0.1 million arising from the strengthening of the Canadian dollar exchange rate against the US dollar.

The results during the three months ended March 31, 2016 include: a write down of inventory to NRV of \$3.3 million; exploration expenses of \$0.1 million; and a non-cash share-based payment of \$0.1 million on the stock options issued.

## DISCUSSION OF OPERATIONS

	For the three months ended December 31,		For the year ended December 31,	
	2017	2016	2017	2016
<b>Revenue</b>	\$ 11,084,721	\$ 18,946,758	\$ 69,259,765	\$ 28,393,978
<b>Cost of sales</b>				
Production costs	(8,123,496)	(3,274,330)	(29,811,087)	(10,991,034)
Write down to NRV	(4,849,093)	723,736	(9,607,979)	(8,364,768)
Depreciation, depletion and amortization	(3,587,625)	(9,911,266)	(34,806,939)	(11,728,284)
	(16,560,214)	(12,461,860)	(74,226,005)	(31,084,086)
<b>Gross profit (loss)</b>	(5,475,493)	6,484,898	(4,966,240)	(2,690,108)
<b>Operating and administrative expenses</b>				
Accounting and legal	(337,878)	(133,898)	(742,621)	(444,707)
Exploration expenses	(466,421)	(205,240)	(660,192)	(21,980)
General office and rent	(271,014)	(304,562)	(1,189,601)	(1,018,361)
Impairment of mineral property	(14,460,266)	-	(14,460,266)	-
Management and consulting fees	(1,222,056)	(1,160,140)	(3,859,957)	(3,193,782)
Salaries and benefits	(14,698)	(19,892)	(87,516)	(286,681)
Transfer agent fees and regulatory fees	(47,072)	(677)	(101,851)	(5,584)
	(16,819,405)	(1,824,409)	(21,102,004)	(4,971,095)
<b>Other (expenses) and income</b>		-		
Accretion and interest expense	(48,853)	(28,795)	(119,225)	(61,997)
Change in fair value of Deferred Consideration Receivable	2,727	(21,823)	7,675	21,833
Foreign exchange loss	(252,864)	46,472	(4,425,078)	(1,755,924)
Gain in change in fair value of securities	(2,329)	(10,788)	(3,364)	8,805
Gain on disposal of securities, net of transaction costs	-	-	-	2,199
Loss on the settlement of Loan	562,990	-	-	-
Interest and other income	34,960	20,280	101,404	36,704
	296,631	5,346	(4,438,588)	(1,748,380)
<b>Loss before taxes</b>	(21,998,267)	4,665,835	(30,506,832)	(9,409,583)
Income tax expense	235,500	(115,332)	(144,539)	(115,332)
Deferred tax recovery	114,971	3,962,917	114,971	3,962,917
<b>Net profit (loss) for the period</b>	\$ (21,647,796)	\$ 8,513,420	\$ (30,536,400)	\$ (5,561,998)

The key performance driver for the Company is the development and operation of its mineral properties.

### ***For the three months ended December 31, 2017, compared to the three months ended December 31, 2016.***

The Company recorded a net loss of \$21.6 million for the three months ended December 31, 2017 (the “Current Quarter”) (\$0.13 per common share) compared to a net gain of \$8.5 million (\$0.06 gain per common share) for the three months ended December 31, 2016 (the “Comparative Quarter”), a change of \$30.2 million, as explained in the following paragraphs.

Revenue for the Current Quarter was \$11.1 million, a decrease of \$7.9 million from the Comparative Quarter as a result of selling 6,940 oz. of gold (2016 – 12,178 oz.).

Production costs were \$8.1 million, an increase from \$3.3 million in the Comparative Quarter due to the lower grades and increase in waste removal of producing an ounce of gold sold in the Current Quarter.

Inventory write down was \$4.8 million, an increase from \$0.7 million in the Comparative Quarter. The inventory write-down relates to determining the carrying value of inventory i.e., lower of cost versus NRV. The carrying value of ounces in inventory are affected by the amortization of the La Trinidad Mine asset that are allocated to ounces in inventory as they are processed. The amortization rate of the La Trinidad Mine fluctuates based on increased capitalized construction expenditures and deferred stripping costs. As such, NRV charges are a result of the on-going nature of the Company's operations and are also affected by the current market price of gold.

Depreciation, depletion and amortization was \$3.6 million, a decrease from \$9.9 million in the Comparative Quarter. The decrease is a result of the Company producing less ounces in the Current Quarter.

Exploration expenses for the Current Quarter was \$0.5 million, an increase from \$0.2 million for the Comparative Quarter primarily resulting from timing differences when the expense incurred as there was an increase in exploration activities at Commonwealth during the current year.

In the Current Quarter, the Company incurred a non-cash impairment charge on mineral property of \$14.5 million compared to \$Nil in the Comparative Quarter. At December 31, 2017, management determined that there was an impairment indicator due to the reduction of recoverable ounces and therefore completed an impairment assessment for the La Trinidad cash generating unit. The recoverable amount of the La Trinidad Mine was determined as value in use using a discounted cash flow model.

The Current Quarter results include a foreign exchange loss of \$0.3 million (2016 –gain \$46,472), resulting from the strengthening of the Canadian dollar against the US dollar.

***For the year ended December 31, 2017, compared to the year ended December 31, 2016.***

The Company recorded a net loss of \$30.5 million for the year ended December 31, 2017 (the "Current Period") (\$0.18 loss per common share) compared to a net loss of \$5.6 million (\$0.04 loss per common share) for the year ended December 31, 2016 (the "Comparative Period"), a change of \$24.9 million, as explained in the following paragraphs.

Revenue for the Current Period was \$69.3 million, an increase from \$28.3 million for the Comparative Period as a result of selling 43,052 oz. (2016 – 17,829 oz.).

Cost of Sales for the Current Period was \$74.2 million, an increase from \$31.1 million for the Comparative Period primarily resulting from an increase of \$23.1 million in depreciation, depletion and amortization and an increase of \$18.8 million in production costs as a result of increased ounces sold.

Production costs were \$29.8 million, an increase from \$11 million in the Comparative Period as a result of higher costs to produce an ounce of gold sold.

Inventory write down was \$9.6 million, an increase from \$8.4 million in the Comparative Period arising from lower gold market selling prices resulting in lower net recoverable values.

Depreciation, depletion and amortization was \$34.8 million, an increase from \$11.7 million in the Comparative Period. The increase is a result of the Company selling additional ounces in the Current Period and an increase in the unit-of-production amortization charge in the Current Period as a result of the Company capitalizing

\$27.9 million to the La Trinidad Mine during 2017. For the Current Period, the unit-of-production amortization charge per ounce of gold sold was \$365 (Comparative Period - \$628) due to the increase in expected ounces at the end of the Current Period.

Exploration expenses for the Current Period was \$0.7 million, an increase from \$21,980 for the Comparative Period primarily resulting from an increase in exploration activities in Mexico.

In the Current Period, the Company incurred a non-cash impairment charge on mineral property of \$14.5 million compared to \$Nil in the Comparative Period. At December 31, 2017, management determined that there was an impairment indicator due to the reduction of recoverable ounces and therefore completed an impairment assessment for the La Trinidad cash generating unit. The recoverable amount of the La Trinidad Mine was determined as value in use using a discounted cash flow model.

In the Current Period, the Company incurred management and consulting fees of \$3.9 million compared to \$3.2 million in the Comparative Period, an increase of \$0.7 million. The increase relates to an increase in the number of consultants engaged by the Company, which was offset by the decrease of \$0.2 million in the salaries and benefits.

In the Current Period, the Company incurred a non-cash share-based payment of \$87,516 compared to \$217,112 in the Comparative Period, a decrease of \$129,596 based on the vesting stock options issued in the prior years.

### ***La Trinidad Mine***

The La Trinidad Mine is an open pit heap leach operation; the support infrastructure and processing facility includes a staff camp, offices, warehousing, an analytical laboratory, three-stage crushing, screening, agglomeration and conveying and stacking on a leach pad. Gold is recovered by way of a conventional carbon adsorption plant. The entire mine and processing has been designed using tried and proven methods.

On November 2, 2014, the Company put the La Trinidad Mine into commercial production based on the mine plan in the Company's preliminary economic assessment ("PEA Mine Plan"). The La Trinidad Mine does not have proven and probable reserves.

During 2015, Hurricane Linda, a category 2 hurricane, hit the area of the La Trinidad Mine. As a result of the damage caused by Hurricane Linda, the Company submitted an insurance claim to recover certain costs incurred at the La Trinidad Mine. The Company received insurance proceeds of US\$1.5 million during the year ended 2016.

During 2015, the Company determined that approximately 40,000 recoverable ounces that were included in the PEA Mine Plan were not economically viable due to the then market price of gold and as a result recognized an impairment on the La Trinidad Mine asset. As a result of removing the 40,000 ounces from the PEA Mine Plan and increased mining activity in 2016, the Company significantly depleted the La Trinidad Mine asset during the year ended December 31, 2016.

In the first quarter of 2017, the Company reassessed the economic viability of the 40,000 ounces previously written down in 2015. Based on the results, the Company has worked the 40,000 ounces back into the Company's current mine plan.

As at December 31, 2017, the Company expects to mine the La Trinidad Mine through to the end of 2018 and recover approximately 52,000 ounces of gold through the end of 2019.



Subsequent to the year ended December 31, 2017, the Company revised its expectations and expects mining operations to continue at the La Trinidad Mine through the fall of 2018 and process and recover approximately 25,500 ounces of gold through the end of 2019.

During the year ended December 31, 2017, the Company incurred \$5.5 million in construction and mine costs, which mainly related to the build on new and the expansion of the leach pads. In addition, the Company capitalized \$28.5 million in deferred stripping costs and reduced its provision for reclamation and rehabilitation based on the displacement of land resulting in a reduction of volume due to compaction as at December 31, 2017.

## **LIQUIDITY AND CAPITAL RESOURCES**

Management believes that cash flows generated from operations will not be sufficient to fund operations for the next twelve months. The Company will need to complete the GRR Arrangement Agreement (Refer to “**Proposed Transaction**” section for additional information) or 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 to 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 Company's ability to continue as a going concern

Operations for the Current Period were funded primarily from the cash on hand at the beginning of the period, and the revenue generated on the sale of gold ounces produced at the La Trinidad Mine. As at December 31, 2017, the Company had cash of \$1.0 million (and working capital of \$9.1 million).

The Company had \$10.6 million in receivable and refundable taxes of which \$10.4 million was for IVA refunds. The Company has applied for the outstanding IVA receivable and is making every effort to expedite the receipt of these funds. During the Current Period the Company received IVA of \$7.2 million. A portion of the IVA receivable (\$3,950,613 (2016 - \$4,187,992)) have been in judgement with Mexican tax authorities and the Company has recently received a positive court ruling stating that these funds are in fact due to the Company. Under the terms of the GRR Arrangement Agreement, as described in the “Proposed Transactions” section, the \$3,950,613 in IVA receivable is to be advanced to Sailfish once the funds have been received.

A summary and discussion of the Company's cash inflows and outflows for the year ended December 31, 2017 and 2016 is as follows:

### **Operating Activities**

Cash provided by operating activities during the Current Period was \$29.6 million (Comparative Period – \$0.8 million). Depreciation, depletion and amortization of \$34.8 million (Comparative Period - \$11.7 million) was added back to operating activities in the Current Period as a result of selling 43,052 ounces of gold (Comparative Period – 17,920) and as a result of an increased depreciation rate per ounce sold of \$813 (Comparative Period – \$654). As well, \$4.3 million (Comparative Period – used \$4.7 million) was provided by an increase in accounts payable as a result of the Company's mining contractor providing favorable payment terms. Off setting the significant changes in cash inflows was an outflow of \$4.3 million (Comparative Period – \$5.0 million) relating to the ounces added to inventory during the Current Period.

The positive change in operating cash flows during fiscal 2017 is the result of the Company mining the high-grade HS Zone at the La Trinidad Mine in late 2016 and developing a stockpile. This resulted in lower production costs per ounce of gold being added to inventory as the Company was mining significantly more ounces per tonne than any other time since production began in November 2014. As well, the Company depreciated a sizeable portion of the La Trinidad Mine asset in late 2016 because of the high-grade HS Zone

mining activities. This significant depreciation of the La Trinidad Mine was allocated to the ounces in inventory during the fourth quarter of 2016, which resulted in the \$35.0 million in depreciation being added back to operating cash flows during fiscal 2017. Lower per ounce production costs, the significant depreciation of the La Trinidad Mine asset, along with the favorable payment terms being provided for by the Company's mining contractor, are the main reasons why operating cash flows have positively changed during fiscal 2017.

### Investing Activities

The total cash flow used by investing activities during the Current Period was \$29.0 million (Comparative Period – \$16.3 million) of which \$23.3 million (Comparative Period – \$17.2 million) was related to expenditures on the mine asset; \$1.2 million (Comparative Period – \$0.8 million) was related to the purchase of additional Golden Reign shares, \$Nil (Comparative Period – \$0.1 million) outflow of other assets; and \$4.5 million (Comparative Period – \$Nil) for expenditures on the resource properties.

### Financing Activities

During the Current Period, the Company paid \$1.0 million (Comparative Period - \$0.9 million) to purchase 1.4 million (2016 – 2 million) shares of the Company under the NCIB. During the Comparative Period, raised \$21 million with the issuance of 59 million shares in MGM.

## TRANSACTIONS WITH RELATED PARTIES

### (a) Key management compensation

The following compensation was paid and accrued to key management. This compensation is included in exploration costs, administrative costs, management and consulting fees, general office and rent, salaries, benefits and bonuses and in mine construction and development costs, where applicable.

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 payment	87,516	217,112
<b>Total</b>	<b>663,583</b>	<b>794,642</b>

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

### (b) Related party transactions

The Company entered into the following related party transactions:

Sonoran Resources LLC ("Sonoran") is a private Company controlled by the interim Chief Operating Officer and a director of the Company, Jesse Munoz. Sonoran provides on-site administrative, engineering and project management personnel for both the La Trinidad Mine and the Commonwealth Project. Sonoran invoices the Company monthly for services and out of pocket expenses. Out of pocket expenses are

charged to the Company with a 15% mark-up for administration fees. Sonoran's monthly invoice includes Jesse Munoz's fees for holding the position of Interim Chief Operating Officer.

During the year ended December 31, 2017, fees relating to travel, investor relations and consulting services of \$3.6 million (US\$2.8 million) (2016 – \$2.2 million (US\$1.7 million)) were charged by Sonoran. Charges of \$3.3 million (US\$2.6 million) (2016 – \$2.0 million (US\$1.6 million)) are included in consulting fees; travel expenses of \$271,423 (US\$203,270) (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 \$1.3 million (US\$1.1 million) (2016 – \$0.6 million (US\$0.4 million)).

On February 9, 2018, the Company terminated the services of Sonoran whereby 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

(c) Transactions with controlling shareholder

- (i) As at December 31, 2017, 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 increased from 84.41% to 85.08% of the Company's issued and outstanding common shares as at December 31, 2017.

- (ii) Under a service agreement, effective January 1, 2015, between the Company and an affiliate of the Wexford Funds, the Company was charged \$50,913 (US\$39,226) (2016 - \$60,101 (US\$45,377)) 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 (2016 - \$Nil).

## PROPOSED TRANSACTIONS

On August 3, 2018, MGM, Sailfish and Golden Reign entered into a definitive agreement (the “GRR Arrangement Agreement”), whereby Golden Reign will acquire all of the issued and outstanding shares of MGM (following completion of the Marlin Reorganization (as defined) and satisfaction of all closing conditions of the business combination) by way of plan of arrangement. As a condition to Closing, Sailfish has agreed to restructure its existing gold stream on San Albino.

Under the terms of the GRR Arrangement Agreement, Golden Reign will acquire all of the outstanding MGM common shares in exchange for 0.5138 of a Golden Reign common share (each whole common share, a “GRR Share”) for each MGM common share acquired (the “Consideration”). In addition, MGM will distribute an aggregate of 18,148,654 Golden Reign shares currently held by MGM to the MGM shareholders on the basis of 0.1022 Golden Reign shares for each MGM common share, bringing the total Golden Reign Shares to be received by MGM shareholders to 0.6160 of a Golden Reign Share for each MGM common share outstanding at closing. The Transaction will result in MGM 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 million will be paid to MGM or Golden Reign in certain circumstances should the Transaction not be completed.

Upon completion of the Transaction, it is expected that the shareholders of MGM, 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 MGM 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, MGM 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 (collectively, the “Wexford”), MGM’s controlling shareholder, which will extinguish all of MGM’s loans and any other debts and liabilities owing to Wexford; (ii) as part of the Sailfish Master Agreement, assign to Sailfish its 1% 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, and grant an option to Sailfish to purchase its Gavilanes property in Mexico for US\$1, 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 MGM, 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 MGM. The full amount of the gross proceeds from such private placement of \$2,640,184 will remain in MGM on the Closing of the Transaction. These pre-closing transactions being completed by MGM are collectively referred to herein as the “Marlin Reorganization”. As a result of the Marlin Reorganization, Golden Reign will acquire the Carve-Out on a debt free and working capital neutral basis.

In addition to the above, on Closing, the Sailfish Master Agreement will:

- Amend the existing gold stream on San Albino to be an equivalent 3% net smelter returns royalty;
- Sailfish will receive a 2% net smelter returns royalty on additional concessions surrounding San Albino;
- Sailfish will be entitled to receive \$3,950,613 of the Company’s current IVA receivable balance;

- Sailfish will extinguish Golden Reign’s prepayment liability associated with the existing gold stream on San Albino;
- Sailfish’s existing funding obligation, the GRR Purchase Price, will be eliminated.

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 MGM common shares; and (ii) a simple majority of the votes cast by holders of MGM 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. Golden Reign is to hold a special meeting of shareholders (the “Meeting”) to obtain a simple majority of the votes cast by shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding votes cast in respect of Golden Reign Shares held by any interested party, related party or joint actor (all as defined in M1 61-101), which in this case consists of the Company as of the date of this MD&A.

## **FINANCIAL INSTRUMENTS**

### *Overview*

The Company’s activities expose it to risks, including financial and operational risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are credit risk, foreign exchange risk, liquidity risk and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework and reviews the Company’s policies on an ongoing basis. Readers are encouraged to read and consider the “Risks & Uncertainties” described below. The risk factors could materially impact future operating results of the Company and cause events to differ materially from those described in forward-looking information of the Company.

### *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.

As at December 31, 2017, 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.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company’s significant accounting policies are described in Note 2 of the annual carve-out consolidated financial statements for the year ended December 31, 2017.

## **CHANGE IN ACCOUNTING STANDARDS INCLUDING INITIAL ADOPTION**

### ***Adoption of new accounting policies***

There were no new accounting policies adopted by the Company in the Current Period.

### ***Changes in accounting standards not yet adopted***

The IASB issued the following new or revised pronouncements that may affect the Company's future financial statements. The Company has evaluated that there will not be a significant impact on the financial statements on the adoption of IFRS 9 and 15.

**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 implementation 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 latest date of mandatory implementation of IFRS 15 is 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, with early application permitted for entities that apply IFRS 15. The Company is in the process of evaluating the impact of IFRS 16.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES**

Currently, the certification required by the Company's certifying officers under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificate, does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make in the certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **OUTSTANDING SHARE DATA**

As at the date of this MD&A, the following common shares, options and share purchase warrants were outstanding:

	Share data as of December 31, 2017	Change after period end	Share data at the date of this MD&A	Exercise price \$	Expiry date
Issued and outstanding common shares	171,568,219	-	171,568,219		
Options		-			
Share purchase options	6,000,000	-	6,000,000	0.15	5-Feb-21
Fully diluted	177,568,219	-	177,568,219		

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

### **CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION**

This MD&A contains forward-looking statements or forward-looking information within the meaning of applicable securities laws concerning the Company's beliefs and plans, including but not limited to statements with respect to future exploration and development activities including the intention to advance the Company's projects and build on the results of exploration and development programs; the expected timing of exploration and development programs and studies; the intention to complete certain property payments; the expected sufficiency and availability of financial resources; capital, operating and cash flow estimates; the ability to obtain adequate title or surface rights to carry out planned development activities; and other matters. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the applicable property is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, intentions or future events or performance are not statements of historical fact and may be "forward-looking statements".

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including but not limited to those referred to in this MD&A under the heading "Risks and Uncertainties" and elsewhere in this MD&A. Such factors include, but are not limited to, risks related to actual results and timing of exploration and development activities; actual results of operating activities; changes in project parameters as plans continue to be refined; future prices of metals and minerals; possible variations in mineable resources, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political and regulatory risks associated with mining and exploration in Mexico; continued capitalization and commercial viability; global economic conditions; competition; and delays in obtaining governmental approvals or financing.

Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. In making the forward-looking statements included in this MD&A, the Company has applied several material assumptions, including, but not limited to, the assumption that: (1) current metal and

mineral prices will be sustained, or will improve; (2) the proposed exploration and development of the Company's mineral projects will be viable operationally and economically and proceed as expected; (3) all necessary government approvals for the planned exploration and development of the Company's mineral projects will be obtained in a timely manner and on terms acceptable to the Company; (4) the Company will not experience any material accident, labour dispute or failure of plant or equipment; and (5) any additional financing needed by the Company will be available on reasonable terms. Other assumptions are discussed throughout this MD&A and, in particular, under "Risks and Uncertainties" herein.

The Carve-Out's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and should not be relied on as representing the Company's views on any subsequent date. The Company specifically disclaims any intention or any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by applicable law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.



**APPENDIX H**  
**INTERIM CARVE-OUT MANAGEMENT'S DISCUSSION AND ANALYSIS OF MARLIN FOR**  
**THE THREE AND SIX MONTHS ENDED JUNE 30, 2018**

**See attached.**

# **Marlin Gold Mining Ltd.**

## **Carve-Out**

**MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018**

## MARLIN GOLD MINING LTD. CARVE-OUT

### MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

The following Management Discussion and Analysis ("MD&A") of Marlin Gold Mining Ltd. Carve-Out (the "Company" or "Carve-Out") has been prepared as of September 26, 2018. All dollar amounts are expressed in Canadian dollars unless otherwise stated (US\$ represents United States dollars). This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated carve-out financial statements for the three and six months ended June 30, 2018 and the audited consolidated carve-out financial statements and the notes thereto for the year ended December 31, 2017. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as applicable to interim financial reports including International Accounting Standard 34 – Interim Financial Reporting.

This MD&A contains forward looking information as further described in the "Cautionary Statement on Forward Looking Information" at the end of this MD&A. Reference to the risk factors described in the "Cautionary Statement on Forward Looking Information" at the end of the MD&A is advised.

#### DESCRIPTION OF BUSINESS

On August 3, 2018, Marlin Gold Mining Ltd. ("MGM") 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 MGM 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"). Refer to the "**Proposed Transactions**" section for full details of the GRR Arrangement Agreement.

As outlined in more detail in section "**Proposed Transaction**", under the GRR Arrangement Agreement, certain subsidiaries of MGM will be carved out, herein after referred to as the 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 MGM's La Trinidad Mine ("La Trinidad") in Sinaloa, Mexico.

MGM is a Canadian public company listed on the TSX Venture Exchange ("TSX-V") under the symbol "MLN" and is a reporting issuer in British Columbia, Alberta, Manitoba and Ontario. MGM also trades on the OTCQX International under the symbol "MLNZF". MGM is primarily engaged in the exploration for, development of and production of gold and silver in the Americas.

The Company has an unlimited number of authorized common shares of which 171,568,219 are issued and outstanding at the date of this MD&A (177,568,219 on a fully diluted basis). Wexford Spectrum Investors LLC ("WSI") and Wexford Catalyst Trading Limited ("WCT"), (together the "Wexford Funds") are MGM's largest shareholders and hold, directly or indirectly, 85.08% of the Company's issued and outstanding common shares.

The Carve-Out's main asset is the La Trinidad Mine in Sinaloa, Mexico.

The Company's operating mine is the Taunus deposit at the La Trinidad Mine, located in Sinaloa, Mexico. The Taunus deposit hosts the historic La Trinidad gold mine that was operated by Eldorado Gold Corporation

("Eldorado") from 1996 until 1999. MGM's management, which has extensive mine development experience in Mexico, brought the La Trinidad Mine back into commercial production on November 1, 2014.

## **2018 SECOND QUARTER FINANCIAL HIGHLIGHTS AND MAJOR ACTIVITIES**

- Production of 12,137 (2017 – 24,341) ounces ("oz.") of gold at the La Trinidad Mine for the six months ended June 30, 2018.
- Sale of 12,159 oz. (2017 – 30,226 oz.) of gold for the six months ended June 30, 2018 from the La Trinidad Mine.
- Revenues of \$20.4 million (2017 – \$49.4 million) for the six months ended June 30, 2018.
- Net loss of \$1.5 million (2017 –\$2.3 million) for the six months ended June 30, 2018.
- Finished metal inventory of 891 oz. (2017 – 1,032 oz.), leach pad inventory of 9,716 oz. (2017 – 10,026 oz.), stockpile of 2,335 oz. (2017 – 409 oz.) of gold at the La Trinidad Mine as at June 30, 2018.
- Cash was \$0.1 million (2017 – \$0.9 million) at June 30, 2018.
- On May 15, 2018, the Company advanced \$4 million to Golden Reign, having a term of one year and bearing interest at 8% per annum (the "Bridge Loan"). The Bridge Loan was made as part of the definitive agreement entered into with Golden Reign. Refer to "**Proposed Transactions**" and the May 15, 2018 and the August 7, 2018 News Releases issued on MGM's SEDAR for further details.

Subsequent to June 30, 2018:

- On August 3, 2018, MGM, Sailfish and Golden Reign entered into the GRR Arrangement Agreement, whereby Golden Reign will acquire all of the issued and outstanding shares of MGM, following completion of the Marlin Reorganization. As a condition to Closing, Sailfish has agreed to restructure its existing gold stream on Golden Reign's wholly-owned San Albino property pursuant to the Sailfish Master Agreement. Refer to "**Proposed Transactions**" and the August 3, 2018 News Release issued on SEDAR for further details.

## **REVIEW OF PROPERTIES**

The Carve-Out's properties are located in the states of Sinaloa and Durango, Mexico and in Arizona, U.S.A.

### **La Trinidad Mine**

The La Trinidad Area consists of nine claims of mineral concessions that are either owned by, or optioned to, the Company. The La Trinidad Area is located in a region having excellent infrastructure. It is less than 100 kilometres southeast of Mazatlán and includes the former La Trinidad open-pit gold mine, previously operated by Eldorado from 1996 to 1999.

Three concessions within the La Trinidad Area are subject to an option to purchase agreement (as amended) that includes an additional two concessions that fall outside the area. Pursuant to such agreement (as amended), the Company has the option to purchase the three concessions over nine years for a total payment of US\$600,000. During 2016, the Company completed the acquisition of the three concessions by making the final payment of US\$57,000.

### **Gavilanes Property**

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 \$4.5 million (US\$3.6 million). The property is subject to a 3% net smelter royalty (“NSR”), up to a maximum of \$2 million.

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 GRR Arrangement Agreement, as described in the “**Proposed Transactions**” section, the Carve-Out will provide Sailfish the right to acquire the Gavilanes property in Mexico as partial consideration for Sailfish entering into the Sailfish Master Agreement.

### **El Compas**

El Compas hosts the historic El Compas mine and consists of 24 mineral concessions and 1 application located in the state of Zacatecas which are subdivided into two properties, El Compas and Altiplano.

#### *El Compas*

On October 30, 2015, the Company completed the sale of El Compas to Canarc Resource Corp. (“Canarc”) whereby Canarc acquired 100% of the shares in the Company’s wholly owned subsidiary company, Oro Silver (the “Canarc Transaction”), which owns the fully permitted El Compas in Zacatecas, Mexico. Based on the purchase agreement. On each of the first three anniversaries of the closing date, 55 troy oz of gold (or the US dollar equivalent) will be paid by Canarc to the Company. Upon the sale, a loss of \$417,888 was realized in the year ended December 31, 2015.

In addition to the shares and gold payments the Company received a 1.5% NSR on all Non-Altiplano claims (the “El Compas Royalty”).

On May 30, 2016, Canarc completed the sale of El Compas to Endeavour Silver Corporation (“Endeavour”). Endeavour will now assume Canarc’s obligation to pay an aggregate of 165 troy oz. of gold to the Company (110 troy oz. paid to date) and the 1.5% El Compas Royalty.

Under the terms of the GRR Arrangement Agreement, as described in the “**Proposed Transactions**” section, the Carve-Out will assign to Sailfish its 1.5% El Compas Royalty as partial consideration for Sailfish entering into the Sailfish Master Agreement.

### **Golden Reign**

During the three months ended March 31, 2017, MGM acquired an additional 5.4 million common shares of GRR for aggregate gross proceeds of \$1.2 million, increasing MGM’s ownership to 36.3 million common shares. As at March 31, 2018, MGM’s ownership interest in GRR was 18.9%.

Concurrent with the initial purchase of the Golden Reign shares, MGM, Sailfish and Golden Reign completed a US\$15 million (the “GRR Purchase Price”) Gold Streaming Arrangement (the “GRR Gold Stream Arrangement”) for the construction and development of San Albino. The GRR Purchase Price is due once Sailfish has approved the budget for the development of GRR’s San Albino Gold Deposit. Under the terms of the GRR Arrangement Agreement, as described in the “**Proposed Transactions**” section, upon Closing, MGM, Sailfish and Golden Reign will enter into the Sailfish Master Agreement whereby the GRR Gold Stream Arrangement will be

amended to an equivalent 3% net smelter returns royalty on the San Albino project. As well, Sailfish will be granted a 2% net smelter returns royalty on concessions surrounding the San Albino project, Sailfish will extinguish Golden Reign's prepayment liability associated with the existing gold stream and the remaining balance of the GRR Purchase Price will be eliminated.

#### *Advances to the GRR Gold Stream Arrangement*

On December 18, 2017, the Company agreed to make available to Sailfish a term facility in a maximum amount of US\$14 million to be applied to the GRR Purchase Price. The facility earns interest at a rate of 8% per annum ("Sailfish Facility") and is repayable three years after the first draw down on the Sailfish Facility. As at December 31, 2017, no amount was drawn on the Sailfish Facility. Upon Closing of the Transaction, the Sailfish Facility will be eliminated.

#### **SUMMARY OF QUARTERLY RESULTS**

The following table summarizes selected financial and non-financial data for the last eight quarters which have been derived from the unaudited interim financial statements of the Company, with revision to the first three quarters of 2016 as described below, which are prepared in accordance with IFRS applicable to interim financial reporting.

For the quarters ended	2018				2017			2016	
	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	
Total revenue	\$ 12,488,903	7,924,535	11,084,721	8,824,578	16,731,175	32,619,291	18,946,758	3,539,054	
Interest and other income	\$ 221,780	30,580	34,960	10,223	13,451	42,770	20,280	(18,224)	
Net profit (loss)	\$ 807,769	(2,315,674)	(29,647,796)	(1,669,630)	(4,523,934)	5,304,960	8,513,420	(2,518,378)	
Net profit (loss) per common share, basic & diluted	\$ -	(0.03)	(0.13)	(0.05)	(0.03)	0.03	0.06	(0.01)	
Gold ounces sold	7,463	4,696	6,940	5,886	9,825	20,401	12,178	1,985	
Average realized gold price per ounce in CAD	\$ 1,673	1,688	1,597	1,499	1,703	1,599	1,556	1,783	

The results during the three months ended June 30, 2018 include: cost of sales of \$12.1 million which decreased from \$16.5 million. The number of ounces sold decreased from 9,825 oz. to 7,463 oz. The cost of sales decreased from \$1,676 to \$1,616 per oz. sold resulting from higher production costs from \$627 to \$966 per oz. sold; a reduction in write down of inventory to net realizable value ("NRV") from \$238 to \$161 per oz. sold; and a decrease of depreciation, depletion and amortization expenses from \$812 to \$489 per oz. sold.

The results during the three months ended March 31, 2018 include: production costs of \$7.9 million which decreased from \$9.8 million, although the number of ounces sold decreased from 20,401 oz. to 4,696 oz. The cost of sales increased from \$1,487 to \$2,561 per oz. resulting from increased production costs (\$482 to \$1,679 per oz. sold); a write down of inventory to NRV of \$2.1 million (2017 – \$1.1 million); depreciation, depletion and amortization of \$2.1 million, and a decrease from \$19.4 million as a result of a decrease in the weighted average unit-of-production amortization charge of \$442 (2017 - \$951) per oz. of gold sold.

The results during the three months ended December 31, 2017 include: production costs of \$8.1 million which increased from \$3.3 million, although the number of ounces sold decreased from 12,178 oz. to 6,940 oz. The cost of production increased from \$372 to \$1,157 per oz. resulting from increased production costs; a write down of inventory to NRV of \$4.8 million (2016 – \$0.7 million); depreciation, depletion and amortization of \$3.6 million, a decrease from \$9.9 million as a result of a decrease in gold sales of 6,940 oz. (2016 – 12,178 oz.) and a decrease in the weighted average unit-of-production amortization charge of \$504 (2016 - \$797) per oz. of gold sold; and an impairment charge of \$14.5 million (2016 - \$nil) to the mineral property.

The results during the three months ended September 30, 2017 include: production costs of \$5.7 million which increased from \$2.9 million resulting from increased production levels of 5,683 oz. (2016 – 1,831 oz.); a write down of inventory to NRV of \$1.3 million (2016 - \$1.8 million); depreciation, depletion and amortization of \$3.8 million, an increase from \$0.5 million as a result of an increase in gold sales of 5,886 oz. (2016 – 1,985 oz.) and an increase in the weighted average unit-of-production amortization charge of \$630 (2016 - \$326) per ounce of gold sold); and an increase in exploration activities mainly at Mexico of \$0.5 million (2016 - \$0.1 million).

The results during the three months ended June 30, 2017 include: a write down of inventory to NRV of \$2.3 million (2016 - \$4.0 million).

The results during the three months ended December 31, 2016 include: a reversal of a write down of inventory to NRV of \$0.7 million arising from the gain in the settlement of the mining contractor; depreciation, depletion and amortization expenses of \$9.9 million; a non-cash share-based payment of \$217,112 on the stock options issued; a foreign exchange loss of \$0.3 million arising from the strengthening of the US dollar exchange rate against the Canadian dollar and a deferred tax recovery of \$4.0 million.

The results during the three months ended September 30, 2016 include: a write down of inventory to NRV of \$1.8 million; and a non-cash share-based payment of \$35,521 on the stock options issued.

The results during the three months ended June 30, 2016 include: a write down of inventory to NRV of \$4.0 million; exploration expenses of \$110,346; a non-cash share-based payment of \$97,414 on the stock options issued; and a foreign exchange loss of \$0.1 million arising from the strengthening of the Canadian dollar exchange rate against the US dollar.

## DISCUSSION OF OPERATIONS

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Revenue</b>	12,488,903	16,731,175	20,413,438	49,350,466
<b>Cost of sales</b>				
Production costs	(7,212,838)	(6,159,161)	(15,096,129)	(16,001,207)
Inventory write down	(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)
<b>Gross (loss) gain</b>	425,918	260,069	(3,674,649)	2,545,198
<b>Operating and administrative expenses</b>				
Accounting and legal	(214,539)	(124,790)	(298,871)	(219,045)
Exploration expenses	(15,265)	(163,827)	(286,346)	(171,465)
General administrative expenses	(102,779)	(311,972)	(264,229)	(685,606)
Management and consulting fees	(588,905)	(1,044,576)	(842,357)	(1,632,276)
Salaries and benefits	(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)
<b>Other (expenses) and income</b>				
Accretion and interest expense	(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	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)
<b>Loss before taxes</b>	807,769	(4,523,934)	(1,507,905)	(1,871,454)
Income tax expense	-	(380,039)	-	(380,039)
<b>Net gain (loss) for the period</b>	807,769	(4,903,973)	(1,507,905)	(2,251,493)

The key performance driver for the Company is the development and operation of its mineral properties.

### ***For the three months ended June 30, 2018, compared to the three months ended June 30, 2017.***

The Company recorded a net gain of \$0.8 million for the three months ended June 30, 2018 (the “Current Quarter”) (\$0.00 per common share) compared to a net loss of \$4.9 million (\$0.03 per common share) for the three months ended June 30, 2017 (the “Comparative Quarter”), a change of \$5.7 million, as explained in the following paragraphs.

Revenue for the Current Quarter was \$12.5 million, a decrease of \$4.2 million from the Comparative Quarter as a result of selling 7,463 oz. of gold (2017 – 9,825 oz.).



Production costs were \$7.2 million, an increase from \$6.2 million in the Comparative Quarter due to the higher waste removal of producing an ounce of gold sold in the Current Quarter.

Inventory write down was \$1.2 million, a decrease from \$2.3 million in the Comparative Quarter. The inventory write-down relates to determining the carrying value of inventory i.e., lower of cost and NRV. The carrying value of ounces in inventory are affected by the amortization of the La Trinidad Mine asset that are allocated to ounces in inventory as they are processed. The amortization rate of the La Trinidad Mine fluctuates based on increased capitalized construction expenditures and deferred stripping costs. As such, NRV charges are a result of the on-going nature of the Company's operations and are also affected by the current market price of gold.

Depreciation, depletion and amortization was \$3.6 million, a decrease from \$8.0 million in the Comparative Quarter. The decrease is a result of the Company producing less ounces in the Current Quarter and the rate of depreciation allocated to an ounce sold was reduced from \$812 to \$489.

Exploration expenses for the Current Quarter were \$15,265, a decrease from \$163,827 for the Comparative Quarter primarily resulting from a decrease in exploration activities in Mexico during the Current Quarter.

The Current Quarter results include a foreign exchange gain of \$1.2 million (2017 – loss \$3.0 million), resulting from the strengthening of the Canadian dollar against the US dollar, during the Current Quarter as it relates to accounts payable.

***For the six months ended June 30, 2018, compared to the six months ended June 30, 2017.***

The Company recorded a net loss of \$1.5 million for the six months ended June 30, 2018 (the "Current Period") (\$0.01 per common share) compared to a net gain of \$2.3 million (\$0.01 loss per common share) for the six months ended June 30, 2017 (the "Comparative Period"), a change of \$3.2 million, as explained in the following paragraphs.

Revenue for the Current Period was \$20.4 million, a decrease from \$49.4 million for the Comparative Period. In the Comparative Period, the Company had commenced mining the north part of the HS Zone that gave rise to higher production in the Comparative Period. In the Current Period 12,159 oz. of gold were sold, a decrease from the 30,226 oz. of gold sold in the Comparative Period.

Cost of Sales for the Current Period was \$24.1 million, a decrease from \$46.8 million for the Comparative Period primarily resulting from a decrease of \$21.7 million in depreciation, depletion and amortization and a decrease of \$0.9 million in production costs arising from lower ounces of gold sold in the Current Period.

Exploration expenses for the Current Period was \$0.3 million, an increase from \$0.2 million for the Comparative Period primarily resulting from an increase of exploration activities at Mexico.

In the Current Period, the Company incurred management and consulting fees of \$0.8 million compared to \$1.7 million in the Comparative Period, a decrease of \$0.8 million. The decrease relates to decreased consulting fees incurred at the mine site and the strengthening of the Canadian dollar against the US dollar during the Current Period.

In the Current Period, the Company incurred a non-cash share-based payment of \$23,327 compared to \$53,713 in the Comparative Period, a decrease of \$30,386 on the stock options that were issued in prior period.

The Current Period results include a foreign exchange gain of \$3.8 million (2017 – loss of \$1.7 million), resulting from the strengthening of the Canadian dollar against the US dollar as it relates to accounts payable.

### ***La Trinidad Mine***

The La Trinidad Mine is an open pit heap leach operation; the support infrastructure and processing facility includes a staff camp, offices, warehousing, an analytical laboratory, three-stage crushing, screening, agglomeration and conveying and stacking on a leach pad. Gold is recovered by way of a conventional carbon adsorption plant. The entire mine and processing has been designed using tried and proven methods.

On November 2, 2014, the Company put the La Trinidad Mine into commercial production based on the mine plan in the Company's preliminary economic assessment ("PEA Mine Plan"). The La Trinidad Mine does not have proven and probable reserves.

During 2015, Hurricane Linda, a category 2 hurricane, hit the area of the La Trinidad Mine. As a result of the damage caused by Hurricane Linda, the Company submitted an insurance claim to recover certain costs incurred at the La Trinidad Mine. The Company received insurance proceeds of US\$1.5 million during the year ended 2016.

During 2015, the Company determined that approximately 40,000 recoverable ounces that were included in the PEA Mine Plan were not economically viable due to the then market price of gold and as a result recognized an impairment on the La Trinidad Mine asset. As a result of removing the 40,000 ounces from the PEA Mine Plan and increased mining activity in 2016, the Company significantly depleted the La Trinidad Mine asset during the year ended December 31, 2016.

In the first quarter of 2017, the Company reassessed the economic viability of the 40,000 ounces previously written down in 2015. Based on the results, the Company has worked the 40,000 ounces back into the Company's current mine plan.

During the six months ended June 30, 2018, the Company incurred \$0.5 million in construction and mine costs, which mainly related to the expansion of the leach pads. In addition, the Company capitalized \$13.2 million in deferred stripping costs.

During the six months ended June 30, 2018, a pit wall failure occurred at the La Trinidad Mine that resulted in the Company revising the remaining life-of-mine mine plan. As at June 30, 2018, the Company expects mining operations to continue at the La Trinidad Mine through the fall of 2018 and process and recover approximately 25,500 ounces of in situ gold through the end of 2019.

### **LIQUIDITY AND CAPITAL RESOURCES**

Management believes that cash flows generated from operations will not be sufficient to fund operations for the next twelve months. The Company will need to complete the GRR Arrangement Agreement (Refer to "**Proposed Transaction**" section for additional information) or 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 to 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 Company's ability to continue as a going concern.

Operations for the Current Period were funded primarily from the cash on hand at the beginning of the period, and the revenue generated on the sale of gold ounces produced at the La Trinidad Mine. As at June 30, 2018, the Company had cash of \$0.1 million and working capital of \$13.5 million.

The Company had \$12.3 million in receivable and refundable taxes of which \$12.2 million was for IVA refunds. The Company has applied for the outstanding IVA receivable and is making every effort to expedite the receipt of these funds. During the Current Period the Company received IVA of \$3.2 million. A portion of the IVA receivable (\$3,950,613 (2016 - \$4,187,992)) have been in judgement with Mexican tax authorities and the Company has recently received a positive court ruling stating that these funds are in fact due to the Company. Under the terms of the GRR Arrangement Agreement, as described in the "Proposed Transactions" section, the \$3,950,613 in IVA receivable is to be advanced to Sailfish once the funds have been received.

A summary and discussion of the Company's cash inflows and outflows for the six months ended June 30, 2018 and 2017 is as follows:

### **Operating Activities**

Cash used by operating activities during the Current Period was \$0.3 million (Comparative Period – provided \$29.4 million). Depreciation, depletion and amortization of \$5.7 million (Comparative Period - \$27.4 million) was added back to operating activities in the Current Period as a result of selling 12,159 ounces of gold (Comparative Period – 30,226 oz.) which was offset with a reduction in the depreciation rate per ounce sold of \$471 (Comparative Period – \$906). As well, \$3.8 million (Comparative Period – provided by \$13.3 million) was used to decrease accounts payable as a result of the Company's mining contractor providing favorable payment terms in the previous periods. Offsetting the significant changes in cash outflows was \$2.2 million (Comparative Period –\$9.1 million) relating to the ounces added to inventory during the Current Period.

The reduction in the cash provided by operations in the Current Period is as a result of a decrease in ounces of gold sold in the Current Period, higher production costs per ounce of gold being added to inventory as the Company was mining less ounces per tonne during the Current Period. Lower per ounce production costs, the significant depreciation of the La Trinidad Mine asset, along with the favorable payment terms being provided for by the Company's mining contractor, are the main reasons why operating cash flows have been positive during the Comparative Period.

### **Investing Activities**

The total cash flow used by investing activities during the Current Period was \$13.0 million (Comparative Period – \$15.3 million) of which \$12.8 million (Comparative Period – \$14.0 million) was related to expenditures on the mine asset; and \$0.2 million (Comparative Period – \$Nil) for expenditures on the resource properties.

### **Financing Activities**

During the Current Period, the Company paid \$Nil (Comparative Period - \$0.8 million) to purchase Nil (2017 – 1.1 million) shares of the Company under the NCIB and advanced \$4.0 million to Golden Reign.

## **TRANSACTIONS WITH RELATED PARTIES**

### **(a) Key management compensation**

The following compensation was paid and accrued to key management. This compensation is included in exploration costs, administrative costs, management and consulting fees, general office and rent, salaries, benefits and bonuses and in mine construction and development costs, where applicable.

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 payment	10,878	23,980	23,327	53,713
<b>Total</b>	<b>132,398</b>	<b>167,615</b>	<b>288,569</b>	<b>315,297</b>

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

(b) Related party transactions

The Company 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 whereby 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 MGM. 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, 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 the Company's issued and outstanding common shares as at June 30, 2018.

- (ii) Under a service agreement, effective January 1, 2015, between the Company and an affiliate of the Wexford Funds, the Company 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).

## PROPOSED TRANSACTIONS

On August 3, 2018, MGM, Sailfish and Golden Reign entered into a definitive agreement (the "GRR Arrangement Agreement"), whereby Golden Reign will acquire all of the issued and outstanding shares of MGM (following completion of the Marlin Reorganization (as defined) and satisfaction of all closing conditions of the business combination) by way of plan of arrangement. As a condition to Closing, Sailfish has agreed to restructure its existing gold stream on San Albino.

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

Upon completion of the Transaction, it is expected that the shareholders of MGM, 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 MGM 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, MGM 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"), MGM's controlling shareholder, which will extinguish all of MGM's loans and any other debts and liabilities owing to Wexford; (ii) assign to Sailfish its 1% 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"), and grant an option to Sailfish to purchase its Gavilanes property in Mexico for US\$1, 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 MGM, 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 MGM. The full amount of the gross proceeds from such private placement of \$2,640,184 will remain in MGM on the closing of the Transaction. These pre-Closing transactions being completed by MGM are collectively referred to herein as the “Marlin Reorganization”. As a result of the Marlin Reorganization, Golden Reign will acquire MGM and certain of its material subsidiaries on a debt free and working capital neutral basis.

In addition to the above, on Closing, the Sailfish Master Agreement will:

- Amend the existing gold stream on San Albino to be an equivalent 3% net smelter returns royalty;
- Sailfish will receive a 2% net smelter returns royalty on additional concessions surrounding San Albino;
- Sailfish will be entitled to receive \$3,950,613 of the Company’s current IVA receivable balance;
- Sailfish will extinguish Golden Reign’s prepayment liability associated with the existing gold stream on San Albino;
- Sailfish’s existing funding obligation, the GRR Purchase Price, will be eliminated.

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 MGM common shares; and (ii) a simple majority of the votes cast by holders of MGM 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.

Refer to the press release dated August 7, 2018 issued on SEDAR for further details.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company’s significant accounting policies are described in Note 2 of the annual consolidated carve-out financial statements for the year ended December 31, 2017. The accounting policies applied in preparation of the condensed interim consolidated carve-out financial statements are the same as those applied in the most recent annual consolidated carve-out financial statements except for the changes in accounting policies resulting from the adoption of IFRS 9 Financial Instruments (“IFRS 9”) and IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) as described below. Interim financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with the annual carve-out financial statements for the year ended December 31, 2017.

## **CHANGE IN ACCOUNTING STANDARDS INCLUDING INITIAL ADOPTION**

### **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 its 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 be 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
- 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
Loan	Amortized cost	Amortized cost

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

*The following are the new accounting policies for financial instruments under IFRS 9:*

*Financial instruments*

The Company recognizes financial assets and liabilities 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, 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 are included in other comprehensive income ("OCI"). Upon disposal, any accumulated gains and losses remain in equity.

### *Derivatives*

Investments in warrants are classified as a derivative and is 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.

### *Debt*

The Company initially recognizes all financial liabilities at fair value and classifies them as subsequently measured at either FVTPL or amortized cost, as appropriate. For debt subsequently measured at amortized cost, the effective interest rate method is used. Debt required to be classified as FVTPL is measured at fair value on each financial period-end date with gains and losses flowing through the consolidated statement of loss and comprehensive loss. For debt that is optionally classified as FVTPL, the part of the fair value change related to the Company's own credit risk is recorded in OCI rather than 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 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.

### OUTSTANDING SHARE DATA

As at the date of this MD&A, the following common shares, options and share purchase warrants were outstanding:

	Share Data as of June 30, 2018	Change after Period End	Share Data at the date of this MD&A	Exercise Price \$	Expiry Date
Issued & Outstanding Common Shares	171,568,219		171,568,219		
Options			-		
Share purchase options	6,000,000		6,000,000	0.1611	5-Feb-21
<b>Fully Diluted</b>	<b>177,568,219</b>	-	<b>177,568,219</b>		

### 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 Company 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.

### CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements or forward-looking information within the meaning of applicable securities laws concerning the Company's beliefs and plans, including but not limited to statements with respect to future exploration and development activities including the intention to advance the Company's projects and build on the results of exploration and development programs; the expected timing of exploration and development programs and studies; the intention to complete certain property payments; the expected sufficiency and availability of financial resources; capital, operating and cash flow estimates; the ability to obtain adequate title or surface rights to carry out planned development activities; and other matters.

These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the applicable property is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, intentions or future events or performance are not statements of historical fact and may be "forward-looking statements".

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including but not limited to those referred to in this MD&A under the heading "Risks and Uncertainties" and elsewhere in this MD&A. Such factors include, but are not limited to, risks related to actual results and timing of exploration and development activities; actual results of operating activities; changes in project parameters as plans continue to be refined; future prices of metals and minerals; possible variations in mineable resources, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political and regulatory risks associated with mining and exploration in Mexico; continued capitalization and commercial viability; global economic conditions; competition; and delays in obtaining governmental approvals or financing.

Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. In making the forward-looking statements included in this MD&A, the Company has applied several material assumptions, including, but not limited to, the assumption that: (1) current metal and mineral prices will be sustained, or will improve; (2) the proposed exploration and development of the Company's mineral projects will be viable operationally and economically and proceed as expected; (3) all necessary government approvals for the planned exploration and development of the Company's mineral projects will be obtained in a timely manner and on terms acceptable to the Company; (4) the Company will not experience any material accident, labour dispute or failure of plant or equipment; and (5) any additional financing needed by the Company will be available on reasonable terms. Other assumptions are discussed throughout this MD&A and, in particular, under "Risks and Uncertainties" herein.

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and should not be relied on as representing the Company's views on any subsequent date. The Company specifically disclaims any intention or any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by applicable law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.