



Interim Consolidated Financial Statements
For the 3 months ended March 31, 2019 and 2018
(Expressed in United States Dollars)

SAILFISH ROYALTY CORP.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3 months ended March 31, 2019
(Expressed in United States Dollars)

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As at	Notes	March 31, 2019	December 31, 2018
		\$	\$
ASSETS			
Cash		474,644	88,942
Accounts receivable	5, 8	1,391,061	2,111,598
Royalty fees receivable		5,557	29,078
Prepaid expenses	8	48,380	27,155
		1,919,642	2,256,773
Mineral, royalty and other interest	6	18,012,602	18,051,303
TOTAL ASSETS		19,932,244	20,308,076
LIABILITIES			
Accounts payable and accrued liabilities		38,833	79,244
Due to related parties	8	29,040	6,165
		67,873	85,409
SHAREHOLDERS' EQUITY			
Share capital	7	12,500,001	12,500,001
Contributed surplus		3,131,718	3,114,779
Retained earnings		4,232,652	4,607,887
		19,864,371	20,222,667
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		19,932,244	20,308,076

Nature of operations and liquidity (Note 1)

Approved on behalf of the Board of Directors:

“Cesar Gonzalez”

Director

“Walter Reich”

Director

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

SAILFISH ROYALTY CORP.**INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

3 months ended March 31, 2019

(Expressed in United States Dollars)

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	Notes	For the three months ended March 31, 2019 \$	For the three months ended March 31, 2018 \$
Income			
Royalty revenue	6	5,557	-
Cost of sales			
Depletion	6	38,701	-
Gross profit (loss)		(33,144)	-
Operating and Administrative Expenses			
Director fees	8	9,750	15,500
Senior management	8	6,750	20,295
Share-based compensation	7	16,939	-
General office and regulatory fees		14,773	11,511
Insurance		2,318	9,970
Exploration fees	5	221,801	-
Rent	8	5,450	6,400
Travel and marketing	8	33,074	14,799
Professional fees		31,379	37,657
Foreign exchange (loss) gain		(143)	2,304
		342,091	118,436
Net operating loss		(375,235)	(118,436)
Other income			
Interest income		-	21,621
		-	21,621
Net income (loss) and comprehensive (loss) for the period		(375,235)	(96,815)
Basic earnings (loss) per share		(0.01)	(0.00)
Weighted average number of shares outstanding			
Basic		38,373,566	38,373,566

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

SAILFISH ROYALTY CORP.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

3 months ended March 31, 2019
(Expressed in United States Dollars)

For the period ended March 31	Notes	2019 \$	2018 \$
Cash provided by (used for):			
Operating Activities			
Net loss for the period		(375,235)	(96,815)
Foreign exchange gain on accounts receivable	5	(1,264)	-
Exploration fees	5	221,801	-
Interest income		-	(21,621)
Depletion		38,701	-
Share-based compensation		16,939	-
Changes in working capital			
Royalty fees receivable		23,521	-
Prepaid expenses		(21,225)	2,200
Accounts payable and accrued liabilities		(40,411)	(160,036)
Due to related parties	8	22,875	(23,898)
		(114,298)	(300,170)
Investing Activities			
Accounts receivable	5	500,000	-
		500,000	-
Net increase (decrease) in cash		385,702	(300,170)
Cash - beginning of period		88,942	535,174
Cash - end of period		474,644	235,004

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

SAILFISH ROYALTY CORP.**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

3 months ended March 31, 2019

(Expressed in United States Dollars)

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	Shareholders' Equity				
	Number of shares	Amount \$	Contributed surplus \$	Retained earnings (deficit) \$	Total \$
Balance at December 31, 2017	38,373,566	12,500,001	1,411,934	(392,821)	13,519,114
Share-based compensation (note 7)	-	-	1,702,845	(625,577)	1,077,268
Net income	-	-	-	5,626,285	5,626,285
Balance at December 31, 2018	38,373,566	12,500,001	3,114,779	4,607,887	20,222,667
Share-based compensation (note 7)	-	-	16,939	-	16,939
Net loss	-	-	-	(375,235)	(375,235)
Balance at March 31, 2019	38,373,566	12,500,001	3,131,718	4,232,652	19,864,371

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

1. NATURE OF OPERATIONS AND LIQUIDITY

Sailfish Royalty Corp. (“Sailfish” or the “Company”) is a public company listed on the TSX Venture Exchange (“TSX-V”) under the symbol “FISH”. The Company was incorporated on February 27, 2014 under the BVI Business Companies Act, 2004 and is domiciled in the British Virgin Islands. The address of its registered and head office is Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands, VG1110. The Company is primarily engaged in the acquisition of royalty and streaming agreements.

Sailfish was formerly a wholly-owned subsidiary of Marlin Gold Mining Ltd. (“Marlin”) and became a separate public company in late 2017 as a result of a spin-out when Marlin distributed 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. As part of the spin-out transaction, Sailfish acquired the royalty interest in the Tocantinzinho Project (see note 6).

The Company’s ability to achieve its objectives is dependent upon the Company securing financing, collecting royalty income from the El Compas Royalty and recovering the remaining accounts receivable, of which \$500,000 was collected during the first quarter of 2019. The Company also relies on the continued financial support from the Company’s controlling shareholder. In the event that the Company is unsuccessful in raising additional funds, it may be forced to curtail expenditures.

These interim unaudited consolidated financial statements were approved by the board of directors for issue on May 9, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these interim consolidated financial statements.

(a) Basis of presentation

The interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The interim consolidated financial statements have been prepared on a going concern basis, under the historical cost convention.

These interim consolidated financial statements are expressed in United States dollars and include the accounts of Sailfish Royalty Corp. and its subsidiary. Subsidiaries are entities over which the company has control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over its subsidiary. The Company owns 100% of its subsidiary, Sailfish Royalty Management Corp., which was incorporated in the United States and whose principal activity is management services. All inter-company transactions, balances, revenue and expenses are eliminated in full on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (Cont'd)

(b) Foreign currency translation

The Company's functional and reporting currency is the United States dollar. The functional currency of its subsidiary is also the United States dollar.

Determination of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency 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 the dates of those 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.

Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period/year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currencies are recognized in the 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.

(d) Share-based compensation

Compensation expense for options granted to employees, directors and certain service providers is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected dividend yield and the risk-free interest rate over the expected life of the option. The cost is recognized using the graded attribution method over the vesting period of the respective options.

The expense relating to the fair value of stock options is included in expenses and is credited to contributed surplus. Shares are issued from treasury in settlement of options exercised.

2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (Cont'd)

(e) Royalty interests

Royalty interests consist of acquired royalty interests and stream metal purchase agreements. These interests are recorded at cost, including the capitalisation of associated transaction costs, and capitalized as intangible assets with finite lives. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any.

On acquisition of a royalty or stream interest, an allocation of its fair value may be attributed to the exploration potential of the interest and is recorded as an exploration asset on the acquisition date. The carrying value of the exploration potential is accounted for in accordance with IFRS 6, Exploration and Evaluation of Mineral Resources ("IFRS 6") and is not depleted until such time as the technical feasibility and commercial viability have been established, at which point the value of the asset is accounted for in accordance with IAS 16, Property, Plant and Equipment ("IAS 16"). Upon demonstration of the technical and commercial feasibility of a project and a development decision, the carrying value related to that project is subject to an impairment test and is reclassified in accordance with IAS 16.

(f) Impairment of royalty interest

At each reporting period, management reviews all royalty 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 pre-tax 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. 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 net loss for that period.

(g) Income (loss) per share

Income (loss) per common share is calculated using the weighted average number of common shares outstanding. Diluted income (loss) per share is calculated assuming that outstanding share options, with an average market price that exceeds the average exercise prices of the options for the year, are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the common shares for the period/year.

2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (Cont'd)

(h) Interest

Interest income and expenses are recognised in the profit or loss using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

(i) Taxes

Under the present British Virgin Island laws, the Company will not be subject to tax on income, profits or capital gains in the British Virgin Islands. Under the laws of the United States, Sailfish Royalty Management Corp.; the subsidiary, is subject to taxation in the United States, however the subsidiary had no income during the 3 months ending March 31, 2019 or during 2018 and therefore incurred no taxes. Accordingly, no provision for income tax is included in these interim consolidated financial statements.

(j) Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9 – Financial Instrument (“IFRS 9”) using the fully retrospective approach. IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company’s financial instruments at the transition date.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company’s business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

Under IFRS 9, financial assets are classified into one of three categories below:

- amortized cost;
- fair value changes through other comprehensive income (“FVTOCI”); and
- fair value through profit or loss (“FVTPL”)

Under IFRS 9, financial liabilities are classified into one of two categories below:

- amortized cost; and
- FVTOCI

2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (Cont'd)

(j) Financial instruments (cont'd)

(i) Initial recognition

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case transaction costs are expensed as incurred.

(ii) Impairment of financial assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or group of financial assets measured at amortized cost are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in profit or loss in the period they are incurred.

(iii) Derecognition of financial assets and liabilities

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (Cont'd)

(k) Revenue recognition

Revenue is comprised of revenue earned in the year from royalty, stream and other interests. The Company recognizes revenue upon the transfer of control of the relevant commodity to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those commodities.

For stream agreements, revenue recognition occurs when the relevant commodity received from the stream operator is delivered by the Company to its third-party customers. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the sales contract.

For royalty interests, revenue recognition occurs when control of the relevant commodity is transferred to the end customer by the operator of the royalty property. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of consideration to which it expects to be entitled and, accordingly, revenue recognition is deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are adjusted and recorded in the period that the actual amounts are known.

Effective January 1, 2018, the Company adopted IFRS 15: Revenue from Contracts with Customers ("IFRS 15") using the fully retrospective approach. 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 Company has evaluated that there was no impact on the financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The IASB issued the following pronouncement that may affect the Company's future consolidated financial statements.

- **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 has determined that there is no impact on the interim consolidated financial statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT

The preparation of these interim consolidated 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 some of the areas that require management to make judgements and significant estimates and assumptions in determining carrying values.

Accounting treatment of royalty agreements

The Company's business is the acquisition of royalties. Each mineral, royalty and other interest arrangement has its own unique terms and judgement is required to assess the appropriate accounting treatment.

Impairment of financial assets

At each reporting date, the Company reviews its financial assets to determine whether there are any indications of impairment. Calculating the estimated recoverable amount for the financial asset impairment tests requires management to make estimates and assumptions with respect to estimated recoverable amount of the advance and interest receivable. Changes in any of the assumptions or estimates used in determining the recoverable amount could impact the impairment analysis.

Fair value of assets acquired as part of the revised stream agreement

The Company, at the annual and special meeting of shareholders of the Company held on October 30, 2018, voted in favor of the restructuring of the Company's gold stream on the San Albino gold project (the "Amended and Restated Gold Purchase Agreement"). The total value of the transaction was \$8,497,602 of which \$2,553,299 was settled with the proceeds from a legal settlement regarding a Mexican IVA tax refund. The fair value of the royalty has been determined by assessing the net present value of the expected cash flows from the royalties and other interests.

SAILFISH ROYALTY CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the 3 months ended March 31, 2019
(Expressed in United States Dollars)

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT (Cont'd)

Fair value of assets acquired as part of the revised stream agreement (cont'd)

The determination of the fair values of acquired royalty, stream and other interests requires the use of estimates and assumptions for recoverable production, commodity prices, discount rates, mineral reserve/resource conversion, future capital expansion plans and the associated production implications.

In addition, the Company may use other approaches in determining fair value which may include estimates related to (i) dollar value per unit of mineral reserve/resource; (ii) cash-flow multiples; (iii) comparable transactions and (iv) market capitalization of comparable assets. Changes in any of the estimates used in determining the fair value could impact the acquisition date fair values of the royalty, stream and other interests.

5. ACCOUNTS RECEIVABLE

During the 3 months ended March 31, 2019, the Company received payments of \$500,000, paid exploration expenses of \$221,801 and earned a foreign exchange gain of \$1,264, leaving a balance of \$1,391,061 receivable at March 31, 2019 from Mako Mining Corp. ("Mako").

6. MINERAL, ROYALTY AND OTHER INTEREST

As of and for the 3 months ended March 31, 2019:

Royalty / other interest	Cost			Accumulated depletion				Carrying amount
	Opening	Additions	Ending	Opening	Depletion	Impairment	Ending	
San Albino (3%) (i)	4,371,291	-	4,371,291	-	-	-	-	4,371,291
El Compass (1.5%) (iii)	1,030,097	-	1,030,097	-	(38,701)	-	(38,701)	991,396
Gavilanes option (iv)	340,926	-	340,926	-	-	-	-	340,926
La Cigarra (1%) (v)	201,989	-	201,989	-	-	-	-	201,989
TZ Royalty (3.5%) (vi)	12,107,000	-	12,107,000	-	-	-	-	12,107,000
Total	18,051,303	-	18,051,303	-	(38,701)	-	(38,701)	18,012,602

The Company owns the following royalties and other interests;

(i) San Albino (3%)

The Company has acquired a stream equivalent to a 3% NSR on the original area of interest of the San Albino project operated by Mako.

(ii) San Albino (2%)

The Company has acquired a 2% NSR on the district-scale land package surrounding the original area of interest of the San Albion project, which hosts multiple high-grade targets including Las Conchitas and El Golfo.

6. MINERAL, ROYALTY AND OTHER INTEREST (Cont'd)

(iii) El Compass (1.5%)

The Company has acquired a 1.5% NSR on El Compass, located in Zacatecas, Mexico, which is operated by Endeavour Silver Corp (“Endeavour”). Commissioning of El Compass commenced in 2018 and subsequent to year-end, Endeavour announced that commercial production was achieved in March 2019. During the 3 months ended March 31, 2019, \$5,557 of royalty revenue was received from this NSR and depletion of \$38,701 was expensed.

(iv) Gavilanes option

The Company has acquired an option to assign a 100% ownership interest from Mako for a de minimis amount on the Gavilanes project located in Durango, Mexico. The option expires on November 9, 2019.

(v) La Cigarra (1%)

The Company has acquired a 1% NSR on La Cigarra, located in Chihuahua, Mexico. Kootenay Silver Inc. is the current operator and the project is at the exploration stage.

(vi) TZ Royalty (3.5%)

The Tocantinzinho Royalty (“TZ Royalty”) was acquired as part of the spin-out of Sailfish from Marlin in 2017. It 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 TZ 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 TZ Royalty Vendors or (ii) assign 2% of the TZ Royalty back to the TZ Royalty Vendors. No liability has been recognized for this in the interim consolidated statement of financial position.

Impairments

While assessing whether any indications of impairments exist, consideration is given to both external and internal sources of information. For the 3 months ended March 31, 2019 and 2018 there were no indications of impairments on any of the above assets.

7. SHARE CAPITAL

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

(b) Issued share capital is as follows:

	Number of shares	Value
December 31, 2018, issued and outstanding	38,373,566	12,500,001
March 31, 2019, issued and outstanding	38,373,566	12,500,001

(c) Stock options

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

	Number of Options	Weighted Average Exercise Price \$CAD
Granted April 24, 2018 (i)	1,200,000	0.75
Granted December 24, 2018 (ii)	2,625,000	1.00
Outstanding March 31, 2019	3,825,000	0.92

(i) On December 22, 2017, the Company was spun-out of Marlin. As part of the plan of arrangement, stock options were to be issued to one of the Company’s directors and the Chief Executive Officer (the “CEO”) of the Company entitling them to purchase 1,200,000 common shares over a period of five years, expiring on February 5, 2021. The options were designed to have an initial value equal, when combined with the remaining options in Marlin, to that held by the option holders held in Marlin at the date of the spin out of the Company.

On April 24, 2018, the Company granted a further 900,000 stock options to the CEO and 300,000 stock options issued to one of the directors of the Company at a price of CAD\$0.75 per share in accordance with the calculation described above. On the grant date, 600,000 options vested immediately, and 60,000 options will vest at each quarter commencing on June 30, 2018 with the last tranche vesting on September 30, 2020. The fair value of these options was calculated at CAD\$1,783,311 using the Black-Scholes model. The Company recorded share-based compensation of USD\$16,939 during the current period (2018 - \$Nil) and during 2018, \$625,577 was charged to deficit in the consolidated statement of shareholders’ equity due to the fact that of the 600,000 options that vested immediately on April 24, 2018, 540,000 had been incurred on or before December 31, 2017.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Cont'd)

(c) Stock options (cont'd)

- (i) The following assumptions and inputs were used to fair value the options on the grant date: expected life- 2.79 years; weighted average expected volatility – 146.83% using comparative companies and competitors given the Company's limited history; expected dividend yield – 0.0%; risk free interest rate – 2.16%; share price- C\$1.72.
- (ii) On December 24, 2018, the Company granted 1,625,000 stock options to the CEO, 950,000 stock options to the directors of the Company and 50,000 stock options to the Chief Financial Officer at a price of CAD\$1.00 per share in accordance with the calculation described below. The fair value of these options was calculated at CAD\$2,325,922 using the Black-Scholes model. The options have a term of 5 years and a vesting schedule of one-third on the date of grant, the next one-third 12 months from the date of grant and the final one-third 24 months from the date of grant.

The Company recorded share-based compensation of \$Nil during the current period and (2018 - \$Nil).

The following assumptions and inputs were used to fair value the options on the grant date: expected life- 5 years; weighted average expected volatility – 198.62%; expected dividend yield – 0.0%; risk free interest rate – 1.93%; share price- CAD\$0.91.

8. RELATED PARTIES

Related party transactions have been measured at the exchange amount of consideration agreed between the related parties. Related party transactions are listed below:

(a) Key management compensation

Key management includes directors and senior management. For the 3 months ended March 31, 2019 the compensation was as follows:

- (i) Director fees of \$9,750 (2018 - \$15,500) were recorded in 2019 and are payable semi-annually in advance.
- (ii) Senior management fees of \$6,750 (2018 - \$20,295) and share-based compensation of \$16,939 (2018 - \$Nil) were incurred.

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8. RELATED PARTIES (Cont'd)

(b) Related party transactions

- (i) On December 20, 2017, the balance due to Marlin of \$1,411,934 was converted to equity and recorded as contributed surplus. On December 18, 2017 the Company entered into a loan agreement with Marlin. Under the terms of the agreement, Marlin agreed to make available to Sailfish a maximum amount of \$14,000,000 to finance the Company's purchase obligations under its gold purchase agreement. The loan facility was available upon demand and was to bear interest at 8% per annum, payable bi-annually in arrears. No amounts were drawn under the loan and during 2018, the loan agreement with Marlin was terminated. During the 3 months ended March 31, 2019, Marlin was repaid \$Nil (2018- \$23,898). The Company incurred interest charges of \$Nil (2018- \$Nil) payable to Marlin. As at March 31, 2019, there was no payable by the Company to Marlin. Per the Amended and Restated Gold Purchase Agreement, the Company's obligations under the GRR arrangement were terminated.
- (ii) During the 3 months ended March 31, 2019, the Company received payments of \$500,000, paid exploration fees of \$221,801, earned a foreign exchange gain of \$1,264 leaving a balance of \$1,391,061 receivable at March 31, 2019 from Mako.
- (iii) Rent of \$5,450 (2018 - \$6,400) was paid during the period to a company related to one of the directors for office space for which there is no long-term commitment.
- (iv) Travel and marketing expense of \$33,075 (2018 - \$14,799) was paid during the period to the Chief Executive Officer and a director, of which \$29,040 (2018 - \$Nil) is included in due to related parties at March 31, 2019.
- (v) Prepaid expenses of \$7,155 (2018 - \$nil) pertain to Sailfish Royalty Management Corp.

(c) Financing activities

As shown in the consolidated statement of cash flows the Company received (paid) cash from related parties in the amount of \$22,875 (2018 - \$23,898) as follows:

	2019	2018
Due to related parties, beginning of period	(6,165)	(23,898)
Due to related parties, end of period	29,040	-
Change in due to related parties	\$ 22,875	\$ (23,898)

9. MANAGEMENT OF FINANCIAL RISK

(a) Overview

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company'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 carrying values, fair market values, and fair value hierarchical classification of the Company's financial instruments are that the fair value of all financial instruments approximates their carrying value due to either their short-term maturity and/or capacity of prompt liquidation.

The Company does not have any financial instruments that are measured using level 1, 2 or level 3 inputs.

During the 3 months ended March 31, 2019 and 2018 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 Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash held in bank accounts and accounts receivable. The Company's accounts receivable is subject to the credit risk of Mako. The carrying amount of financial assets recorded in the consolidated financial statements represents the Company's maximum exposure to credit risk.

The Company limits its exposure to credit risk on liquid financial assets through investing its cash and cash equivalents with high-credit quality financial institutions and by closely monitoring its accounts receivable.

9. MANAGEMENT OF FINANCIAL RISK (Cont'd)

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations, anticipated investing and financing activities and through the management of its capital structure. Accounts payable and accrued liabilities of \$38,833 are due in the second quarter of fiscal 2019. See note 1.

(e) Market Risk

(i) Foreign Currency Risk

Foreign exchange risk is the risk arising from changes in foreign currency fluctuations. The Company's operations and royalty agreements are conducted primarily in US dollars. As a result, the Company is not significantly exposed to fluctuation in exchange rates and foreign currency risk.

At March 31, 2019 and December 31, 2018, the Company's exposure to foreign currency risk is as follows:

	March 31, 2019	December 31, 2018
Accounts receivable (MXN)	2,224,351	19,227,779
Accounts payable and accrued liabilities (CAD)	45,228	89,281

Had the Canadian Dollar foreign exchange rates strengthened against the United States dollar by 1%, with all other variables remaining constant, the change in net income would have been insignificant. A weakening of 1% in the Canadian Dollar against the United States dollar, with all other variables held constant, would have had an equal but opposite effect.

Had the Mexican Peso foreign exchange rates strengthened against the United States dollar by 1%, with all other variables remaining constant, the change in net income would have been insignificant. A weakening of 1% in the Mexican Peso against the United States dollar, with all other variables held constant, would have had an equal but opposite effect.

(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. As at March 31, 2019 the Company has no exposure to interest rate risk.

10. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support its royalty and streaming agreements. The Company considers its capital under management to consist of cash and cash equivalents, royalty interest, advances, share capital, contributed surplus and due to related parties. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

The Company's objectives of capital management are intended to ensure the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue its obligations under the royalty and streaming agreements, and support any expansionary plans.

To effectively manage the entity's capital requirements, the Company has secured funds from the legal settlement receivable and royalty streams under the new Master Agreement to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company may finance its royalty and streaming agreements through cash flows from operations or additionally from funding from the majority shareholder.

The Board of Directors reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the 3 months ended March 31, 2019.

11. SEGMENT INFORMATION

As at March 31, 2019, the Company has one business segment, the acquiring of royalty and streaming agreements.