Guanajuato Silver CO LTD

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management, reviewed by the Audit Committee and approved by the Board of Directors. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor

Guanajuato Silver Co Ltd

TABLE OF CONTENTS

Guanajuato Silver CO LTD

Condensed consolidated interim statements of financial position

(Expressed in Canadian dollars)
(Unaudited)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	**$ 7,716,144**	$ 5,321,927
Amounts receivable (note 6)	**4,636,749**	106,531
Prepaid expenses and deposits	**529,942**	274,212
Derivative assets (note 9)	**406,126**	-
	13,288,961	5,702,670
Non-current assets		
Advances receivable (note 7)	**-**	251,408
Deposits (note 8 (a))	**-**	638,750
Property, plant and equipment (note 8)	**23,709,958**	138,562
Mineral Properties (note 8)	**15,250,707**	70,698
Exploration and evaluation assets (note 8)	**5,088,315**	3,440,135
Total assets	**$ 57,337,941**	$ 10,242,223
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,593,689**	$ 247,161
Promissory note payable (note 8 (a))	**2,958,766**	-
Current portion of loan payable (note 9)	**9,252,787**	8,181
Current portion of lease liabilities (note 10)	**200,554**	-
	15,005,796	255,342
Non-current liabilities		
Loan Payable (note 9)	**1,029,426**	19,519
Lease Liabilities (note 10)	**581,004**	-
Provision for reclamation and rehabilitation (note 11)	**5,763,137**	-
Other long term liabilities (note 8 (a)(i))	**1,262,016**	-
Total liabilities	**23,641,379**	274,861
SHAREHOLDERS' EQUITY		
Share capital (note 12)	**70,891,198**	44,241,396
Reserves (note 13)	**21,299,608**	13,298,138
Share subscriptions received	**-**	2,035,964
Deficit	**(58,494,244)**	(49,608,136)
Total shareholders' equity	**33,696,562**	9,967,362
Total liabilities and shareholders' equity	**$ 57,337,941**	$ 10,242,223

Commitments and contingencies (note 8(a)(i and ii) and 15)

Subsequent events (note 1 and 19)

"James Anderson"
Director

"Ramon Davila"
Director

The accompanying notes are an integral part of these financial statements

Condensed consolidated interim statements of loss and comprehensive loss

For the three and nine months ended September 30, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
EXPENSES				
Advertising and promotion	**$ 131,106**	$ 128,735	**$ 375,457**	$ 163,341
Depreciation and amortization (note 8)	**46,977**	8,278	**235,639**	11,505
General and administrative	**747,709**	78,815	**1,212,067**	125,455
General exploration	**64,892**	326,405	**1,145,379**	370,327
Management and consulting fees	**170,500**	82,992	**424,120**	222,047
Professional fees	**282,387**	39,740	**639,224**	156,740
Regulatory	**31,967**	9,340	**88,795**	33,873
Salaries, bonus and benefits	**737,321**	-	**879,826**	-
Share based compensation	**802,588**	98,064	**2,748,745**	182,716
Travel	**41,687**	11,727	**53,631**	26,624
	3,057,134	784,096	**7,802,883**	1,292,628
OTHER EXPENSES (INCOME)				
Interest income	**(96)**	(2,356)	**(357)**	(4,087)
Interest expense	**746,108**	-	**747,788**	-
Accretion lease liability	**57,090**	-	**64,628**	-
(Gain) loss on settlement of debt (note 12(b))	**-**	30,000	**(7,955)**	15,207
Loss on commodities (note 5)	**23,820**	-	**31,463**	-
Gain on derivatives (note 8)	**(318,755)**	-	**(318,755)**	-
Impairment of advance receivable (note 7)	**(1)**	-	**251,408**	-
Foreign exchange loss	**145,967**	3,925	**317,714**	6,979
Other income	**(2,710)**	-	**(2,709)**	-
	651,424	31,569	**1,083,225**	18,099
NET LOSS FOR THE PERIOD	**$ 3,708,558**	$ 815,665	**$ 8,886,108**	$ 1,310,727
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**$ 3,708,558**	$ 815,665	**$ 8,886,108**	$ 1,310,727
Basic net loss per share	**$ 0.02**	$ 0.01	**$ 0.05**	$ 0.02
Weighted average number of common shares outstanding	**201,458,554**	94,367,037	**174,654,773**	72,347,454

The accompanying notes are an integral part of these financial statements

Guanajuato Silver CO LTD

Condensed consolidated interim statements of changes in equity
For the three and nine months ended September 30, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited)

				Reserves				
	Number of Common Shares	Common Shares	Share subscriptions	Equity settled share-based payments	Warrants	Total	Accumulated Deficit	TOTAL SHAREHOLDERS' EQUITY
Balance, Dec 31, 2019	**59,664,089**	**$ 38,468,898**	**$ -**	**$ 9,399,336**	**$ 1,578,308**	**$ 10,977,644**	**$ (47,407,775)**	**$ 2,038,767**
Private placement	25,641,902	2,702,039			1,272,455	1,272,455	-	**3,974,494**
Share issue cost	214,665	(233,843)		-	119,542	119,542	-	**(114,301)**
Shares issued on settlement of debt	403,640	20,183	-	-	-	-	-	**20,183**
Exercise warrants for cash	18,723,055	1,745,700	-	-	-	-	-	**1,745,700**
Share-based compensation	-	-	-	182,716	-	182,716	-	**182,716**
Net loss for the period	-	-	-	-	-	-	(1,310,727)	**(1,310,727)**
Balance, September 30, 2020	**104,647,351**	**42,702,977**	**-**	**9,582,052**	**2,970,305**	**12,552,357**	**(48,718,502)**	**6,536,832**
Private placement	-	165,214	-	-	(165,214)	(165,214)	-	**-**
Share issue cost	-	(22,823)	-	-	-	-	-	**(22,823)**
Units issued for royalty repurchased	3,750,000	862,500	-	-	-	-	-	**862,500**
Exercise warrants for cash	2,640,000	264,000	-	-	(269,528)	(269,528)	-	**(5,528)**
Fair value of options and warrants exercised	-	269,528	-			-		**269,528**
Fair value warrants issued for royalty	-	-	-	-	840,585	840,585	-	**840,585**
Share-based compensation	-	-	-	339,938	-	339,938	-	**339,938**
Net loss for the period	-	-	-	-	-	-	(889,634)	**(889,634)**
Subscriptions received	-	-	2,035,964	-	-	-	-	**2,035,964**
Balance, December 31, 2020	**111,037,351**	**$ 44,241,396**	**$ 2,035,964**	**$ 9,921,990**	**$ 3,376,148**	**$ 13,298,138**	**$ (49,608,136)**	**$ 9,967,362**
Private placement (note 12)	56,500,000	11,980,749	(2,035,964)	-	4,969,251	4,969,251	-	**14,914,036**
Share issue cost (note 12)	518,139	(1,011,979)	-	-	670,140	670,140	-	**(341,839)**
Shares issued on asset acquisition (note 8)	21,331,058	12,372,012	-	-	-	-	-	**12,372,012**
Exercise options for cash (note 13)	1,233,334	269,676	-	-	(79,049)	(79,049)	-	**190,626**
Exercise warrants for cash (note 13)	11,777,528	3,039,345	-	-	(307,617)	(307,617)	-	**2,731,728**
Share-based compensation	-	-	-	2,748,745	-	2,748,745	-	**2,748,745**
Net loss for the period	-	-	-	-	-	-	(8,886,108)	**(8,886,108)**
Balance, September 30, 2021	**202,397,410**	**$ 70,891,198**	**$ -**	**$ 12,670,735**	**$ 8,628,873**	**$ 21,299,608**	**$ (58,494,244)**	**$ 33,696,562**

The accompanying notes are an integral part of these financial statements

Guanajuato Silver CO LTD

Condensed consolidated interim statements of cash flows

For the three and nine months ended September 30, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended		Nine months ended	
	Sep 30, 2021	September 30, 2020	**Sep 30, 2021**	September 30, 2020
Operating activities				
Net loss for the period	**$ (3,708,558)**	$ (815,665)	**$ (8,886,108)**	$ (1,310,727)
Items not involving cash and cash equivalents:				
Depreciation and amortization	**42,304**	8,278	**235,639**	11,505
Accretion	**57,091**	-	**64,629**	
Gain on settlement of debt	**-**	(14,793)	**-**	(14,793)
Unrealized gain on derivatives	**(318,755)**	-	**(318,755)**	
Impairment of advance receivable	**-**	-	**251,408**	-
Share-based compensation	**802,588**	98,064	**2,748,745**	182,716
Unrealized foreign exchange	**(7,346)**	3,384	**73,289**	3,384
Changes in non-cash operating working capital:				
Amounts receivable	**(1,631,505)**	(7,158)	**(4,530,218)**	(3,007)
Prepaid expenses and deposits	**333,629**	(50,564)	**(255,730)**	(53,437)
Accounts payable and accrued liabilities	**2,383,563**	11,494	**2,967,095**	(47,844)
Net cash and cash equivalents used in operating activities	**(2,046,989)**	(766,960)	**(7,650,006)**	(1,232,203)
Investing activities				
Acquisition of property, plant and equipment	**(5,009,492)**	(17,890)	**(7,087,122)**	(23,225)
Acquisition of the El Cubo Complex (note 8 (a))	**-**	-	**(9,419,550)**	-
Land acquisition on mineral claims	**-**	-	**-**	-
Proceeds on sale of stockpile material		8,283	**-**	8,283
Net cash and cash equivalents used in investing activities	**(5,009,492)**	(9,607)	**(16,506,672)**	(14,942)
Financing activities				
Proceeds from issuance of units	**-**	2,258,544	**14,914,036**	3,974,494
Share issuance costs	**-**	(114,300)	**(341,839)**	(114,300)
Proceeds from the exercise of options and warrants	**183,373**	1,745,700	**2,922,355**	1,745,700
Share subscriptions received	**(54,000)**	-	**-**	-
Proceeds from OCIM Loan	**9,370,610**	-	**9,370,610**	
Repayment of loan payable	**(60,393)**	-	**(72,774)**	-
Payments of lease obligations	**(122,121)**	-	**(146,348)**	-
Net cash and cash equivalents provided by financing activities	**9,317,469**	3,889,944	**26,646,040**	5,605,894
Effect on cash and cash equivalents of foreign exchange	**-**	(4,093)	**(95,145)**	(3,384)
Change in cash and cash equivalents	**2,260,988**	3,109,284	**2,394,217**	4,358,749
Cash and cash equivalents, beginning of period	**5,455,156**	1,790,360	**5,321,927**	544,279
Cash and cash equivalents, end of period	**$ 7,716,144**	$ 4,899,644	**$ 7,716,144**	$ 4,899,644
Cash and cash equivalents are consisted of:				
Cash	**$ 6,896,294**	$ 4,899,644	**$ 6,896,294**	$ 4,899,644
Redeemable guaranteed investment certificate ("GIC")	**101,500**	-	**101,500**	-
Ounces of gold and silver	**718,350**	-	**718,350**	-
Total cash and cash equivalents	**$ 7,716,144**	$ 4,899,644	**$ 7,716,144**	$ 4,899,644
Non-cash investing and financing activities:				
Closure and reclamation provision	**$ 148,763**	$ -	**$ 5,935,763**	$ -
Contingent liability on El Cubo Complex acquisition	**$ -**	$ -	**$ 1,241,240**	$ -
Promissory note on El Cubo Complex acquisition	**$ -**	$ -	**$ 2,775,221**	$ -
Shares and warrants issued for finders' fees	**$ -**	$ -	**$ 1,218**	$ -
Shares issued on El Cubo Complex acquisition	**$ -**	$ -	**$ 12,372,013**	$ -
Shares issued on settlement of debt	**$ -**	$ 99,359	**$ -**	$ 119,542
Finders' warrants issued as share issuance costs	**$ -**	$ 33,273	**$ -**	$ 33,273
Finders' shares issued as share issuance costs	**$ -**	$ 20,183	**$ -**	$ 20,183

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Guanajuato Silver Company Ltd. is the ultimate parent company of its subsidiary group (collectively, the "Company" or "GSilver"") and is a publicly traded corporation, incorporated in Canada, with its head office located at 578 – 999 Canada Place, Vancouver, BC, V6E 3C1. GSilver's common shares are listed on the TSX Venture Exchange under the symbol "GSVR" and on the OTCQB under the symbol "GSVR.F".

The Company is a precious metals producer engaged in reactivating past producing silver and gold mines near the city of Guanajuato, Mexico. The Company is currently producing silver and gold at its 100% owned El Cubo mine and mill (the "El Cubo Complex"), while simultaneously advancing the nearby El Pinguico Project (the "Combined Project"). The recently acquired El Cubo Complex terminated production of gold and silver concentrate in November 2019 when it was put on care and maintenance by its previous owner. Eight Kilometres from the El Cubo mine is the Company's El Pinguico Project which terminated production in 1913 due to the Mexican revolution, leaving accessible surface and underground stockpiles. The Company has filed a positive Preliminary Economic Assessment on the Combined Project resource estimate and is currently refurbishing the El Cubo Complex.

The Company also owns several exploration properties in Mexico: Patito I & II, Analy I & II and the Three Amigos. Patito I & II are located approximately 1.5 kilometres southwest and 3.0 kilometres due south, respectively, of the El Pinguico mine project. Analy I & II are located 100 kilometres east of the city of Guanajuato and the Three Amigos, comprised of three mining concessions – El Ruso, Ysabela and Camila – located near the northern boundary between the States of Guanajuato and Queretaro in central Mexico. Additionally, as part of the Endeavour transaction, the Company acquired an additional 48 mining claims.

COVID-19 Uncertainties

The Company implemented measures to minimize the risks of the COVID-19 virus, both to employees and to the business. The Company is following government health protocols and is closely monitoring the pandemic with local health authorities. The Company has posted health advisories to educate employees about the COVID-19 symptoms, best practices to avoid contracting and spreading the virus, and procedures to follow if symptoms are experienced and infection detected.

As the COVID-19 global pandemic is dynamic and, given that the ultimate duration and severity of the pandemic remains unclear, the impact on the Company's production ramp-up at its El Cubo operation and the associated costs has greater uncertainty. Globally, and in Mexico, positive COVID-19 continues to spread at a significant rate, while the availability and effectiveness of vaccine distribution remains uncertain. A local outbreak that results in an impediment to supply or market logistics or a change in government health orders remains a significant risk.

In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including without limitation, impacts related to employee health, restrictions on travel, the availability of industry experts and personnel, restrictions on mining and processing operations and drill programs, the ability of third parties to meet their obligations to the Company, and other factors that will depend on future developments beyond the Company's control. In addition, the COVID 19 pandemic could adversely affect the economies and financial markets of many countries (including those in which the Company operates), resulting in an economic downturn that could negatively impact the Company's operating results and ability to raise capital.

As of September 30, 2021, the Company held $7,716,144 in cash and had negative working capital of ($1,716,835). Subsequent to September 30, 2021, the Company had 3,181,045 warrants exercised for gross proceeds of $990,523, repaid the outstanding promissory note of $2,958,766 plus $194,631 deemed interest (USD$2,475,000) to Endeavour Silver Corp. ("Endeavour") for the acquisition of El Cubo (note 8(a)) and announced an $8,250,000 equity financing through a non-brokered private placement, with closing expected in Q4 of 2021. Management believes these measures will ensure there is sufficient working capital to meet the Company's current obligations, however the ultimate duration of the COVID pandemic remains uncertain and it, as well as other potential unforeseen developments, could impact the financial liquidity of the Company.

Going concern

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2021, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $58,261,021. These factors give rise to material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 - *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

The accounting policies and critical judgments and estimates applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the most recent annual consolidated financial statements, except as disclosed in note 4. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2020 (the "Annual Financial Statements"). These condensed consolidated interim financial statements do not include all the information required for full annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the most recent annual consolidated financial statements. The Company's interim results are not necessarily indicative of its results for a full year.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on November 26, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The accounts of the Company and its subsidiaries, which are controlled by the Company, have been included in these condensed consolidated interim financial statements. Control is achieved when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. The principal subsidiaries of the Company and their geographic locations at September 30, 2021 were as follows:

Subsidiary	Location	Ownership Interest	Accounting	Principal Activity
CanMex Silver S.A. de C.V.	Mexico	98%	Consolidated	Exploration Company
Obras Mineras El Pinguico S.A. de C.V.	Mexico	100%	Consolidated	Mining Company
Compania Minera Nivel Siete S.A. de C.V.	Mexico	100%	Consolidated	Inactive

b) Presentation and functional currency

The functional and presentation currency of the Company and each of its subsidiaries is the Canadian dollar ("CND").

c) Basis of measurement

These condensed interim consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

d) Mineral properties, plant and equipment

Mineral properties, plant and equipment are initially valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. When provisions for closure and decommissioning are recognized, the corresponding cost is capitalized as part of the cost of the related assets.

Buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value and is not depreciated.

Each asset's or part's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Mineral properties, plant and equipment (continued)

Mineral properties, plant and equipment are depreciated using either the straight-line or units-of-production method over the shorter of the estimated useful life of the asset or the expected life of mine. Where an item of property, plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Assets under construction are recorded at cost and re-allocated to machinery and equipment when it becomes available for use.

The net carrying amounts of mineral property, land, buildings, plant, and equipment are reviewed for impairment at the cash-generating unit level when events and changes in circumstances indicate that the carrying amounts may not be recoverable to the extent that these values exceed their recoverable amounts, that excess is recorded as an impairment provision in the period in which this is determined.

Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will be available to the Company, the expenditure is capitalized and the carrying amount of the item replaced is derecognized. Similarly, overhaul costs associated with major maintenance are capitalized and depreciated over their useful lives where it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other maintenance costs are expensed as incurred.

When an item of mineral property, plant and equipment is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is included as profit or loss on disposal. Any items of mineral property, plant or equipment that cease to have future economic benefits are derecognized with any gain or loss included in the financial year in which the item is derecognized.

e) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset ("RoU asset") and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset ("RoU asset") and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The RoU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The RoU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The RoU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Leases (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statement of income in the period in which they are incurred.

The ROU assets are presented within "Plant and equipment" and the lease liabilities are presented in "Lease liabilities" on the balance sheet.

f) New accounting standards issued but not yet effective

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

On May 14, 2020, the IASB published a narrow scope amendment to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022, with early adoption permissible.

The Company is assessing the effect of the narrow scope amendment on its consolidated financial statements and the possibility of early adoption.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2023, with early application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. Early application is permitted.

This amendment is not expected to have a material impact on the Company.

4. ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in future years.

In preparing these condensed consolidated interim financial statements for the three and nine months ended September 30, 2021, the Company applied the critical accounting estimates and significant judgements as disclosed in note 3 of its audited consolidated financial statement for the year ended December 31, 2020, in addition to those noted below.

(Expressed in Canadian dollars)

4. ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

a) Value-added tax ("VAT") receivable

Timing of collection of VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The Company assesses the recoverability of the VAT receivable and its classification as current or non-current at each reporting date. This is impacted by several factors, including the status of discussions with the tax authorities, and current interpretation of relevant tax legislation. Changes in these estimates can materially affect the amount recognized as VAT receivable and the classification, and could result in an increase in other expenses recognized.

b) Leases

Primarily judgements include whether a lease conveys the right to use a specific asset, whether the Company obtains substantially all of the economic benefits from the use of the asset, whether the Company has the right to direct the use of the asset, evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets, and to determine the lease term where a contract includes renewal options. Significant estimates, assumptions and judgements over these factors would affect the present value of the lease liabilities, as well as the associated amount of the ROU asset.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits, money market instruments and ounces of gold and silver with maturities from the date of acquisition of 90 days or less, which are readily convertible to known amounts of cash. As at September 30, 2021, the Company held 200 ounces of gold and 10,000 ounces of silver.

6. AMOUNTS RECEIVABLE

The summary of the Company's amounts receivable is as follows:

	September 30, 2021	December 31, 2020
VAT recoverable	$ **2,939,870**	$ -
Other receivable taxes	**897,761**	-
Other receivables	**799,118**	106,531
	$ **4,636,749**	$ 106,531

At the reporting date, the Company assessed the collectability of the balance and concluded that none of the receivables were uncollectible.

7. ADVANCE RECEIVABLE

On February 18, 2020, and as amended on August 17, 2020, the Company entered into an agreement with Astor Holdings Inc.("Astor"), a Guyana corporation, and Shooting Star Acquisition Corp. ("Star"), a Capital Pool Company listed for trading on the TSX Venture Exhange, whereby the Company assigned all rights, title and interest in a draft National Instrument 43-101 technical report previously commissioned by the Company on a gold property in Guyana known as the Tassawini property. In consideration, Astor and Star collectively agreed to assume the amount owing to the Company of $251,408 from the previous owner of the Tassawini property and pay the Company $50,000 and issue 1,400,000 common shares of Star in settlement of that debt upon closing of Star's qualifying transaction to acquire Astor. On June 7, 2021, Star announced the termination of the acquisition of Astor and as a result, the Company has written off the advance receivable.

(Expressed in Canadian dollars)

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Property, Plant and Equipment							
	Machinery and equipment	Land and Buildings	Furniture and other equipment	Work in Proces - Plant	Total PP&E	Mineral properties	Exploration and Evaluation expenditures	Total
	$	$	$	$		$	$	$
COST								
Balance at December 31, 2020	143,982	-	23,927	-	167,909	70,698	3,440,135	3,678,742
Additions	1,118,516	8,929,388	89,855	13,635,870	23,773,628	9,244,246	1,648,180	34,666,055
Changes in closure and reclamation	-	-	-	-	-	5,935,763	-	5,935,763
Balance at September 30, 2021	**1,262,498**	**8,929,388**	**113,782**	**13,635,870**	**23,941,537**	**15,250,707**	**5,088,315**	**44,280,560**
ACCUMULATED DEPRECIATION								
Balance at December 31, 2020	11,681	-	12,073	-	23,754	-	-	23,754
Depreciation	171,779	32,176	3,870	-	207,825	-	-	207,825
Balance at September 30, 2021	**183,460**	**32,176**	**15,943**	**-**	**231,579**	**-**	**-**	**231,579**
Net Book Value at September 30, 2021	**1,079,038**	**8,897,212**	**97,839**	**13,635,870**	**23,709,958**	**15,250,707**	**5,088,315**	**44,048,981**
COST								
Balance at December 31, 2019	1,776	-	8,865	-	10,641	-	1,539,490	1,550,131
Additions	142,206	-	15,062	-	157,268	70,698	1,908,928	2,136,894
Sale of mineral stockpile	-	-	-	-	-	-	(8,283)	(8,283)
Balance at December 31, 2020	143,982	-	23,927	-	167,909	70,698	3,440,135	3,678,742
ACCUMULATED DEPRECIATION								
Balance at December 31, 2019	1,252	-	6,207	-	7,459	-	-	7,459
Depreciation	10,429	-	5,866	-	16,295	-	-	16,295
Balance at December 31, 2020	11,681	-	12,073	-	23,754	-	-	23,754
Net Book Value at December 31, 2020	132,301	-	11,854	-	144,155	70,698	3,440,135	3,654,988

a) Mineral Properties

The El Cubo and El Pinguico properties are located in central Mexico, in the State of Guanajuato, approximately 11 km east of the city of Guanajuato.

El Cubo

On April 9,2021, the Company purchased the El Cubo Complex in Guanajuato, Mexico from Endeavour Silver Corp. ("Endeavour"} As consideration for the El Cubo Complex, the Company:

- paid a non-refundable cash deposit of $638,750 (US$500,000) on December 18, 2020;
- paid $8,780,800 (US$7,000,000) cash on closing;
- issued 21,331,058 common shares of the Company on closing with a fair value of $12,347,356 (US$9,862,894); and
- issued a $3,136,000 (US$2,500,000) unsecured, non-interest bearing promissory note due on April 8, 2022. A market discount rate of 13% was used to calculate $2,855,858 (US$2,212,389), the fair value of the promissory note.

	CAD$	USD$
Promissory note	3,136,000	2,500,000
Discount	(360,779)	(287,611)
As at April 9, 2021	2,775,221	2,212,389
Foreign exchange	80,637	-
As at June 30, 2021	2,855,857	2,212,389
Accretion	166,690	132,082
Foreign exchange	(63,782)	-
As at September 30, 2021	**2,958,766**	**2,344,471**

(Expressed in Canadian dollars)

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

a) Mineral Properties (continued)

Additionally, the Agreement requires certain contingent payments as follows:

i. US$1,000,000 upon the Company producing 3,000,000 ounces of silver equivalent from the Combined Project (Contingent Payment #1). At the Company's option, the Company can issue common shares for up to 50% of Contingent Payment #1, based on the volume weighted average trading price of the Company's common shares for the 10 trading days immediately preceding the date of such payment. The Company has accrued this liability as a long-term payable on the statement of financial position.

ii. US$1,000,000 if the London Bullion Market Association ("LBMA") spot price of gold closes at or above US$2,000 per ounce for 20 consecutive trading days within two years after closing.

iii. US$1,000,000 if the LBMA spot price of gold closes at or above US$2,200 per ounce for 20 consecutive trading days within three years after closing.

Management determined that the acquisition of El Cubo Complex did not meet the definition of a business in accordance with IFRS 3 Business Combinations. Accordingly, the acquisition has been accounted for as an asset acquisition. The fair value of the consideration paid and its allocation to the assets and liabilities acquired consisted of:

	CAD $	USD $
Plant and Equipment	11,270,784	8,985,000
Surface Land	5,644,800	4,500,000
Mining claims	7,614,208	6,070,000
Mineral Properties	5,739,235	4,575,283
Other equipment	56,448	45,000
Reclamation and Rehabilitation provision	(5,770,240)	(4,600,000)
Total	**24,555,235**	**19,575,283**

El Pinguico Mine Project

The El Pinguico property is comprised of two mining claims, El Pinguico and Ample de El Pinguico (collectively, the "El Pinguico Mine Project"), covering 71.7 hectares. The El Pinguico Mine Project is subject to a 4% net smelter return ("NSR") royalty and a 15% Net Profits Interest ("NPI) on minerals recovered from the existing surface and underground stockpiles of mineralized rock and a 3% NSR and 5% NPI on all newly mined mineralized material.

On August 18, 2020, as amended on November 8, 2020, the Company entered into a royalty purchase option vendor agreement to acquire 3 of the 4 underlying royalties on the El Pinguico Project from the original vendor of the property (the "Option Agreement"), Exploraciones Mineras Del Bajio S.A. de C.V. ("EMBSA"), a company controlled by a director of the Company. Under the Option Agreement, the Company has the option to repurchase the following royalties from EMBSA:

- the 4% NSR on all "broken material" within both the above ground and underground stockpiles;
- the 3% NSR on all newly established in-situ material discovered on the El Pinguico Project; and
- the 5% NPI on all newly established in-situ material discovered on the El Pinguico Project.

Under the terms of the Option Agreement, the Company is to pay a total of $1,680,000 cash and issue 3,750,000 units (each unit comprised of one common shares and one non-transferable share purchase warrant, exercisable at $0.175 per share for a term of 5 years) to EMBSA as follows:

- $200,000 cash (paid) and 3,750,000 units on or before November 30, 2020 (issued);
- $325,000 cash on or before February 22, 2021 (paid);
- $525,000 cash on or before February 22, 2022; and
- $625,000 cash on or before February 22, 2023.

Upon completion of the payments and exercise of the option, the Company will own an undivided 100% interest in the El Pinguico Mine Project with only a 15% NPI on the existing above and underground stockpiles as the remaining royalty.

(Expressed in Canadian dollars)

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

a) Mineral Properties (continued)

In March 2021, the Company acquired 89.6 hectares of land that covers portions of the surface of the El Pinguico mining claims for $22,773. The Company also has an option to purchase 212.98 hectares covering additional portions of surface area of the El Pinguico mining claims for $44,727.

In February 2020, the Company signed a 15 year Surface Land Access Agreement with the Ejido Calderones, the local Ejido group for unrestricted road access for exploration and mining equipment and personnel to the El Pinguico Project through the community of Calderones. The Company made an initial payment of $7,100 (100,000 Mexican Pesos ["MXP]) and will make annual payments of MXP 50,000 (approximately $3,100) plus value added tax of 16%. During the year ended December 31, 2020, the Company paid $3,735 (MXP 58,000).

In order to gain a better understanding of the metallurgy of the surface stockpile at the El Pinguico Mine Project, the Company sold 1,039 tonnes of mineralized material to Endeavour on June 22, 2020, for $8,290 (MXP 137,300), net of processing charges. As part of the sale, Endeavour provided the Company with a detailed analysis of all recovery and concentrate data obtained in the processing.

b) Exploration and Evaluation assets

		Other mexican claims	El Pinguico	Total
Acquisition Costs:				
Balance, December 31, 2019	$	360,000 $	1,179,490 $	1,539,490
Additions		-	1,908,928	1,908,928
Sale of mineral stockpile		-	(8,283)	(8,283)
Balance, December 31, 2020		360,000	3,080,135	3,440,135
Additions		-	1,648,180	1,648,180
Balance, September 30, 2021	$	360,000 $	4,728,315 $	5,088,315

Other Mexican claims

The Company has 7,800 hectares of additional mining claims within the Guanajuato and Queretaro regions as follows:

i. Patito I and II concessions – located approximately 1.5 km southwest, and 3.0 km due south of the El Pinguico Project.
ii. The Analy I & Analy II concessions – located 100 km east of the city of Guanajuato, Mexico.
iii. El Ruso, Ysabela and Camila concessions – located near the northern boundary between the States of Guanajuato and Queretaro in central Mexico.
iv. Over 7,000 hectares of mining claims south and east of the city of Guanajuato acquired from Endeavour as part of the Combined Project transaction.

A 2.5% NSR exists on seven concessions (a, b, and c above) of which, one half (1.25%) may be repurchased for $500,000.

Rossland Properties, British Columbia, Canada

At September 30, 2021, the Company holds certain mineral claims within the historic Rossland gold camp in southeastern British Columbia.

9. LOAN PAYABLE

		OCIM	Vehicles		Total
Balance, December 31, 2020	$	-	27,700	$	27,700
Additions		9,370,610	205,690		9,576,300
Interest expense		564,804	55,762		620,566
Loan payments		-	(72,774)		(72,774)
Foreign exchange loss		127,373	3,048		130,421
Balance, September 30, 2021	**$**	**10,062,787**	**219,425**	**$**	**10,282,213**
Which consists of:					
Current portion of loan	$	9,243,675	9,112	$	9,252,787
Non-current portion of loan		819,112	210,314		1,029,426
	$	**10,062,787**	**219,425**	**$**	**10,282,213**

(Expressed in Canadian dollars)

9. LOAN PAYABLE (continued)

a) Vehicles

Between April and September 2021, the Company entered into nine, 3-year vehicle loan agreements. The Company paid aggregate down payments of $77,524 (MXP 1,256,138 including VAT) with aggregate principal totalling $271,467 (MXP 4,428,740). The loans are secured by the respective vehicles, bear interest at 16.83% and are repayable in monthly installments of between $706 and $1,032 (MXP 11,576 and MXP 16,913).

On September 18, 2020, the Company entered into a 3-year vehicle loan agreement. The Company paid a down payment of $17,391 (MXP 271,738) with a principal of $28,905 (MXP451,645). The loan is secured by the vehicle, bears interest at 18.5% per annum and is repayable in monthly installments of $1,016 (MXP16,441) plus tax.

b) OCIM Loan

On May 31, 2021, the Company entered into a definitive agreement for an 18-month gold and silver loan with European based OCIM Group ("OCIM") for USD$7,500,000. The loan is repayable over the following 12 months commencing February 28, 2022, with the Company delivering 228,916 silver and 2,141 gold ounces on a monthly basis. The number of silver and gold ounces was fixed at a 15% discount to the spot price on July 26, 2021, the date the Company served notice of drawdown of funds.

The loan is classified as a financial libility and measured at amortized cost. Delivery of gold and silver was determined to be a derivative liability/asset and is measured at fair value at the end of each reporting period. As at September 30, 2021, the fair value of the derivative asset was $406,126. For the three and nine months ended September 30, 2021, the Company recognized a gain of $318,755 on revaluation of the derivative liability/asset in other (income) expense.

10. LEASE LIABILITIES

The Company leases office space, employee housing and power generators. These leases are for periods of 2 to 5 years. Certain leases include an option to renew the lease after the end of the contract term.

The following table presents the lease obligations of the Company:

	September 30, 2021	December 31, 2020
Balance, beginning of period	$ -	$ -
Additions	864,729	-
Interest	64,629	-
Payments	(146,347)	-
Effect of movement in foreign exchange	(1,453)	-
Balance, end of period	781,558	-
Less: current portion	(200,554)	-
Non-current lease liabilities	$ 581,004	$ -

The following table presents lease liability maturity – contractual undiscounted cash flows for the Company:

	September 30, 2021	December 31, 2020
Less than one year	$ 292,234	$ -
Between one and five years	754,021	-
	1,046,255	-
Less future finance charges	(264,697)	-
Present value of mininum lease payments	781,557	-
Less: current portion	(200,554)	-
Non-current lease liabilities	$ 581,004	$ -

11. PROVISION FOR RECLAMATION AND REHABILITATION

The Company recognized a provision of $5,763,137 ($US4,600,00) for reclamation related to the environmental restoration and closure costs associated with the acquired El Cubo Complex. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs. The Company will prepare an environmental study before year end to reassess the provision.

12. SHARE CAPITAL

a) Authorized Share Capital

The authorized share capital of the Company is as follows:

i. unlimited voting common shares without par value
ii. unlimited preferred shares without par value

b) Equity offerings

During the nine months ended September 30, 2021, the Company issued common shares as follows:

i. On March 11, 2021, the Company completed a non-brokered private placement and issued 56,500,000 units at $0.30 per unit for gross proceeds of $16,950,000. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at $0.45 per share for a period of three years. In connection with the private placement, the Company paid $341,839 in cash, issued 518,139 common shares at $0.30 per share and 1,648,669 finder's warrants with a fair value of $670,141 as finders fees.

ii. During the nine months ended September 30, 2021, the Company issued 11,777,528 common shares on exercise of 11,777,528 warrants for net proceeds of $2,731,726 and issued 1,233,334 common shares on the exercise of 1,233,334 options for net proceeds of $190,626.

During the year ended December 31, 2020, the Company issued common shares as follows:

i. On March 18, 2020, the Company issued 403,640 common shares with a fair value of $20,182 to settle accounts payable of $10,182 owed to a vendor and $10,000 owed to a company controlled by the Chief Executive Officer of the Company. The Company recognized a gain on settlement of debt of $14,793.

ii. On August 5, 2020, and August 11, 2020, the Company completed non-brokered private placements and issued 25,641,902 units at $0.155 per unit for gross proceeds of $3,974,494. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrants entitles the holder to purchase one additional common share at $0.25 per share for a period of two years. In connection with the private placement, the Company paid $137,123 in cash, issued 214,665 common shares at $0.155 per share and 821,011 finders' warrants with a fair value of $119,542 as finders' fees.

iii. On November 30, 2020, the Company issued 3,750,000 units with a fair value of $1,703,085 pursuant to an option to acquire royalties (note 8). Each unit consists of one common share and on non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at $0.175 per share for a period of five years.

iv. During the year ended December 31, 2020, the Company adopted a warrant acceleration bonus program ("Acceleration Program") for its outstanding common share purchase warrants granted in connection with the Company's 2019 non-brokered private placement financing. Under the program, warrant holders would receive one bonus common share for every 10 warrants exercised if exercised on or before June 26, 2020 (the "Bonus Shares"). The Company issued 21,363,055 common shares, including 1,266,055 Bonus Shares, on exercise of 20,097,000 warrants at $0.10 per share for gross proceeds of $2,009,700.

(Expressed in Canadian dollars)

13. OTHER RESERVES

a) Warrants

The following summarizes the continuity of common share purchase warrants:

	September 30, 2021		December 31, 2020	
	Number outstanding	**Weighted average exercise price $**	Number outstanding	Weighted average exercise price $
Outstanding, beginning of period	**32,893,012**	**0.29**	47,199,912	0.36
Issued	**29,898,669**	**0.45**	17,391,962	0.23
Exercised	**(11,777,528)**	**0.23**	(20,097,000)	0.10
Expired and forfeited	**(59,650)**	**0.10**	(11,601,862)	0.50
Outstanding, end of the period	**50,954,503**	**0.40**	32,893,012	0.29

As at September 30, 2021, the following common share purchase warrants were outstanding:

Expiry date	**Exercise price $**	**Warrants outstanding**	**Remaining life (years)**
November 9, 2021	0.50	2,955,000	0.11
November 27, 2021	0.10	1,600,000	0.16
January 18, 2022	0.50	4,827,800	0.30
March 11, 2024	0.45	29,857,989	2.44
November 30, 2025	0.18	3,750,000	4.17
August 11, 2022	0.25	7,963,714	0.86
		50,954,503	**1.91**

In determining the fair value of the warrants issued, the Company used the Black-Scholes option pricing model to establish the fair value of warrants granted by applying the following assumptions:

	September 30, 2021	December 31, 2020
Risk-free interest rate	**0.50%**	0.27% -0.43%
Expected life of warrants (years)	**3 years**	2 – 5 years
Expected annualized volatility	**155.0%**	181.64% – 194.65%
Expected dividend yield	**Nil**	Nil

b) Stock options

The Company has adopted an incentive stock option plan (the "Plan") under the rules of the TSX Venture Exchange ("TSXV") pursuant to which the Company's Board of Directors is authorized, from time to time, to grant stock options to employees, consultants, directors and officers. The Plan is rolling stock option plan whereby the number of stock options issuable under the plan shall not exceed, on a rolling basis, 10% of the Company's issued and outstanding common shares at the time of grant.

Under the plan, the exercise price of each option is equal to the market price of the Company's common shares on the date of grant. The stock options can be granted for a maximum term of 10 years with vesting terms determined by the Board of Directors. No individual may be granted options exceeding 5% and no consultant or individual employed to provide "investor relations activities" may be granted options exceeding 2% of the Company's common shares outstanding in any 12-month period.

(Expressed in Canadian dollars)

13. OTHER RESERVES (continued)

b) Stock options (continued)

Continuity of the Company's stock options issued and outstanding was as follows:

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2019	3,462,500	0.24
Granted	5,075,000	0.17
Expired	(2,125,000)	0.28
Outstanding, December 31, 2020	6,412,500	0.19
Granted	8,150,000	0.50
Exercised	(1,233,334)	0.15
Outstanding, September 30, 2021	**13,329,166**	**0.38**

The following table summarizes the information about stock options outstanding as at September 30, 2021:

Expiry date	Options oustanding	Weighted average exercise price $	Options exercisable	
August 18, 2022	262,500	0.40	262,500	0.40
March 30, 2023	2,225,000	0.08	2,225,000	0.08
May 31, 2023	50,000	0.10	50,000	0.10
June 27, 2023	550,000	0.20	550,000	0.20
October 12, 2023	2,091,666	0.30	1,283,333	0.30
January 4, 2024	150,000	0.30	100,000	0.30
February 6, 2024	150,000	0.30	100,000	0.30
February 17, 2024	150,000	0.30	100,000	0.30
March 24, 2026	6,450,000	0.51	2,150,000	0.51
April 26, 2026	250,000	0.60	125,000	0.60
May 14, 2026	400,000	0.60	133,333	0.60
July 15, 2026	200,000	0.45	200,000	0.45
September 8, 2026	400,000	0.49	133,333	0.49
September 30, 2021	**13,329,166**	**0.38**	**7,412,499**	**0.31**

In determining the fair value of the stock options issued, the Company used the Black-Scholes option pricing model to establish the fair value of options granted during the period by applying the following assumptions:

	September 30, 2021	December 31, 2020
Risk-free interest rate	0.20% -067%	0.27% -0.43%
Expected life of options (years)	2 – 5 years	2 – 5 years
Expected annualized volatility	157.89%-151.82%	181.64% – 194.65%
Expected dividend yield	Nil	Nil

14. RELATED PARTIES

In addition to related party transactions described elsewhere in the notes to the condensed consolidated interim financial statements, the Company had the following related party transactions:

a) Compensation of key management personnel

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to key management is as follows:

(Expressed in Canadian dollars)

14. RELATED PARTIES (continued)

a) Compensation of key management personnel (continued)

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Salaries, bonus and benefits	$ 45,000	$ -	$ 110,000	$ -
Consulting fees	90,000	52,890	281,600	124,490
Share-based compensation	314,746	10,714	1,543,670	35,671
Total	$ 449,746	$ 63,604	$ 1,935,270	$ 160,161

b) Transactions with related parties

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Blueberry Capital Corp.	$ 52,500	$ 37,500	$ 142,500	$ 103,500
Universal Solutions Inc.	37,500	15,000	100,000	20,000
Total	$ 90,000	$ 52,500	$ 242,500	$ 123,500

As at September 30, 2021, there was $nil owing (September 30, 2020 – $nil) to Blueberry Capital Corp. a company controlled by the CEO of the Company and Universal Solution Inc a company controlled by a Director of the Company.

15. COMMITMENTS

As at September 30, 2021, the Company had commitments of $118,043, for equipment purchases and other services which are expected to be expended within one year.

16. SEGMENTED INFORMATION

The Company has one operating mining segment which is located in Mexico as well as Exploration and Corporate segments. The Exploration segment consists of projects in the exploration and evaluation phases in Mexico.

The Company generates no revenue and has the following assets based on the Company's segments:

September 30, 2021	**Mining**	**Exploration**	**Corporate**	**Total**
Total assets	$ 47,501,160	$ 193,475	$ 9,643,306	$ 57,337,941
Total liabilities	$ (12,847,983)	$ (15,611)	$ (10,777,785)	$ (23,641,379)
Capital expenditures	$ 34,230,716	$ 16,143	$ 419,196	$ 34,666,055

December 31, 2020	Mining	Exploration	Corporate	Total
Total assets	$ -	$ 2,576,132	$ 7,666,091	$ 10,242,223
Total liabilities	$ -	$ (84,233)	$ (190,628)	$ (274,861)
Capital expenditures	$ -	$ 426,000	$ 1,710,894	$ 2,136,894

17. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

a) Fair value measurement and valuation techniques

Financial instruments included in the consolidated statements of financial position are measured either at fair value or amortized cost. Estimated fair values for financial instruments are designed to approximate amounts for which the instruments could be exchanged in an arm's-length transaction between knowledgeable and willing parties.

17. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

a) Fair value measurement and valuation techniques (continued)

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (interest rate, yield curves), or inputs that are derived principally from or corroborated observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The carrying value of cash and cash equivalents is measured at fair value using level 1 inputs as the basis for measurement in the fair value hierarchy. The carrying value of amounts receivable, deposit, and accounts payable, promissory note and accrued liabilities, all of which are carried at amortized cost, approximate their fair value given their short term nature.

The Company's derivative assets are comprised of commodity contracts which are valued using observable market prices.

During the three and nine months ended September 30, 2021, and 2020, there were no transfers of amounts between Level 1, Level 2, and Level 3 of the fair value hierarchy.

b) Financial risk management

The Company's activities expose it to a variety of financial risks including credit risk, currency risk, liquidity risk and market price risks.

<u>Credit risk</u>

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, advance receivable and deposit. The Company deposits its cash and cash equivalents with high credit quality major Canadian and Mexican financial institutions as determined by ratings agencies. The advance receivable is due upon an event which has not yet occurred, and the deposit will be applied as part of the purchase price towards as subsequent transaction. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows and maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of September 30, 2021, the Company had cash and cash equivalents of $7,716,144 to settle current liabilities of $15,005,796. See note 1.

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is mainly held in bank accounts at a Canadian chartered bank. The interest rate risks on cash and cash equivalents are not considered significant.

The company interest rate risk principally arises from the interest rate impact on interest charged on its loan payable and lease liabilities. The Company's loans payable and lease liabilities are subject to fixed interest rates thus any changes in external interest rates would not result in a significant impact on the Company's net loss.

17. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

b) Financial risk management (continued)

Currency risk

Currency risk is the risk that foreign exchange rates will fluctuate significantly from expectations. The Company reports its financial statements in Canadian dollars; however, it operates in Mexico which utilized both the Mexican Peso and the US Dollar ("USD")(collectively "Local Currencies"). Consequently, the financial results of the Company's operations as reported in Canadian dollars are subject to changes in the value of the Canadian dollar relative to the Local Currencies. Since a significant portion of the Company's operating costs and capital spending are in Local Currencies, the Company is negatively impacted by strengthening local currencies relative to the Canadian dollar and positively impacted by the inverse.

As at September 30, 2021, a 10% change of the Canadian dollar relative to the Mexican Peso would have a net financial impact of approximately $731,059 (December 31, 2020 - $27,000) and a 10% change in the Canadian dollar relative to the USD would have a net financial impact of approximately $218,468 (December 31, 2020 - $69,000). The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

Commodity price risk

Gold and silver prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production, short-term changes in supply and demand due to speculative hedging activities and certain other factors. The ability of the Company to develop its mineral properties and exploration and evaluation assets is highly correlated to the market price of gold and silver. If metal prices decline for a prolonged period below the anticipated cost of production of the Company's mine, it may not be economically feasible to commence production.

18. MANAGEMENT OF CAPITAL

The Company's capital consists of share capital, equity reserves and deficit. The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support mine refurbishment, exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. The Board of Directors has not established quantitative capital structure criteria management, but reviews, on a regular basis, the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and
- To obtain the necessary financing to complete mine refurbishment and exploration and development of its properties, when it is required.

The properties in which the Company currently holds interests in are in the pre-production and exploration stages and the Company is dependent on external financing to fund its activities in order to carry out planned activities and pay for administrative costs. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In addition, the Company may issue new equity, incur additional debt, option its exploration and evaluation assets for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the nine months ended September 30, compared to the year ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

19. SUBSEQUENT EVENTS

The Company's subsequent events that have not been disclosed elsewhere in the condensed consolidated interim financial statements are as follows:

a) Subsequent to September 30, 2022, the Company issued 3,181,045 common shares on exercise of warrants for gross proceeds of $990,523.

b) Subsequent to September 30, 2022, the Company granted 175,000 stock options at an exercise price between $0.41 and $0.53 for a period of five years.

c) Subsequent to September 30, 2021, the Company received $1,897,950 (USD$1,500,000) from Ocean Partners UK Ltd., as part of an 18-month financing facility secured against the proceeds of concentrate sales. This facility bears interest at 12-month libor + 6.75% (or approximately 6.95% annually) and is to be repaid in 15 monthly installments after a 3-month grace period.

d) In November 2021, the Company repaid the outstanding promissory note of $2,958,766 plus deemed interest of $194,631 (USD$2,475,000) to Endeavour Silver Corp. ("Endeavour") for the acquisition of El Cubo. Endeavour agreed to reduce the principal amount of the note by US$25,000 and settle the Mexican value added tax payable on the purchase price for El Cubo represented by the note for common shares of the Company. Subject to acceptance of the TSX Venture Exchange, the Company will issue a total of 901,224 common shares to Endeavour at a deemed price of C$0.55 per share to settle VAT totalling $504,807 (USD$400,000).

e) On November 18, 2021, the Company, announced a non-brokered private placement offering of 15,000,000 units (the "**Units**") at a price of $0.55 per Unit for estimated gross proceeds of $8,250,000. Each Unit consists of one common share and one-half of a share purchase warrant, each whole warrant exercisable to purchase one common share at C$0.75 for a period, subject to acceleration, of two years after closing.