



Guanajuato
Silver CO
LTD

Condensed Consolidated Interim Financial Statements

For the three months ended
March 31, 2024 and 2023
(Unaudited)

Guanajuato Silver CO LTD

Condensed consolidated interim statements of financial position
(Unaudited - Expressed in US dollars)

| | Notes | March 31 2024 | December 31 2023 |
|--|---------|----------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 1,601,906 | \$ 1,956,616 |
| Amounts receivable | 4 | 14,821,759 | 13,329,558 |
| Inventories | 5 | 4,396,080 | 3,998,992 |
| Prepaid expenses and deposits | | 960,194 | 1,023,869 |
| Other current assets | | 453,583 | 349,062 |
| | | 22,233,522 | 20,658,097 |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 32,373,300 | 34,363,629 |
| Mineral properties | 7 | 15,288,462 | 15,833,386 |
| Exploration and evaluation assets | 7 | 3,385,796 | 3,375,771 |
| Other assets | 4 | 1,260,941 | 972,374 |
| | | \$ 74,542,021 | \$ 75,203,257 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 8 | \$ 25,412,030 | \$ 23,783,235 |
| Income tax payable | | 1,021,369 | 1,021,369 |
| Current portion of loan payable | 9 | 13,405,921 | 10,273,131 |
| Current portion of lease liabilities | 10 | 1,286,706 | 1,792,708 |
| Other current liabilities | 23(b,c) | 2,346,080 | 2,228,667 |
| | | 43,472,106 | 39,099,110 |
| Non-current liabilities | | | |
| Loan payable | 9 | 6,736,986 | 4,929,111 |
| Lease liabilities | 10 | 512,477 | 586,697 |
| Provision for reclamation and rehabilitation | 11 | 19,578,678 | 19,793,755 |
| | | 70,300,247 | 64,408,673 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 12 | 90,780,126 | 90,474,848 |
| Reserves | | 27,276,233 | 26,735,450 |
| Accumulated other comprehensive income | | 1,737,684 | 1,754,864 |
| Deficit | | (115,552,269) | (108,170,578) |
| | | 4,241,774 | 10,794,584 |
| | | \$ 74,542,021 | \$ 75,203,257 |

Commitments and contingencies (note 23)

Subsequent events (note 24)

"James Anderson"
Director

"Ramon Davila"
Director

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

Guanajuato Silver CO LTD

Condensed consolidated interim statements of loss and comprehensive loss
(Unaudited - Expressed in US dollars, except share amounts)

| | | For the three months ended | |
|---|---------|----------------------------|------------------|
| | Notes | March 31 2024 | March 31 2023 |
| Revenues | 15 | \$ 17,764,983 | \$ 17,118,424 |
| Cost of sales | 16 | 19,420,586 | 20,269,116 |
| Mine operating loss | | (1,655,603) | (3,150,692) |
| General and administration | 17 | 2,343,234 | 2,356,938 |
| Share based compensation | 13(b,c) | 540,783 | 251,175 |
| Exploration expenses | | 255,576 | 524,834 |
| Foreign exchange loss | | 366,286 | 1,065,257 |
| Other operating (income) expense, net | | (80,768) | (176,713) |
| Operating loss | | (5,080,714) | (7,172,183) |
| Interest and finance costs, net | 18 | (1,544,130) | (1,210,414) |
| Gain (loss) on derivatives, net | | (1,350,446) | 134,138 |
| Other finance (loss) income, net | | 593,599 | (450,619) |
| Loss before income taxes | | \$ (7,381,691) | \$ (8,699,078) |
| Income tax expense | | - | - |
| Net loss for the period | | \$ (7,381,691) | \$ (8,699,078) |
| Other comprehensive income (loss), net of tax | | | |
| Foreign currency translation differences | | (17,180) | (100,706) |
| Total comprehensive loss for the period | | \$ (7,398,871) | \$ (8,799,784) |
| Basic and diluted loss per common share | 14 | \$ (0.02) | \$ (0.03) |
| Weighted average number of common shares outstanding (000's) | | 354,497 | 322,850 |

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

Condensed consolidated interim statements of changes in equity
(Unaudited - Expressed in US dollars, except share amounts)

| | Notes | Number of common shares | Common shares | Equity settled share-based payments | Warrants | Reserves total | Accumulated deficit | Accumulated OCI | Total shareholders' equity |
|-------------------------------------|-------|-------------------------|---------------------|-------------------------------------|---------------------|---------------------|------------------------|--------------------|----------------------------|
| Balance, December 31, 2022 | | 318,628,147 | \$82,370,710 | \$11,220,844 | \$13,352,514 | \$24,573,358 | \$(76,227,131) | \$1,794,850 | \$32,511,787 |
| Private placement | 12(b) | 4,080,486 | 1,087,722 | - | 189,339 | 189,339 | - | - | 1,277,061 |
| Warrants issued for finder's fee | 12(b) | - | (3,683) | - | 3,683 | 3,683 | - | - | - |
| Share issue cost | 12(b) | - | (12,069) | - | - | - | - | - | (12,069) |
| Options exercise for cash | 12(b) | 1,158,000 | 136,941 | (51,410) | - | (51,410) | - | - | 85,531 |
| Share-based compensation | - | - | - | 251,175 | - | 251,175 | - | - | 251,175 |
| Comprehensive loss for the period | - | - | - | - | - | - | (8,699,078) | (100,706) | (8,799,784) |
| Balance, March 31, 2023 | | 323,866,633 | \$83,579,621 | \$11,420,609 | \$13,545,536 | \$24,966,145 | \$(84,926,209) | \$1,694,144 | \$25,313,701 |
| Private placement | 12(b) | 22,250,000 | 4,825,026 | - | 1,148,574 | 1,148,574 | - | - | 5,973,600 |
| Warrants issued for finder's fee | 12(b) | - | (82,447) | - | 82,447 | 82,447 | - | - | - |
| Share issue cost | 12(b) | - | (463,945) | - | - | - | - | - | (463,945) |
| Shares issued on settlement of debt | 12(b) | 3,009,795 | 721,942 | - | - | - | - | - | 721,942 |
| Options exercise for cash | 12(b) | 1,275,000 | 145,660 | (50,921) | - | (50,921) | - | - | 94,739 |
| Warrant exercise for cash | 12(b) | 3,512,050 | 1,748,991 | - | (459,799) | (459,799) | - | - | 1,289,192 |
| Share-based compensation | - | - | - | 1,049,004 | - | 1,049,004 | - | - | 1,049,004 |
| Comprehensive loss for the period | - | - | - | - | - | - | (23,244,369) | 60,720 | (23,183,649) |
| Balance, December 31, 2023 | | 353,913,478 | \$90,474,848 | \$12,418,692 | \$14,316,758 | \$26,735,450 | \$(108,170,578) | \$1,754,864 | \$10,794,584 |
| Shares issued on settlement of debt | 12(b) | 1,658,912 | 305,278 | - | - | - | - | - | 305,278 |
| Share-based compensation | - | - | - | 540,783 | - | 540,783 | - | - | 540,783 |
| Comprehensive loss for the period | - | - | - | - | - | - | (7,381,691) | (17,180) | (7,398,871) |
| Balance, March 31, 2024 | | 355,572,390 | \$90,780,126 | \$12,959,475 | \$14,316,758 | \$27,276,233 | \$(115,552,269) | \$1,737,684 | \$4,241,774 |

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

Condensed consolidated interim statements of cash flows (Unaudited - Expressed in US dollars)

| | Notes | For the three months ended | |
|---|-------|----------------------------|---------------------|
| | | March 31 2024 | March 31 2023 |
| Operating activities | | | |
| Net loss for the period | | \$ (7,381,691) | \$ (8,699,078) |
| Items not involving cash and cash equivalents: | | | |
| Depreciation and amortization | | 3,058,693 | 3,394,688 |
| Accretion | | 558,262 | 576,371 |
| Loss (gain) on settlement of debt | | (489,875) | 461,622 |
| Unrealized loss (gain) on derivatives | | 1,350,476 | (134,138) |
| Gain on financial assets carried at fair value | | 36,942 | (11,003) |
| Interest expense | | 989,628 | 636,702 |
| Share-based compensation | | 540,783 | 251,175 |
| Unrealized foreign exchange loss | | 173,352 | 1,048,514 |
| Changes in non-cash operating working capital: | | | |
| Amounts receivable | | (1,591,365) | 126,385 |
| Inventories | | (402,428) | (57,914) |
| Prepaid expenses and deposits | | 63,675 | (216,008) |
| Purchases of gold and silver bullion | | (1,043,004) | (2,354,792) |
| Accounts payable and accrued liabilities | | 1,845,253 | 2,878,711 |
| Net cash and cash equivalents used in operating activities | | (2,291,299) | (2,098,765) |
| Investing activities | | | |
| Acquisition of mineral properties and property, plant and equipment | | (1,079,006) | (1,387,612) |
| Purchases of derivative instruments | | (365,771) | (59,350) |
| Net cash and cash equivalents used in investing activities | | (1,444,777) | (1,446,962) |
| Financing activities | | | |
| Proceeds from issuance of units | 12 | - | 1,277,061 |
| Share issuance costs | 12 | - | (12,069) |
| Net proceeds from Ocean Partners loan | | 4,129,366 | - |
| Proceeds from the exercise of options and warrants | | - | 85,531 |
| Repayment of loan payable | | (36,927) | (564,244) |
| Payments of lease obligations | | (686,687) | (693,384) |
| Interest paid | | (7,206) | (4,392) |
| Net cash and cash equivalents used in financing activities | | 3,398,546 | 88,503 |
| Effect on cash and cash equivalents of foreign exchange | | (17,180) | (100,708) |
| Change in cash and cash equivalents | | (354,710) | (3,557,932) |
| Cash and cash equivalents, beginning of period | | 1,956,616 | 8,832,936 |
| Cash and cash equivalents, end of period | | \$ 1,601,906 | 5,275,004 |
| Cash and cash equivalents are consisted of: | | | |
| Cash | | \$ 1,563,406 | \$ 5,237,818 |
| Redeemable guaranteed investment certificate ("GIC") | | 38,500 | 37,186 |
| Total cash and cash equivalents, end of period | | \$ 1,601,906 | \$ 5,275,004 |

Supplemental cash flow information (Note 22)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Guanajuato Silver Company Ltd. is the 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 3E1. GSilver's common shares are listed on the TSX Venture Exchange ("TSXV") 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 produces silver and gold at the El Cubo mine and mill (the "El Cubo Mines Complex"); and the Valenciana Mines Complex, including the Cata processing plant; the San Ignacio Mine, and produces silver, gold, zinc and lead at the Topia mine in Mexico.

Going concern

These condensed consolidated interim financial statements have been prepared on a 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. The Company started producing and selling silver and gold concentrate in the fourth quarter of 2021. For the three months ended March 31, 2024, the Company generated a mine operating loss of \$1,655,603, a net loss of \$7,381,691, and negative cash flows from operating activities of \$2,291,299. As at March 31, 2024, the Company has an accumulated deficit of \$115,552,269 and current liabilities that exceed its current assets by \$21,238,584, including accounts payable and accrued liabilities of \$25,412,030. These factors give rise to material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Management has taken steps to manage the Company's liquidity, including extending payment terms with suppliers and settling certain liabilities through the issuance of the Company's common shares. Management may consider new debt financing and may also consider raising additional equity financing. The continuing operations of the Company are dependent in the near-term on its ability to obtain additional financing and in the longer-term on a combination of additional financing and the generation of cash flows from operations. Management is of the opinion that sufficient funds will be obtained from external financing and cash flows from operations to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing or cash flows from operations will not be available on a timely basis or on terms acceptable to the Company. Subsequent to March 31, 2024, the Company completed a Listed Issuer Financing Exemption private placement and a best-efforts private placement offering (note 24).

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

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"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023 (the "Annual Financial Statements").

The accounting policies and critical judgments and estimates applied by the Company in these interim financial statements are the same as those applied in the most recent Annual Financial Statements, except as described in Note 3(d). 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. Certain comparative figures have been reclassified to conform with the current period's presentation. The Company's interim results are not necessarily indicative of its results for a full year.

These interim financial statements were approved by the Company's Board of Directors on May 22, 2024.

3. MATERIAL ACCOUNTING POLICY INFORMATION

a) Basis of consolidation

The accounts of the Company and its subsidiaries, which are controlled by the Company, have been included in these 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 March 31, 2024, were as follows:

| Subsidiary | Location | Ownership | | Accounting | Principal Activity |
|--|----------|-----------|--|--------------|---------------------|
| | | Interest | | | |
| 1352168 B.C. Ltd. | Canada | 100% | | Consolidated | Holding Company |
| 1424579 B.C. Ltd. | Canada | 100% | | Consolidated | Holding Company |
| Gato Chico Investments Ltd. | Canada | 100% | | Consolidated | Holding Company |
| 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 |
| Minera Mexicana El Rosario, S.A. de C.V. | Mexico | 100% | | Consolidated | Mining Company |
| Compañía Minera Nivel Siete S.A. de C.V. | Mexico | 100% | | Consolidated | Inactive |

Obras Mineras El Pinguico S.A. de C.V. operates the El Cubo Mines Complex and Minera Mexicana El Rosario, S.A. de C.V. operates the Valenciana Mines Complex, San Ignacio mine and Topia mine.

All intercompany transactions, balances, revenues and expenses have been eliminated upon consolidation.

b) Basis of measurement

These interim financial statements have been prepared using the historical cost basis except for certain financial instruments which are measured at fair value (Note 21) at the end of each reporting period. In addition, these interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Presentation and functional currency

The functional currency represents the currency of the primary economic environment in which an entity conducts its operations. Determination of the functional currency is made at the entity level within the Company. In the case of its Canadian operations, the Company has identified the functional currency as the Canadian dollar. The functional currency of the Mexican entities is the United States dollar. The presentation currency of all entities is the United States dollar.

d) Changes in accounting policies and recent accounting pronouncements

The accounting policies applied in the Company's interim financial statements for the three months ended March 31, 2024, are the same as those applied in the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2023 and 2022, except as described below. A number of new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2025 and earlier application is permitted; however, we have not early adopted and continue to evaluate the impact of the forthcoming or amended standards in preparing our interim financial statements.

In the current year, the Company has adopted the amendments to IFRS Standards and Interpretations issued by the IASB that became effective for annual periods starting on or after January 1, 2024. The application of these changes did not have a material impact on the company's financial statements, including reported amounts or disclosures.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

e) Use of estimates assumptions and judgements

The preparation of the interim financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the period end date and reported amounts of expenses during the reporting period. Such judgements and estimates are, by their nature, uncertain. Actual outcomes could differ from these estimates.

The impact of such judgements and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. These judgements and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are accounted for prospectively.

In preparing the interim financial statements for the three months ended March 31, 2024, the Company applied the same critical estimates and judgements as disclosed in note 4 of its audited consolidated financial statements for the year ended December 31, 2023.

4. AMOUNTS RECEIVABLE

| | March 31 2024 | December 31 2023 |
|--|----------------------|----------------------|
| Trade receivables | \$ 4,705,033 | \$ 3,350,036 |
| VAT recoverable | 10,714,405 | 10,066,458 |
| Other receivables | 663,262 | 885,438 |
| | \$ 16,082,700 | \$ 14,301,932 |
| Less: non-current portion of VAT recoverable | (1,260,941) | (972,374) |
| | \$ 14,821,759 | \$ 13,329,558 |

At March 31, 2024, the Company assessed the timing of collection of the total VAT recoverable of \$10,714,405 (December 31, 2023 – \$10,066,458) and concluded that \$1,260,941 (December 31, 2023 – \$972,374) of the VAT recoverable is not expected to be collected within the next 12 months, therefore it was classified as non-current Other assets.

5. INVENTORIES

| | March 31 2024 | December 31 2023 |
|----------------------------|---------------------|---------------------|
| Concentrate | \$ 1,942,351 | \$ 1,512,316 |
| Ore stockpiles | 207,509 | 145,428 |
| Coins and bullion for sale | 33,834 | 38,345 |
| Materials and supplies | 2,212,386 | 2,302,903 |
| Total inventories | \$ 4,396,080 | \$ 3,998,992 |

During the three months ended March 31, 2024, the Company expensed \$15,548,516 (March 31, 2023 – \$19,794,553) of inventories to cost of sales.

6. PROPERTY, PLANT AND EQUIPMENT

| | Property, plant and equipment | | | | Total PP&E |
|---------------------------------------|-------------------------------|--------------------|-------------------------------|--------------------------|-------------------|
| | Machinery and equipment | Land and buildings | Furniture and other equipment | Construction in progress | |
| COST | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2023 | 36,511,239 | 8,372,994 | 3,446,849 | 1,632,304 | 49,963,386 |
| Additions | 445,372 | 20,689 | - | 43,545 | 509,606 |
| Disposals | (960,551) | - | - | (14,016) | (974,567) |
| Transfers | 150,037 | - | - | (150,037) | - |
| Balance, March 31, 2024 | 36,146,097 | 8,393,683 | 3,446,849 | 1,511,796 | 49,498,426 |
| ACCUMULATED DEPRECIATION | | | | | |
| Balance, December 31, 2023 | 13,400,053 | 733,250 | 1,466,454 | - | 15,599,757 |
| Depreciation and depletion | 2,169,189 | 165,623 | 151,106 | - | 2,485,919 |
| Disposals | (960,549) | - | - | - | (960,549) |
| Balance, March 31, 2024 | 14,608,693 | 898,873 | 1,617,560 | - | 17,125,126 |
| Net book value, March 31, 2024 | 21,537,406 | 7,494,810 | 1,829,288 | 1,511,796 | 32,373,300 |

| | Property, plant and equipment | | | | Total PP&E |
|--|-------------------------------|--------------------|-------------------------------|--------------------------|-------------------|
| | Machinery and equipment | Land and buildings | Furniture and other equipment | Construction in progress | |
| COST | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2022 | 34,284,977 | 7,752,274 | 2,922,036 | 950,315 | 45,909,602 |
| Additions | 1,897,659 | 620,720 | 543,190 | 1,835,618 | 4,897,187 |
| Disposals | (339,451) | - | (18,377) | (485,575) | (843,403) |
| Transfers | 668,054 | - | - | (668,054) | - |
| Balance, December 31, 2023 | 36,511,239 | 8,372,994 | 3,446,849 | 1,632,304 | 49,963,386 |
| ACCUMULATED DEPRECIATION | | | | | |
| Balance, December 31, 2022 | 5,374,678 | 294,115 | 650,838 | - | 6,319,631 |
| Depreciation and depletion | 8,261,647 | 439,135 | 821,667 | - | 9,522,449 |
| Disposals | (236,272) | - | (6,051) | - | (242,323) |
| Balance, December 31, 2023 | 13,400,053 | 733,250 | 1,466,454 | - | 15,599,757 |
| Net book value, December 31, 2023 | 23,111,187 | 7,639,744 | 1,980,396 | 1,632,304 | 34,363,629 |

7. MINERAL PROPERTIES, AND EXPLORATION AND EVALUATION ASSETS

| | Mineral properties | Exploration and evaluation assets | Total |
|---------------------------------------|--------------------|-----------------------------------|-------------------|
| COST | \$ | \$ | \$ |
| Balance, December 31, 2023 | 22,924,278 | 3,375,771 | 26,300,049 |
| Additions | 944,801 | 10,025 | 954,826 |
| Changes in closure and reclamation | (922,290) | - | (922,290) |
| Balance, March 31, 2024 | 22,946,789 | 3,385,796 | 26,332,585 |
| ACCUMULATED DEPRECIATION | | | |
| Balance, December 31, 2023 | 7,090,892 | - | 7,090,892 |
| Depreciation and depletion | 567,435 | - | 567,435 |
| Balance, March 31, 2024 | 7,658,327 | - | 7,658,327 |
| Net book value, March 31, 2024 | 15,288,462 | 3,385,796 | 18,674,258 |

| | Mineral properties | Exploration and evaluation assets | Total |
|------------------------------------|--------------------|-----------------------------------|-------------|
| COST | \$ | \$ | \$ |
| Balance, December 31, 2022 | 19,429,875 | 3,195,938 | 22,625,813 |
| Additions | 4,551,489 | 179,833 | 4,731,322 |
| Disposals | (4,628) | - | (4,628) |
| Changes in closure and reclamation | (1,052,457) | - | (1,052,457) |
| Balance, December 31, 2023 | 22,924,278 | 3,375,771 | 26,300,049 |
| ACCUMULATED DEPRECIATION | | | |
| Balance, December 31, 2022 | 4,583,837 | - | 4,583,837 |
| Depreciation and depletion | 2,507,055 | - | 2,507,055 |
| Balance, December 31, 2023 | 7,090,892 | - | 7,090,892 |
| Net book value, December 31, 2023 | 15,833,386 | 3,375,771 | 19,209,158 |

Exploration and evaluation assets

| | El Pinguico | Other claims | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| Acquisition Cost: | | | |
| Balance, December 31, 2022 | \$ 2,930,681 | \$ 265,257 | \$ 3,195,938 |
| Additions | 179,833 | - | 179,833 |
| Balance, December 31, 2023 | \$ 3,110,514 | \$ 265,257 | \$ 3,375,771 |
| Additions | 10,025 | - | 10,025 |
| Balance, March 31, 2024 | \$ 3,120,539 | \$ 265,257 | \$ 3,385,796 |

El Pinguico Mine Project

The Pinguico Mine project is comprised of two mining claims, El Pinguico and Ample de El Pinguico ("El Pinguico"), covering 71.7 hectares. It 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.

7. MINERAL PROPERTIES, AND EXPLORATION AND EVALUATION ASSET (continued)

El Pinguico Mine Project (continued)

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 El Pinguico from the original vendor of the property (the "Option Agreement"), Exploraciones Mineras Del Bajío 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 will pay a total of CAD\$1,675,000 cash and issue 3,750,000 units (each unit comprised of one common share and one non-transferable share purchase warrant, exercisable at CAD\$0.175 per share for a term of 5 years) to EMBSA. On April 3, 2024, the Company and EMBSA amended the Option Agreement whereby the remaining payment of CAD\$475,000 due on March 31, 2024 was deferred to June 30, and October 30, 2024. The revised payment schedule is as follows:

- CAD\$200,000 cash (paid) and 3,750,000 units on or before November 30, 2020 (issued);
- CAD\$325,000 cash on or before February 22, 2021 (paid);
- CAD\$262,500 on or before April 10, 2022 (paid);
- CAD\$262,500 on or before October 10, 2022 (paid);
- CAD\$150,000 on or before October 16, 2023 (paid through the issuance of 468,750 common shares);
- CAD\$237,500 on or before June 30, 2024; and
- CAD\$237,500 on or before October 30, 2024.

On March 16, 2023, the Company purchased all of EMBSA's interest in its 15% royalty on net profits derived from the surface stockpile of historically mined (but unprocessed) mineralized material at El Pinguico for a purchase price of US\$70,000. Accordingly, upon payment of the final option payment of CAD\$475,000 payment to EMBSA, the only royalty that will remain over the El Pinguico project will be a 15% net profits royalty on the underground stockpile of previously mined material in favour of EMBSA.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | March 31 2024 | December 31 2023 |
|------------------------------|--------------------------|----------------------|
| Accounts payable | \$ 20,052,274 | \$ 19,440,101 |
| Other taxes payable | 2,146,278 | 1,828,391 |
| Payroll and benefits accrual | 2,947,600 | 2,260,487 |
| Other payables | 265,878 | 254,256 |
| | \$ 25,412,030 | \$ 23,783,235 |

Of the \$20,052,274 in accounts payable, 27.4% is outstanding greater than 90 days.

9. LOANS PAYABLE

| | OCIM | OP | Vehicles | Total |
|--|---------------------|----------------------|-------------------|----------------------|
| Balance, December 31, 2023 | \$ 3,845,322 | \$ 11,171,116 | \$ 185,804 | \$ 15,202,242 |
| Additions | - | 5,800,000 | - | 5,800,000 |
| Interest expense | 201,132 | 779,284 | - | 980,416 |
| Accretion expense | - | 38,709 | - | 38,709 |
| Loan payments | (1,056,835) | (1,670,634) | (44,133) | (2,771,602) |
| Effect of change in foreign exchange rates | - | - | 2,345 | 2,345 |
| Gain on settlement of debt | - | (489,875) | - | (489,875) |
| Changes in fair value of derivative | 179,854 | 1,200,818 | - | 1,380,672 |
| Balance, March 31, 2024 | \$ 3,169,473 | \$ 16,829,418 | \$ 144,016 | \$ 20,142,907 |
| Which consist of: | | | | |
| Current portion of loans | 3,169,473 | 10,092,432 | 144,016 | 13,405,921 |
| Non-current portion of loans | - | 6,736,986 | - | 6,736,986 |
| Balance, March 31, 2024 | \$ 3,169,473 | \$ 16,829,418 | \$ 144,016 | \$ 20,142,907 |
| | OCIM | OP | Vehicles | Total |
| Balance, December 31, 2022 | \$ 7,263,703 | \$ 9,106,182 | \$ 118,219 | \$ 16,488,104 |
| Additions | 5,000,000 | 7,500,000 | 238,674 | 12,738,674 |
| Interest expense | 1,109,228 | 1,184,055 | - | 2,293,283 |
| Accretion expense | 2,632 | 173,586 | - | 176,218 |
| Loan payments | (10,049,289) | (6,771,129) | (200,548) | (17,020,966) |
| Effect of change in foreign exchange rates | - | - | 29,459 | 29,459 |
| Loss on settlement of debt | 453,563 | - | - | 453,563 |
| Changes in fair value of derivative | 65,485 | (21,578) | - | 43,907 |
| Balance, December 31, 2023 | \$ 3,845,322 | \$ 11,171,116 | \$ 185,804 | \$ 15,202,242 |
| Which consist of: | | | | |
| Current portion of loans | 3,845,322 | 6,242,005 | 185,804 | 10,273,131 |
| Non-current portion of loans | - | 4,929,111 | - | 4,929,111 |
| Balance, December 31, 2023 | \$ 3,845,322 | \$ 11,171,116 | \$ 185,804 | \$ 15,202,242 |

a) Ocean Partners Facilities

On August 22, 2022, the Company entered into a credit facility (the "OP Facility") with Ocean Partners (UK), a metals off-take and trading firm, for \$5,000,000 and on August 30, 2022, the Company drew down the \$5,000,000 credit facility with Ocean Partners. The OP Facility was for a term of 24-months, repayable over a period of 21-months following a three-month grace period. Interest on the loan was calculated at 12-month LIBOR + 7.5%. As at March 31, 2024, the remaining payable amount of this loan is \$1,985,700. Subsequent to the quarter, the Company paid the remaining balance of the OP Facility (note 24).

On December 8, 2022, the Company entered into a new \$5,000,000 credit facility (the "New Facility") with Ocean Partners (UK). The New Facility had an initial payment free period until March 31, 2023 and thereafter was revolving in nature whereby it is repayable and re-drawable in 4-month intervals over a term of 24 months. Interest was calculated at 12-month SOFR + 7.5%. A portion of the New Facility was used to extinguish \$701,644 of existing debt, which represented the final amount owing to Ocean Partners on the advance payment the Company received in October 2021 of \$1,293,103 (plus \$206,897 of VAT). The Company extinguished the New facility on December 5, 2023.

On December 5, 2023, the Company entered into a new \$7,500,000 gold loan credit facility (the "Gold Facility") with Ocean Partners. The unsecured loan facility is for a term of 36 months, is repayable in equal fixed monthly installments of gold totalling approximately 191 troy ounces per month for a period of 30 months, following a six-month grace period. The number of ounces to be delivered per month is based on a discount to the LBMA (London Bullion Market Association) gold closing price of US\$2,046.95 on November 29, 2023. A portion of the Gold Facility was used to extinguish the remaining carrying amount of \$4,620,872 of the New Facility and was accounted as a loan extinguishment.

9. LOANS PAYABLE

a) Ocean Partners Facilities

On February 28, 2024, the Company increased its Gold Facility with Ocean Partners to \$13,300,000 (the "Expanded Facility"). The Expanded Facility is for a term of 36 months from the date of the initial draw on December 5, 2023. It is repayable in equal fixed monthly installments of gold totalling approximately 338 troy ounces per month for a period of 30 months following a six-month grace period from the date of the initial draw. The number of ounces to be delivered per month is based on a discount to the LBMA gold closing price of \$2,046.95 on November 29, 2023. The Company drew down on the additional \$5,800,000 from the Expanded Facility and received net proceeds of \$4,129,366. \$1,670,634 of the Expanded Facility was used to pay the OP Facility. The Expanded Facility has been accounted for as a loan extinguishment resulting in a gain of \$489,875 recognized in other finance income for the three months ended March 31, 2024. The remaining balance of the Expanded Facility is \$14,843,718 at March 31, 2024.

The requirement to deliver gold ounces under the Gold Facility and Expanded Facility were determined to be an embedded derivative and was separated and measured at fair value at initial recognition and at the end of each reporting period.

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 \$7,500,000 ("Initial Loan"). The loan was repayable over 12 months commencing February 28, 2022, with the Company delivering 19,076 silver ounces and 178.5 gold ounces per month (an aggregate 228,916 silver and 2,141 gold ounces). The number of silver and gold ounces was fixed at an annualized 15% discount to the spot price on July 26, 2021, the date the Company served notice of drawdown of funds. The Company extinguished the Initial Loan in January 2023 with the final delivery of gold and silver.

On May 4, 2022, the Company entered into a definitive agreement for an 18-month gold and silver loan with OCIM for \$7,500,000 (the "Secondary Loan", and collectively with the Initial Loan, the "OCIM Loan"). Following a six-month grace period, the facility was repayable over a period of 12 months, commencing on November 1, 2022, with the Company delivering 20,240 ounces of silver and 163 ounces of gold per month (an aggregate of 242,877 ounces of silver and 1,958 ounces of gold). The number of silver and gold ounces was fixed at a discount to the spot price on May 4, 2022. A portion of the pre-payment facility was used to repay to OCIM the cash equivalent of six of the Company's remaining nine monthly deliveries of silver and gold ounces due under the Initial Loan, resulting in the Company receiving net proceeds of \$2,913,610 in cash.

On March 29, 2023, the Company entered into a new \$5,000,000 gold and silver loan with OCIM (the "Tertiary Loan"). The Tertiary Loan has a term of 19 months and is repayable over 16 months, following a 3 month grace period, by delivery 9,832 ounces of silver and 77 ounces of gold on a monthly basis (an aggregate of 157,232 ounces of silver and 1,241 ounces of gold), calculated at a fixed discount to the prevailing London Bullion Market Association (LBMA) spot metals' prices on March 29, 2023 and is secured by a guarantee of MMR and a pledge over the Company's shares of MMR. The full proceeds of the loan plus an additional payment of \$510,143 were used to extinguish the outstanding balance on the Secondary Loan.

The Tertiary Loan was accounted for as a loan extinguishment of the Secondary Loan resulting in a loss of \$461,622 recognized in other finance income for the year ended December 31, 2023.

On September 27, 2023, delivery terms of the Tertiary Loan were amended to delivery of 7,000 ounces of silver and 50 ounces of gold monthly until February 2024 and delivery of 12,606 ounces of silver and 104 ounces of gold monthly from March 2024 to September 2024. The amendment was accounted for as a loan modification resulting in a gain of \$8,059 recognized in other finance income for the year ended December 31, 2023.

The requirement to deliver gold and silver ounces under the OCIM loans were determined to be an embedded derivative and was separated and measured at fair value at initial recognition and at the end of each reporting period.

During the three months ended March 31, 2024, the Company recognized a loss of \$1,343,670 on revaluation of the derivatives related to the OP and OCIM loans in other finance (expense) income (March 31, 2023 - gain of \$155,179) and the value of the derivative liability as at March 31, 2024 is \$1,557,324 (March 31, 2023 - \$nil).

10. LEASE LIABILITIES

The Company leases office space, residential space, and equipment. These leases are for periods of one to five years. Certain leases include an option to renew at the end of the contract term or to purchase the equipment.

The following table presents the lease obligations of the Company for the three-months ended March 31, 2024 and year ended December 31, 2023.

| | March 31 2024 | December 31 2023 |
|--|---------------------|---------------------|
| Balance, at beginning of period | \$ 2,379,405 | \$ 3,940,724 |
| Additions | 20,939 | 1,342,595 |
| Terminations | - | (118,080) |
| Accretion | 76,318 | 502,434 |
| Payments | (686,687) | (3,306,186) |
| Foreign exchange | 9,208 | 17,918 |
| Balance, end of period | \$ 1,799,183 | \$ 2,379,405 |
| Which consist of: | | |
| Current portion of lease liabilities | 1,286,706 | 1,792,708 |
| Non-current portion of lease liabilities | 512,477 | 586,697 |
| Balance, end of period | \$ 1,799,183 | \$ 2,379,405 |

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

| | March 31 2024 | December 31 2023 |
|--|---------------------|---------------------|
| Less than one year | \$ 1,407,328 | \$ 1,907,662 |
| Between one and two years | 372,940 | 517,222 |
| Between two and three years | 153,002 | 160,996 |
| Between three and four years | 45,595 | 36,336 |
| Between four and five years | 19,452 | 25,809 |
| Greater than five years | 40,472 | 39,956 |
| | \$ 2,038,789 | \$ 2,687,981 |
| Less future finance charges | (239,606) | (308,576) |
| Present value of minimum lease payments | \$ 1,799,183 | \$ 2,379,405 |

11. PROVISION FOR RECLAMATION AND REHABILITATION

The Company recognized a provision for reclamation related to the environmental restoration and closure costs associated with the El Cubo Complex, the Topia Mine, the Valenciana Mine and the San Ignacio Mine. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs.

| | San Ignacio Mine | Valenciana Mine | Topia Mine | El Cubo Mines Complex | Total |
|---|---------------------|--------------------|------------------|--------------------------|----------------------|
| Balance, December 31, 2023 | \$ 507,023 | 7,174,389 | 6,969,895 | 5,142,448 | \$ 19,793,755 |
| Accretion | 11,385 | 160,881 | 156,375 | 114,594 | 443,235 |
| Changes in estimate | (21,868) | (337,064) | (317,097) | (246,261) | (922,290) |
| Effect of changes in foreign exchange rates | 6,762 | 95,686 | 92,957 | 68,573 | 263,978 |
| Balance, March 31, 2024 | \$ 503,302 | 7,093,892 | 6,902,130 | 5,079,354 | \$ 19,578,678 |

11. PROVISION FOR RECLAMATION AND REHABILITATION (continued)

| | San Ignacio Mine | Valenciana Mine | Topia Mine | El Cubo Mines Complex |
|---|------------------|-----------------|------------|-----------------------|
| Anticipated settlement date | 2028-2041 | 2028-2041 | 2028-2041 | 2029-2041 |
| Undiscounted uninflated estimated cash flow | \$ 775,814 | 10,952,132 | 11,331,730 | 8,720,442 |
| Estimated life of mine (years) | 4.2 | 3.0 | 5.0 | 4.8 |
| Discount rate (%) | 9.6 | 9.6 | 9.6 | 9.6 |

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; and
- ii. unlimited preferred shares without par value

b) Equity offerings

During the three months ended March 31, 2024, the Company issued common shares as follows:

- i. On February 28, 2024, the Company issued a total of 1,658,912 common shares at a deemed price of CAD\$0.25 (\$0.18) per share in settlement of CAD\$414,728 (\$305,278) of debt.

During the year ended December 31, 2023, the Company issued common shares as follows:

- ii. On January 11, 2023, the Company completed the second and final tranche of a non-brokered Listed Issuer Financing Exemption private placement and issued 4,080,486 units at \$0.313 (CAD\$0.425) per unit for gross proceeds of \$1,277,061. Each unit consisted of one common share and one-half common share purchase warrant. The warrants have an exercise price of CAD\$0.60 and expire on January 10, 2025. The proceeds from the private placement were allocated to the shares (\$1,087,722) and warrants (\$189,339) based on their relative fair values. In connection with the private placement, the Company incurred issuance costs of \$12,069 paid in cash and issued 36,000 finder's warrants with an exercise price of CAD\$0.60 exercisable for two years and a fair value of \$3,683 as finders fees.
- iii. On June 23, 2023, the Company issued a total of 81,465 common shares at a deemed price of CAD\$0.58 (\$0.44) per share in settlement of CAD\$47,250 (\$35,799) of debt.
- iv. On August 10, 2023, the Company completed a bought-deal private placement and issued 22,250,000 Units at CAD\$0.36, (\$0.27) per unit for gross proceeds of CAD\$8,010,000 (\$5,973,600). Each Unit consisted of one common share and one common share purchase warrant. The proceeds from the private placement were allocated to the shares (\$4,825,026) and warrants (\$1,148,574) based on their relative fair values. Each warrant entitles the holder to purchase one additional common share at CAD\$0.55 per share and expires on February 10, 2025. The Company paid the underwriters a cash commission of CAD\$480,600 (\$358,416) and issued 1,335,000 Broker's warrants. Each Broker's warrant entitles the holder to purchase one common share of the Company at CAD\$0.55 per share and expires on February 10, 2025. The Broker's warrants had a fair value of \$3,683.
- v. On October 12, 2023, the Company issued a total of 2,928,330 common shares at a deemed price of CAD\$0.32 (\$0.234) per share in settlement of CAD\$937,066 (\$686,143) of debt.
- vi. The Company issued 2,433,000 shares on the exercise of 2,433,000 stock options for proceeds of \$180,269 (CAD\$242,765).
- vii. The Company issued 3,512,050 shares on the exercise of 3,512,050 warrants for proceeds of \$1,289,194 (CAD\$1,735,423).

13. RESERVES

a) Warrants

The following summarizes the continuity of common share purchase warrants:

| | March 31, 2024 | | December 31, 2023 | |
|--------------------------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|
| | Number outstanding | Weighted average exercise price CAD\$ | Number outstanding | Weighted average exercise price CAD\$ |
| Outstanding, beginning of the period | 109,790,606 | 0.49 | 96,470,019 | 0.50 |
| Issued | - | - | 25,661,243 | 0.55 |
| Exercised | - | - | (3,512,050) | 0.49 |
| Expired and forfeited | (29,072,765) | 0.45 | (8,828,606) | 0.75 |
| Outstanding, end of the period | 80,717,841 | 0.51 | 109,790,606 | 0.49 |

As at March 31, 2024 the following common share purchase warrants were outstanding:

| Expiry date | Exercise price CAD\$ | Warrants outstanding | Remaining life (years) |
|-------------------|----------------------|----------------------|------------------------|
| December 21, 2024 | 0.60 | 8,496,690 | 0.73 |
| January 10, 2025 | 0.60 | 2,076,243 | 0.78 |
| February 10, 2025 | 0.55 | 23,585,000 | 0.87 |
| July 21, 2025 | 0.33 | 1,524,520 | 1.31 |
| August 4, 2025 | 0.50 | 41,285,388 | 1.35 |
| November 30, 2025 | 0.175 | 3,750,000 | 1.67 |
| | 0.51 | 80,717,841 | 1.14 |

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:

| | March 31 2024 | December 31 2023 |
|----------------------------------|---------------|------------------|
| Risk-free interest rate | - | 4.02-5.00% |
| Expected life of options (years) | - | 2 years |
| Expected annualized volatility | - | 74.58%-82.00% |
| Expected dividend yield | - | Nil |

b) Stock options

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

| | Number of options | Weighted average exercise price CAD\$ |
|--------------------------------------|-------------------|---------------------------------------|
| Outstanding at December 31, 2022 | 20,187,500 | 0.38 |
| Granted | 4,240,000 | 0.54 |
| Exercised | (2,433,000) | 0.09 |
| Expired and forfeited | (5,305,000) | 0.39 |
| Outstanding at December 31, 2023 | 16,689,500 | 0.46 |
| Granted | 9,360,000 | 0.20 |
| Expired and forfeited | (2,084,500) | 0.45 |
| Outstanding at March 31, 2024 | 23,965,000 | 0.36 |

13. RESERVES (continued)

b) Stock options (continued)

The following table summarizes the information about stock options outstanding as at March 31, 2024:

| Expiry date | Options outstanding | Weighted average exercise price CAD\$ | Options exercisable | Weighted average exercise price CAD\$ |
|--------------------|---------------------|---------------------------------------|---------------------|---------------------------------------|
| March 24, 2026 | 5,500,000 | 0.51 | 5,500,000 | 0.51 |
| September 8, 2026 | 400,000 | 0.49 | 400,000 | 0.49 |
| October 12, 2026 | 150,000 | 0.41 | 150,000 | 0.41 |
| November 5, 2026 | 25,000 | 0.53 | 25,000 | 0.53 |
| March 22, 2027 | 500,000 | 0.64 | 500,000 | 0.64 |
| April 4, 2027 | 200,000 | 0.61 | 133,333 | 0.61 |
| July 18, 2027 | 4,390,000 | 0.33 | 2,926,667 | 0.33 |
| September 27, 2027 | 100,000 | 0.33 | 66,667 | 0.33 |
| April 19, 2028 | 2,590,000 | 0.58 | 863,333 | 0.58 |
| November 29, 2028 | 750,000 | 0.35 | 250,000 | 0.35 |
| January 3, 2029 | 500,000 | 0.26 | 166,667 | 0.26 |
| February 15, 2029 | 4,965,000 | 0.20 | 1,655,000 | 0.20 |
| March 15, 2029 | 3,895,000 | 0.20 | 1,298,333 | 0.20 |
| | 23,965,000 | 0.36 | 13,935,000 | 0.41 |

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:

| | March 31 2024 | December 31 2023 |
|----------------------------------|-----------------|------------------|
| Risk-free interest rate | 3.77%-3.95% | 3.48-4.00% |
| Expected life of options (years) | 3 years | 3 years |
| Expected annualized volatility | 112.25%-115.96% | 115.28%-128.67% |
| Expected dividend yield | Nil | Nil |

c) Restricted share units

The Company's Restricted share units ("RSUs") are settled in equity. The fair value is determined based on the quoted market price of the Company's common shares at the date of the grant. The RSUs are recognized as share-based compensation and are expensed over the vesting period with a corresponding amount recorded in equity reserves.

| | Number of RSUs |
|--------------------------------------|------------------|
| Outstanding at December 31, 2022 | - |
| Granted | 577,500 |
| Expired and forfeited | (17,500) |
| Outstanding at December 31, 2023 | 560,000 |
| Granted | 1,040,000 |
| Expired and forfeited | (35,000) |
| Outstanding at March 31, 2024 | 1,565,000 |

14. LOSS PER SHARE

| | For the three months ended | |
|---|----------------------------|------------------|
| | March 31 2024 | March 31 2023 |
| Net loss for the period | \$ (7,381,691) | \$ (8,699,078) |
| Weighted average number of shares (000's) | 354,497 | 322,850 |
| Loss per share - basic and diluted | \$ (0.02) | \$ (0.03) |

All outstanding warrants, options and RSUs are anti-dilutive for the three months ended March 31, 2024 (three months ended March 31, 2023 – all).

15. REVENUES

The Company is principally engaged in the business of producing gold-silver, lead and zinc concentrate in Mexico. The disaggregated revenue information for the three months ended March 31, 2024 and 2023, is as follows:

| | For the three months ended | |
|---------------------------------|----------------------------|----------------------|
| | March 31 2024 | March 31 2023 |
| Gold-silver concentrate | \$ 13,203,343 | \$ 12,323,334 |
| Lead concentrate | 4,248,128 | 4,718,719 |
| Zinc concentrate | 693,729 | 1,259,116 |
| Provisional pricing adjustments | (380,217) | (1,182,745) |
| | \$ 17,764,983 | \$ 17,118,424 |

The Company sells 100% of its gold-silver, lead and zinc concentrates to two customers.

Bullion sales of \$4,469 for the three months ended March 31, 2024 are included in gold-silver concentrate (three months ended March 31, 2023 – \$19,449).

16. COST OF SALES

| | For the three months ended | |
|--|----------------------------|----------------------|
| | March 31 2024 | March 31 2023 |
| Production costs | \$ 16,141,925 | \$ 15,723,907 |
| Transportation and other selling costs | 754,652 | 825,173 |
| Inventory changes | (492,118) | 382,130 |
| Depreciation | 3,016,127 | 3,337,906 |
| | \$ 19,420,586 | \$ 20,269,116 |

17. GENERAL AND ADMINISTRATION

| | For the three months ended | |
|--------------------------------|----------------------------|------------------|
| | March 31 2024 | March 31 2023 |
| Salaries and employee benefits | \$ 1,000,713 | \$ 773,408 |
| Professional fees | 602,350 | 682,081 |
| Corporate and administration | 697,604 | 844,667 |
| Depreciation | 42,567 | 56,782 |
| | \$ 2,343,234 | \$ 2,356,938 |

18. INTEREST AND FINANCE (COSTS) INCOME, NET

| | For the three months ended | |
|-------------------|----------------------------|------------------|
| | March 31 2024 | March 31 2023 |
| Interest income | \$ 3,760 | \$ 2,659 |
| Interest expense | (989,628) | (636,702) |
| Accretion expense | (558,262) | (576,371) |
| | \$ (1,544,130) | \$ (1,210,414) |

19. 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:

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 personnel is as follows:

| | For the three months ended | |
|--------------------------------|----------------------------|------------------|
| | March 31 2024 | March 31 2023 |
| Salaries, bonus and benefits | \$ 55,629 | \$ 87,113 |
| Consulting fees ⁽¹⁾ | 134,984 | 156,118 |
| Share-based compensation | 222,250 | 140,763 |
| | \$ 412,863 | \$ 383,994 |

⁽¹⁾ Consulting fees were paid to Universal Solution Inc., a company controlled by the VP Corporate Development and Corporate Secretary of the Company, and Ramon T. Davila Flores, the President of the Company.

20. SEGMENTED INFORMATION

The Company has a corporate head office in Canada and three reportable operating segments in Mexico. The Company's operating segments are based on internal management reports that are reviewed by the Company's executives in assessing performance. The El Cubo Mines Complex, Valenciana Mines Complex and San Ignacio Mine segments are located in the state of Guanajuato, Mexico. The Topia segment is located in the state of Durango, Mexico. Beginning January 1, 2024, the Company's executives began monitoring the financial and operating results of the San Ignacio mine independently from those of the Valenciana Mines Complex. As a result, the Company now considers San Ignacio to be a separate segment.

The change to the Company's operating segments has been applied retrospectively to the total assets and total liabilities:

| March 31, 2024 | Total assets | Total liabilities | Capital expenditures |
|--------------------------|----------------------|------------------------|----------------------|
| El Cubo Mines Complex | \$ 34,840,210 | \$ (15,094,812) | \$ 361,751 |
| Valenciana Mines Complex | 9,200,092 | (7,093,892) | 221,527 |
| San Ignacio Mine | 4,513,548 | (503,302) | 695,172 |
| Topia | 22,443,109 | (25,671,138) | 185,982 |
| Corporate | 3,545,062 | (21,937,103) | - |
| Consolidated | \$ 74,542,021 | \$ (70,300,247) | \$ 1,464,432 |

| December 31, 2023 | Total Assets | Total liabilities | Capital expenditures |
|--------------------------|----------------------|------------------------|----------------------|
| El Cubo Mines Complex | \$ 36,258,816 | \$ (14,046,290) | \$ 2,944,778 |
| Valenciana Mines Complex | 9,131,067 | (7,174,389) | 951,582 |
| San Ignacio Mine | 4,102,389 | (507,023) | 2,986,153 |
| Topia | 22,163,305 | (25,483,900) | 2,668,746 |
| Corporate | 3,547,680 | (17,197,071) | 77,251 |
| Consolidated | \$ 75,203,257 | \$ (64,408,673) | \$ 9,628,510 |

20. SEGMENTED INFORMATION (continued)

The following segmented income statement considers San Ignacio as a separate segment.

| For the three months ended March 31, 2024 | | | | | | | |
|--|-----------------------|-----------------------|--------------------------|-------------------|-----------------------|-----------------------|--|
| | Corporate | El Cubo Mines Complex | Valenciana Mines Complex | San Ignacio Mine | Topia Mines | Total | |
| Revenues | \$ 4,469 | \$ 6,995,721 | \$ 3,330,242 | \$ 2,922,408 | \$ 4,512,143 | \$ 17,764,983 | |
| Cost of sales | 4,532 | 6,817,626 | 4,530,962 | 2,485,178 | 5,582,288 | 19,420,586 | |
| Mine operating profit (loss) | (63) | 178,095 | (1,200,720) | 437,230 | (1,070,145) | (1,655,603) | |
| General and administration | 1,065,348 | 858,712 | 129,677 | 113,797 | 175,700 | 2,343,234 | |
| Share based compensation | 540,783 | - | - | - | - | 540,783 | |
| Exploration expenses | - | 163,100 | 31,186 | 16,024 | 45,266 | 255,576 | |
| Foreign exchange loss | 7,921 | 60,707 | 197,939 | 6,762 | 92,957 | 366,286 | |
| Other operating income | (4,152) | (19,243) | (57,373) | - | - | (80,768) | |
| Operating profit (loss) | (1,609,963) | (885,181) | (1,502,149) | 300,647 | (1,384,068) | (5,080,714) | |
| Interest and finance costs, net | (1,029,292) | (135,372) | (211,706) | (11,385) | (156,375) | (1,544,130) | |
| Loss on derivative | (1,350,446) | - | - | - | - | (1,350,446) | |
| Other finance income, net | 521,632 | - | 71,967 | - | - | 593,599 | |
| Segmented profit (loss) before income taxes | \$ (3,468,069) | \$ (1,020,553) | \$ (1,641,888) | \$ 289,262 | \$ (1,540,443) | \$ (7,381,691) | |

20. SEGMENTED INFORMATION (continued)

The following segmented income statement considers San Ignacio as part of the Valenciana Mines Complex. The Company has not restated the segmented income statement for periods prior to January 1, 2024, as the information for such a restate is not available. As such, segmented information for the three months ended March 31, 2024 has also been presented below using the previous definition of segments (in which San Ignacio is included within the Valenciana Mines Complex segment) to allow comparability with the information presented for the three months ended March 31, 2023.

| For the three months ended March 31, 2024 | | | | | | |
|---|-----------------------|-----------------------|--------------------------|-----------------------|-----------------------|--|
| | Corporate | El Cubo Mines Complex | Valenciana Mines Complex | Topia Mines | Total | |
| Revenues | \$ 4,469 | \$ 6,995,721 | \$6,252,650 | \$ 4,512,143 | \$ 17,764,983 | |
| Cost of sales | 4,532 | 6,817,626 | 7,016,140 | 5,582,288 | 19,420,586 | |
| Mine operating profit (loss) | (63) | 178,095 | (763,490) | (1,070,145) | (1,655,603) | |
| General and administration | 1,065,348 | 858,712 | 243,474 | 175,700 | 2,343,234 | |
| Share based compensation | 540,783 | - | - | - | 540,783 | |
| Exploration expenses | - | 163,100 | 47,210 | 45,266 | 255,576 | |
| Foreign exchange loss (gain) | 7,921 | 60,707 | 204,701 | 92,957 | 366,286 | |
| Other operating expense (income) | (4,152) | (19,243) | (57,373) | - | (80,768) | |
| Operating loss | \$ (1,609,963) | (885,181) | (1,201,502) | (1,384,068) | (5,080,714) | |
| Interest and finance costs, net | (1,029,292) | (135,372) | (223,091) | (156,375) | (1,544,130) | |
| Loss on derivative | (1,350,446) | - | - | - | (1,350,446) | |
| Other finance income, net | 521,632 | - | 71,967 | - | 593,599 | |
| Segmented loss before income taxes | \$ (3,468,069) | \$ (1,020,553) | \$ (1,352,626) | \$ (1,540,443) | \$ (7,381,691) | |

| For the three months ended March 31, 2023 | | | | | | |
|---|-----------------------|-----------------------|--------------------------|-----------------------|-----------------------|--|
| | Corporate | El Cubo Mines Complex | Valenciana Mines Complex | Topia Mines | Total | |
| Revenues | \$ 19,449 | \$ 5,175,224 | \$ 5,811,410 | \$ 6,112,341 | \$ 17,118,424 | |
| Cost of sales | 19,005 | 8,181,853 | 4,888,291 | 7,179,967 | 20,269,116 | |
| Mine operating profit (loss) | 444 | (3,006,629) | 923,119 | (1,067,626) | (3,150,692) | |
| General and administration | 1,205,993 | 700,868 | 231,706 | 218,371 | 2,356,938 | |
| Share based compensation | 251,175 | - | - | - | 251,175 | |
| Exploration expenses | 4,869 | 205,969 | 177,614 | 136,382 | 524,834 | |
| Foreign exchange loss (gain) | (312,707) | 225,897 | 727,371 | 424,696 | 1,065,257 | |
| Other operating expense (income) | (191,115) | 41,066 | (26,664) | - | (176,713) | |
| Operating loss | \$ (957,771) | (4,180,429) | (186,908) | (1,847,075) | (7,172,183) | |
| Interest and finance costs, net | (669,580) | (160,860) | (243,247) | (136,727) | (1,210,414) | |
| Gain on derivative | 134,138 | - | - | - | 134,138 | |
| Other finance (expense) income, net | (449,452) | (1,167) | - | - | (450,619) | |
| Segmented loss before income taxes | \$ (1,942,665) | \$ (4,342,456) | \$ (430,155) | \$ (1,983,802) | \$ (8,699,078) | |

21. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

a) Fair value measurement and valuation techniques

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

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 table below summarizes the valuation methods used to determine the fair value of each financial instrument:

| Financial asset or liability | Methods and assumptions used to estimate fair value |
|----------------------------------|---|
| Trade receivables | Trade receivables arising from the sales of metal concentrates are subject to provisional pricing, and the final selling price is adjusted at the end of a quotational period. These are marked to market at each reporting date based on the forward price corresponding to the expected settlement date. |
| Forward contracts (other assets) | The Company determines the value of the forward contracts using quoted prices. Fair value changes are charged to profit and loss. |
| Ocean Partners loans | The fair value of the loan was estimated using the discounted cash flow method at a rate that equates to a comparable current market interest rate. |
| OCIM loan | The fair value of the loan was estimated using the discounted cash flow method at a rate that equates to a comparable current market interest rate. |
| Embedded derivative | Valued using inputs derived from observable market data, including quoted commodity forward prices. |
| Vehicle loans | The carrying values of vehicle loans approximate their fair values as a result of relatively unchanged interest rates since inception of the loans. |
| Other current liabilities | <p>The fair value of the contingent liabilities where payment is contingent on the price of gold and silver was estimated using the Monte-Carlo averaging simulation technique on simulated gold and silver prices.</p> <p>The fair value of the contingent liability where payment is contingent on achieving production milestones was estimated using the discounted cash flow method and an assigned probability of the achievement of the production milestones.</p> |

The carrying value of cash and cash equivalents, other receivables, accounts payable, and accrued liabilities, all of which are carried at amortized cost, approximate their fair value given their short-term nature. Trade receivables, loans, contingent liability and the derivative are classified within Level 2 of the fair value hierarchy. Forward contracts are classified within Level 1 of the fair value hierarchy.

During the three months ended March 31, 2024, and 2023, there were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy.

21. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

a) Fair value measurement and valuation techniques (continued)

| March 31, 2024 | Fair value through profit or loss | | Amortized cost | | Total | | Level 1 | | Level 2 | | Carrying value approximates fair value | |
|---|-----------------------------------|--------------------|----------------|---------------------|-------|---------------------|---------|----------------|---------|--------------------|--|---------------------|
| Financial assets measured at fair value | | | | | | | | | | | | |
| Trade receivables from sale of concentrate | \$ | 4,705,033 | \$ | - | \$ | 4,705,033 | \$ | - | \$ | 4,705,033 | \$ | - |
| Forward contracts | | 451,475 | | - | | 451,475 | | 451,475 | | - | | - |
| | \$ | 5,156,508 | \$ | - | \$ | 5,156,508 | \$ | 451,475 | \$ | 4,705,033 | \$ | - |
| Financial assets not measured at fair value | | | | | | | | | | | | |
| Cash and cash equivalents | \$ | - | \$ | 1,601,906 | \$ | 1,601,906 | \$ | - | \$ | - | \$ | 1,601,906 |
| VAT and other receivables | | - | | 11,377,667 | | 11,377,667 | | - | | - | | 11,377,667 |
| | \$ | - | \$ | 12,979,573 | \$ | 12,979,573 | \$ | - | \$ | - | \$ | 12,979,573 |
| Financial liabilities measured at fair value | | | | | | | | | | | | |
| Other current liabilities | \$ | (2,346,080) | \$ | - | \$ | (2,346,080) | \$ | - | \$ | (2,346,080) | \$ | - |
| Derivative | | (1,557,324) | | - | | (1,557,324) | | - | | (1,557,324) | | - |
| | \$ | (3,903,404) | \$ | - | \$ | (3,903,404) | \$ | - | \$ | (3,903,404) | \$ | - |
| Financial liabilities not measured at fair value | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ | - | \$ | (25,412,030) | \$ | (25,412,030) | \$ | - | \$ | - | \$ | (25,412,030) |
| Vehicle loan | | - | | (144,016) | | (144,016) | | - | | - | | (144,016) |
| OCIM loan | | - | | (2,791,388) | | (2,791,388) | | - | | - | | (2,791,388) |
| Ocean Partners loans | | - | | (15,650,179) | | (15,650,179) | | - | | - | | (15,650,179) |
| | \$ | - | \$ | (43,997,613) | \$ | (43,997,613) | \$ | - | \$ | - | \$ | (43,997,613) |

21. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

a) Fair value measurement and valuation techniques (continued)

| December 31, 2023 | Fair value through profit or loss | | Amortized cost | | Total | Level 1 | Level 2 | Carrying value approximates fair value | |
|---|-----------------------------------|--------------------|----------------|---------------------|------------------------|-------------------|-----------------------|--|---------------------|
| Financial assets measured at fair value | | | | | | | | | |
| Trade receivables from sale of concentrate | \$ | 3,350,036 | \$ | - | \$ 3,350,036 | \$ - | \$ 3,350,036 | \$ | - |
| Forward contracts | | 333,310 | | - | 333,310 | 333,310 | - | | - |
| | \$ | 3,683,346 | \$ | - | \$ 3,683,346 | \$ 333,310 | \$ 3,350,036 | \$ | - |
| Financial assets not measured at fair value | | | | | | | | | |
| Cash and cash equivalents | \$ | - | \$ | 1,956,616 | \$ 1,956,616 | \$ - | \$ - | \$ | 1,956,616 |
| VAT and other receivables | | - | | 10,951,896 | 10,951,896 | - | - | | 10,951,896 |
| | \$ | - | \$ | 12,908,512 | \$ 12,908,512 | \$ - | \$ - | \$ | 12,908,512 |
| Financial liabilities measured at fair value | | | | | | | | | |
| Other current liabilities | \$ | (2,228,667) | \$ | - | \$ (2,228,667) | \$ - | \$ (2,228,667) | \$ | - |
| Derivative | | (213,654) | | - | (213,654) | - | (213,654) | | - |
| | \$ | (2,442,321) | \$ | - | \$ (2,442,321) | \$ - | \$ (2,442,321) | \$ | - |
| Financial liabilities not measured at fair value | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ | - | \$ | (23,783,235) | \$ (23,783,235) | \$ - | \$ - | \$ | (23,783,235) |
| Vehicle loan | | - | | (185,804) | (185,804) | - | - | | (185,804) |
| OCIM loan | | - | | (3,610,089) | (3,610,089) | - | - | | (3,610,089) |
| Ocean Partners loans | | - | | (11,192,695) | (11,192,695) | - | - | | (11,192,695) |
| | \$ | - | \$ | (38,771,823) | \$ (38,771,823) | \$ - | \$ - | \$ | (38,771,823) |

22. SUPPLEMENTAL CASHFLOW INFORMATION

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes for the periods as set out below are as follows:

| | Loans | Leases | Other current liabilities |
|---|----------------------|---------------------|---------------------------|
| As at December 31, 2022 | 16,488,104 | 3,940,724 | 3,403,491 |
| Additions | 12,738,674 | 1,342,595 | 803,768 |
| Terminations or Disposals | - | (118,082) | - |
| Settlement of Great Panther receivable | - | - | (1,080,902) |
| Interest | 2,293,283 | - | - |
| Accretion | 176,218 | 502,434 | - |
| Payments in cash | (12,516,732) | (3,306,186) | - |
| Payments in gold and silver | (4,504,233) | - | - |
| Foreign exchange | 29,458 | 17,920 | - |
| Loss on settlement of debt | 453,563 | - | - |
| Changes in fair value of contingent payment | - | - | (492,589) |
| Changes in fair value of derivative | 43,907 | - | (405,101) |
| As at December 31, 2023 | 15,202,242 | 2,379,405 | 2,228,667 |
| Additions | 5,800,000 | 20,939 | - |
| Interest | 980,416 | - | - |
| Accretion | 38,709 | 76,318 | - |
| Payments in cash | (1,714,767) | (686,687) | - |
| Payments in gold and silver | (1,056,835) | - | - |
| Foreign exchange | 2,345 | 9,208 | - |
| Gain on settlement of debt | (489,875) | - | - |
| Changes in fair value of derivative | 1,380,672 | - | 117,413 |
| As at March 31, 2024 | \$ 20,142,907 | \$ 1,799,183 | \$ 2,346,080 |

The significant non-cash financing and investing transactions during the three months ended March 31, 2024 and 2023, are as follows:

| | For the three months ended | |
|--|----------------------------|---------------|
| | March 31 2024 | March 31 2023 |
| Payment for loans in gold and silver ounces | \$ 1,056,835 | \$ 2,331,063 |
| Closure and reclamation provision | \$ (922,292) | \$ 771,681 |
| Changes in contingent liability | \$ - | \$ (4,433) |
| Shares and warrants issued for finders' fees | \$ - | \$ 3,683 |
| Shares issued on settlement of debt | \$ 305,278 | \$ - |
| Leases/ROU assets recognized | \$ 20,939 | \$ 816,733 |

23. COMMITMENTS AND CONTINGENCIES

a) Commitments

As at March 31, 2024, the Company has no commitments which are expected to be expended within one year.

b) Contingencies – El Cubo

The Company has certain contingent payments in relation to the acquisition of El Cubo Complex in 2021 as follows:

i. \$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.

ii. \$1,000,000 if the London Bullion Market Association ("LBMA") spot price of gold closes at or above \$2,000 per ounce for 20 consecutive trading days within two years after closing ("Contingent Payment #2"). During the year ended December 31, 2023, Contingent Payment #2 expired unpaid.

iii. \$1,000,000 if the LBMA spot price of gold closes at or above \$2,200 per ounce for 20 consecutive trading days within three years after closing ("Contingent Payment #3"). On March 8, 2024, Contingent Payment #3 expired unpaid.

During the three months ended March 31, 2024, the Company has accrued a total of \$Nil for contingent payment #3 as other current liabilities other operating (income) expense. (Three months ended March 31, 2023 - \$231,552)

24. SUBSEQUENT EVENTS

Subsequent to March 31, 2024, the Company issued 33,333 shares on the exercise of 33,333 stock options and received proceeds of \$4,899 (CAD\$6,667).

On May 9, 2024, the Company completed a brokered Listed Issuer Financing Exemption private placement and issued 43,125,000 units at CAD\$0.20 (\$0.146) per unit for gross proceeds of C\$8,625,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at CAD\$0.30 per share for a period of two years.

Concurrently on May 9, 2024, the Company completed a best-efforts private placement offering and issued 13,627,300 units at CAD\$0.20 (\$0.146) per unit for gross proceeds of C\$2,725,460. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at CAD\$0.30 per share for a period of two years.

On May 10, 2024, the Company paid in full the remaining portion of the OP Facility of \$2,055,586 due to Ocean Partners.