



**Interim Carve-Out Financial Statements**  
**For the three and nine months ended September 30, 2017 and 2016**  
(Expressed in United States Dollars)  
(Unaudited)

**SAILFISH ROYALTY CORP.**  
**INTERIM CARVE-OUT STATEMENT OF FINANCIAL POSITION**  
*(Expressed in United States Dollars)*  
*(Unaudited)*

As at	Notes	September 30, 2017	December 31, 2016
		\$	\$
<b>ASSETS</b>			
Cash		19,733	912
Interest receivable	5	21,861	32,637
Prepaid expenses		-	63,230
		41,594	96,779
Advances	5	1,096,051	1,044,441
		1,137,645	1,141,220
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		38,286	56,282
Due to related parties	7	1,391,720	1,119,523
		1,430,006	1,175,805
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	6	1	1
Deficit		(292,362)	(34,586)
		(292,361)	(34,585)
		1,137,645	1,141,220

Nature of operations and liquidity (Note 1)

Approved on behalf of the Board of Directors:

“Cesar Gonzalez”  
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 Director

“Walter Reich”  
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 Director

**SAILFISH ROYALTY CORP.****INTERIM CARVE-OUT STATEMENTS OF LOSS AND COMPREHENSIVE LOSS***(Expressed in United States Dollars)**(Unaudited)*

	Notes	<u>Three months ended Sept 30</u>		<u>Nine months ended Sept 30</u>	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>Income</b>					
Interest income		21,861	14,450	64,784	31,777
Foreign exchange gain		375	-	375	-
		22,236	14,450	65,159	31,777
<b>Operating and Administrative Expenses</b>					
Travel and marketing		7,047	-	8,901	-
Senior management	7	6,686	6,687	20,060	20,061
Share-based payment	7	1,751	4,801	6,430	14,220
Director fees	7	9,750	9,750	29,250	29,250
General office and regulatory fees		6,030	3,566	13,803	13,830
Interest expense	7	24,853	12,736	73,143	38,209
Rent	7	4,500	4,500	13,500	13,500
Professional fees		152,598	2,625	157,848	8,084
		213,215	44,665	322,935	137,154
<b>Net loss and comprehensive loss for the period</b>		<b>(190,979)</b>	<b>(30,215)</b>	<b>(257,776)</b>	<b>(105,377)</b>
<b>Basic and diluted loss per share</b>		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>Weighted average number of shares outstanding</b>		100,000,000	100,000,000	100,000,000	100,000,000

**SAILFISH ROYALTY CORP.**  
**INTERIM CARVE-OUT STATEMENTS OF CASH FLOWS**  
*(Expressed in United States Dollars)*  
*(Unaudited)*

Page | 4

<b>For the nine months ended September 30</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Cash provided by (used for):</b>			
<b>Operating Activities</b>			
Net loss for the the period		(257,776)	(105,377)
Plus interest expense		73,143	38,209
Less interest income		(64,784)	(31,777)
		(249,417)	(98,945)
<b>Changes in non-cash working capital</b>			
Prepaid expenses		63,230	(3,750)
Accounts payable and accrued liabilities		38,286	(1,500)
		101,516	(5,250)
<b>Investing Activities</b>			
Advances		(107,892)	(429,965)
Interest received		75,560	19,480
		(32,332)	(410,485)
<b>Financing Activities</b>			
Due to related parties		199,054	517,938
		199,054	517,938
<b>Net increase in cash</b>			
Cash - beginning of period		912	88
Cash - end of period		19,733	3,346

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

**SAILFISH ROYALTY CORP.****INTERIM CARVE-OUT STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY***(Expressed in United States Dollars)**(Unaudited)*

Page | 5

	<b>Shareholder's Equity</b>			
	<b>Number of shares</b>	<b>Amount \$</b>	<b>Retained earnings (deficit) \$</b>	<b>Total \$</b>
Balance at December 31, 2015	100,000,000	1	97,765	97,766
Net loss			(105,377)	(105,377)
Balance at September 30, 2016	100,000,000	1	(7,612)	(7,611)
Net loss			(26,974)	(26,974)
Balance at December 31, 2016	100,000,000	1	(34,586)	(34,585)
Net loss			(257,776)	(257,776)
Balance at September 30, 2017	100,000,000	1	(292,362)	(292,361)

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

## **1. NATURE OF OPERATIONS AND LIQUIDITY**

Sailfish Royalty Corp. (“Sailfish” or the “Company”) is a private company incorporated February 27, 2014 under the BVI Business Company Act, 2004 and is domiciled in the British Virgin Islands. The Company is a wholly owned subsidiary of Marlin Gold Mining Ltd. (“Marlin”). The address of its registered and head office is Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands, VG1110. The Company is primarily engaged in the acquisition of royalty and streaming agreements.

Sailfish entered into a royalty purchase agreement dated June 27, 2017 (the “Royalty Purchase Agreement”) with Alan Carter and Dennis Moore (together, the “Vendors”) pursuant to which the Company agreed to acquire and the Vendors agreed to sell, certain royalty interests in the Tocantinzinho Project (the “Transaction”).

As further described in note 9, the Transaction is subject to certain conditions, including approval of the TSX Venture Exchange (the “TSXV”), the completion of a going-public transaction by the Company (the “Spin-Out”), which is to be completed within the general parameters set out in the Royalty Purchase Agreement, and an equity financing in furtherance of the Spin-Out.

On November 15, 2017, the board of directors of Marlin, currently the sole shareholder of the Company, announced that it had approved the Spin-Out pursuant to a court-approved arrangement under the Business Company Act (British Columbia). On the same date, Marlin called an annual and special meeting of the holders of common shares of Marlin to be held December 14, 2017. At the Meeting, the Marlin shareholders will be asked to, among other things, pass a special resolution approving the Spin-Out. Under the Spin-Out, Marlin will distribute all of the shares of the Company to its shareholders on the basis of one share of the Company for every five shares of Marlin, subject to court, shareholder and regulatory approvals, including the listing of shares of the Company on the TSXV.

The Company’s ability to settle its existing liabilities and continue as a going concern is dependent upon the Company securing financing and continued support from Marlin. Marlin has funded the Company’s needs to date and has agreed to fund the cash cost of the transaction (see note 7) plus advance an additional \$500,000 for working capital purposes. The balance due to related party is a loan from Marlin which has no stated interest rate with no set terms of repayment. Subsequent to September 30, 2017, Marlin agreed to convert the loan to additional equity investment and has agreed to make available a credit facility of approximately \$14,000,000 in order to fund the upfront amount of the Golden Reign Stream. Marlin intends to fund this credit facility using cash flows from operations and in the event that this is not sufficient they will need to seek other forms of financing. Marlin has a controlling shareholder, which will also be the controlling shareholder of Sailfish after completion of the Spin-out, that has provided Marlin with \$137,887,000 CAD of debt and equity funding to September 30, 2017.

These unaudited carve-out interim financial statements reflect the assets, liabilities, expenses and cash flows of Sailfish, consisting mainly of the royalty interests in the San Albino gold deposit, which is being spun out by Marlin. The carve-out nature of the financial statements are more fully described in Note 2 below.

These unaudited carve-out interim financial statements were approved by the board of directors for issue on December 18, 2017.

## **2. BASIS OF PRESENTATION**

These unaudited interim carve-out financial statements for the three and nine months ended September 30, 2017 (the "Interim Financial Statements") have been prepared in accordance with IAS 34, 'Interim financial reporting'. The Interim Financial Statements should be read in conjunction with the annual carve-out financial statements for the year ended December 31, 2016 ("Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The accounting policies applied in preparation of these carve-out interim financial statements are the same as those applied in the most recent annual carve-out financial statements and were consistently applied to all the periods presented unless otherwise noted.

These carve-out financial statements may not be indicative of the Company's financial performance and do not necessarily reflect what its carved-out financial position, results of operations and cash flows would have been had Company operated as an independent entity during the years presented. The following basis of preparation for the carve-out statements of financial position, loss and comprehensive loss, cash flows and shareholder's equity of the Company have been applied:

- All assets and liabilities and expenditures of Sailfish have been presented in these carve-out financial statements and;
- Common expenses incurred by Marlin, including compensation and interest, have been allocated based on time estimated to be spent on Sailfish each period as if Sailfish had operated as a standalone entity and the amount of funds loaned to Sailfish at the rate of interest applied to the outstanding Marlin debt.

## **3. RECENT ACCOUNTING PRONOUNCEMENTS**

The IASB issued the following new or revised pronouncements that may affect the Company's future financial statements. The Company is currently evaluating the impact on the financial statements.

- 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.

#### **4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT**

In preparing these interim carve-out financial statements, 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 annual carve-out financial statements unless otherwise noted.

#### **5. ADVANCES**

On July 10, 2014, the Company and Golden Reign Resources Ltd. (“Golden Reign”) entered into a US\$15,000,000 (the “GRR Purchase Price”) Gold Streaming Arrangement (the “GRR 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 Golden Reign’s San Albino gold deposit.

Under the GRR Arrangement, Sailfish will be entitled to purchase 40% of gold production from the San Albino gold deposit, at US\$700 per troy ounce, subject to a 1% per year cost escalation beginning three years from commercial production, until Sailfish recovers US\$19.6 million. Thereafter, Sailfish will be entitled to purchase 20% of gold production at US\$700 per troy ounce and is subject to a 1% per year cost escalation beginning three years from commercial production, plus 50% of the price differential above US\$1,200 per troy ounce subject to certain adjustments.

Prior to commercial production Sailfish will be entitled to receive an 8% semi-annual coupon payment on the amounts advanced on the GRR Purchase Price and Golden Reign will be required to make minimum payments of US\$282,800 per month when commercial production commences. The substance of this transaction results in it being treated as a loan for accounting purposes as the terms indicate a right to receive cash flows in the form of interest payments and minimum return of capital post commercial production dates. Once the Company’s initial investment is recovered, it will receive additional benefit from future mine production and the ability to purchase gold at a discounted price.

**SAILFISH ROYALTY CORP.**  
**NOTES TO THE CARVE-OUT INTERIM FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2017**  
*(Expressed in United States Dollars)*  
*(Unaudited)*

The advances made to Golden Reign to date as well as the future advances under the GRR Arrangement are secured by the mining concessions, property, plant and equipment and all other assets of Golden Reign.

As at September 30, 2017, the Company had advanced \$1,096,051 (2016 - \$1,044,441) to Golden Reign, accrued interest receivable was \$21,861 (2016 -\$32,637) and received interest of \$75,560 (2016 - \$19,480).

**6. SHARE CAPITAL**

- (a) Authorized – 100,000,000 common shares with no par value.
- (b) Issued share capital – 100,000,000 common shares issued to Marlin Gold Mining Ltd for gross proceeds of \$1.

**7. RELATED PARTIES**

Related parties comprises of senior management, directors and the controlling shareholder.

- (a) Key management compensation

Key management includes directors and senior management. For the nine-month period ended September 30, 2017, the compensation was as follows:

- (i) Director fees for the nine-month period ending September 30, 2017, were \$29,250 (2016 - \$29,250) and are paid semi-annually in advance. At September 30, 2017, prepaids include directors fee of \$Nil (2016 - \$11,250).
  - (ii) Senior management fees for the nine-month period ending September 30, 2017, were \$20,060 (2016 - \$20,061) and share-based payments of \$6,430 (2016 - \$14,220) were incurred.
- (b) Related party transactions
    - (i) As at September 30, 2017 and December 31, 2016, Marlin held all 100,000,000 common shares of the Company.
    - (ii) During the nine-month period ended September 30, 2017, Marlin loaned the Company an additional \$199,054 (2016 - \$517,938) which has no stated interest but for the purposes of the carve-out financial statements, bears interest at 8% per annum and incurred interest charges of \$73,143 (2016- \$38,209). As at September 30, 2017, \$1,391,720 (2016 – \$1,119,523) is payable by the Company to Marlin.
    - (iii) Rent for the nine-month period ended September 30, 2017 of \$13,500 (2016 - \$13,500) was paid to a company related to one of the directors for office space for which there is no long-term commitment.

## **8. SEGMENT INFORMATION**

As at September 30, 2017 and December 31, 2016, the Company has one business segment, the acquisition of precious metals royalty and streaming agreements.

## **9. ROYALTY PURCHASE AGREEMENT**

As discussed in Note 1, Sailfish entered into the royalty purchase agreement to acquire and the Vendors agreed to sell, certain royalty interests in the Tocantinzinho Project.

Pursuant to the terms of the Transaction, the consideration payable by the Company to the Vendors and/or their affiliates is an aggregate of US\$6,500,000 in cash and 4,062,278 SpinCo Shares (as defined below) in the Company.

The Tocantinzinho Royalty is a 3.5% royalty on revenues on the Tocantinzinho Project payable following the commencement of commercial production, which Eldorado Gold Corp (“Eldorado”) has the right to reduce to a 1.5% royalty on revenues by payment of US\$5.5 million within 30 days of a construction decision to proceed with development of the Tocantinzinho Project. In the event that Eldorado elects to make such a payment and such amount is paid to Sailfish, Sailfish will be obligated, pursuant to the Tocantinzinho Royalty Purchase Agreement to pay such amount to the Tocantinzinho Royalty Vendors. If Eldorado does not exercise its right to reduce the Tocantinzinho Royalty, then, within 35 days of the announcement by Eldorado of a construction decision to proceed with development of the Tocantinzinho Project, Sailfish shall, at its option, either (i) pay US\$5.5 million to the Tocantinzinho Royalty Vendors or (ii) assign 2% of the Tocantinzinho Royalty back to the Tocantinzinho Royalty Vendors.