Guanajuato Silver Co Ltd

Management's Discussion and Analysis

For the three and six months ended June 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Guanajuato Silver Company Ltd. ("GSilver" or the "Company"), for the three and six months ended June 30, 2023, and the related notes contained therein (the "Financial Statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Company's audited consolidated financials statements for the year ended December 31, 2022. The Company uses certain non-IFRS financial measures in this MD&A as described under "Non-IFRS Measures". Additional information relating to the Company, including the most recently filed Annual Information Form (the "Annual Information Form"), is available on SEDAR at www.sedar.com. All amounts are expressed in United States ("US") dollars unless otherwise stated. Certain amounts shown in this MD&A may not add exactly to total amounts due to rounding differences.

This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained therein. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of August 24, 2023, unless otherwise stated.

QUALIFIED PERSON

The scientific and technical information contained in this MD&A relating to the Company's mines and mineral projects has been reviewed and approved by Reynaldo Rivera, a member of the Australasian Institute of Mining and Metallurgy (AusIMM – Registration Number 220979), VP of Exploration of the Company and a Qualified Person with the meaning of National Instrument 43-101, "Standards for Disclosure of Mineral Projects."

FORWARD-LOOKING STATEMENTS

Certain sections of this MD&A contain forward-looking statements and forward-looking information within the meaning of applicable securities legislation. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements or forward-looking information, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements and forward-looking information contained or incorporated by reference in this MD&A may relate to the Company's future financial condition, results of operations, plans, budgets, objectives, performance or business developments including, among other things, potential acquisitions, mining operations, production forecasts, exploration and work programs, permitting and drilling plans and the timing thereof, the performance characteristics of the Company's mining projects including production rates, quantity and grades of metals produced and revenue derived therefrom, development and exploration programs and anticipated results thereof, projections of market prices and costs, supply and demand for gold, silver and other precious or base metals, expectations regarding the ability to raise capital and to acquire mineral resources or mineral reserves through acquisitions or development, treatment under governmental regulatory regimes and tax laws, and capital expenditure programs and the timing and methods of financing thereof. Forward-looking statements and forward-looking information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements and information, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include, but are not limited to: (1) there being no significant disruptions affecting operations, whether due to labor disruptions, supply disruptions, power disruptions, damage to equipment, adverse weather conditions, natural disasters, wars, invasions or other armed conflicts, COVID 19 or otherwise; (2) permitting, access, production, development and exploration at our mining projects (including, without limitation, land acquisitions) being consistent with the Company's current expectations; (3) the Company's assessment and interpretation of potential geological structures and mineralization including estimates of the location, quantity and grade of mineral resources and mineralized material at its mining properties being accurate in all material respects; (4) the sufficiency of the Company's current working capital and credit facilities to successfully ramp-up production of concentrate from the Company's Valenciana, San Ignacio and Topia mines in accordance with the Company's budgeted costs, timing and expectations including the restart of the Cata processing plant; (7) the ability of the Company to successfully integrate, where applicable, its Valenciana and San Ignacio mines into its current CMC mining operations on a basis consistent with the Company's current expectations including the availability of excess processing and tailings capacity at CMC; (8) the ability of the Company to improve production efficiency and grades at its newly acquired Topia mine and processing plant; (9) actual production rates, quantity and grade of metals, and revenue derived from, and capital and operating costs of, its mining projects being consistent with current expectations; (10) certain price assumptions for gold, silver, zinc, lead and other metals; (11) prices for and availability of equipment, labor, natural gas, fuel oil, electricity, water and other key supplies remaining consistent with current levels; (12) the ability of the Company to generate positive cash flow from operations and the timing thereof, (13) labor and materials costs increasing on a basis consistent with the Company's current expectations; (14) the availability and timing of additional financing being consistent with the Company's current expectations; (15) the Company's ability to obtain regulatory approvals and permits in a timely manner and on terms consistent with current expectations; (16) political developments in Mexico including, without limitation, the implementation of new mining laws and related regulations being consistent with the Company's current expectations; (17) the exchange rate between the Canadian dollar and the U.S. dollar or between the Canadian dollar and the Mexican Peso being approximately consistent with current levels; (18) key personnel will continue their employment with the Company and the Company will be able to obtain and retain additional qualified personnel, as needed, in a timely and cost efficient manner; and (19) the absence of any material adverse effects arising as a result of political instability, wars, terrorism, sabotage, vandalism, theft, labor disputes, natural *disasters, adverse weather and climate related events, equipment failures, rising inflation and interest rates, adverse changes in government legislation or the socio-economic conditions affecting the Company's mining projects or the mining industry in general.*

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and forward-looking information. Such factors include, but are not limited to: the timing and availability of additional capital, fluctuations in the currency markets; fluctuations in the spot and forward price of gold, silver, zinc, lead or other commodities (such as diesel fuel and electricity); changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Mexico, or other countries in which the Company may carry on business in the future; business opportunities that may be presented to, or pursued by, the Company; the Company's ability to successfully integrate acquisitions; operating or technical difficulties in connection with exploration, development and production activities; employee relations; the speculative nature of silver and gold exploration and development, including the risks of obtaining necessary licenses and permits; competition for, among other things, capital, acquisitions of mineral resources or mineral reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of acquisitions, geological, technical, drilling and processing problems, fluctuations in foreign exchange or interest rates and stock market volatility, changes in income tax laws or changes in tax laws and incentive programs relating to the mineral resource industry; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and silver, gold and other metals concentrate losses including theft (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks). See also "Risks and Uncertainties" herein. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements or forward-looking information made by, or on behalf of, the Company. There is also uncertainty about the continued spread and severity of COVID-19, the ongoing war in Ukraine, inflation, rising interest rates, and the impact they will have on the Company's operations, personnel, supply chains, ability to access properties or procure exploration equipment, contractors, and other personnel on a timely basis or at all and economic activity in general. There can be no assurance that forward-looking statements and forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and information. Forward-looking statements and forward-looking information are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements and forward-looking information made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada including, but not limited to, the Financial Statements and the Annual Information Form. These factors are not intended to represent a complete list of the factors that could affect the Company and readers should not place undue reliance on forward-looking statements or forward-looking information in this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements and forward-looking information, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements and forward-looking information, except to the extent required by applicable law.

The forward-looking statements and forward-looking information contained herein are based on information available as of August 24, 2023.

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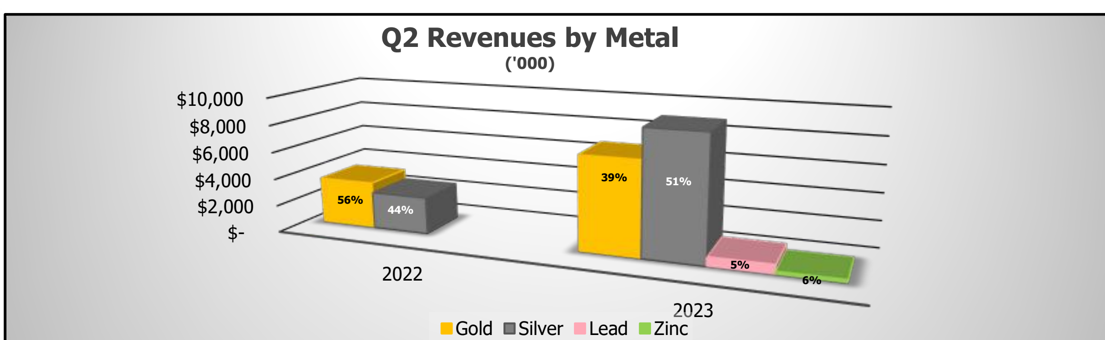
Guanajuato Silver CO LTD

OPERATING AND FINANCIAL HIGHLIGHTS

Commercial production at the El Cubo Mines Complex ("CMC") commenced on October 1, 2021. The Valenciana Mines Complex ("VMC"), which includes the San Ignacio mine and the Cata mill facility, and the Topia Mines Complex ("Topia") were acquired on August 4, 2022. Topia had continuous production throughout the acquisition, the San Ignacio mine recommenced production in August 2022 and production at the Valenciana mine also began in August 2022. Recommissioning of the Cata plant began in December 2022 with processing at the plant commencing in January 2023.

	Three months ended			Six Months ended		
Consolidated	**June 30 2023**	**June 30 2022**	**% Change**	**June 30 2023**	**June 30 2022**	**% Change**
Operating						
Tonnes mined	166,171	90,045	85%	328,287	171,383	92%
Tonnes milled	163,793	94,212	74%	323,975	180,500	79%
Silver ounces produced	477,649	155,912	206%	936,452	281,335	233%
Gold ounces produced	4,719	2,161	118%	9,132	4,041	126%
Lead produced (lbs)	875,802	-	100%	1,782,498	-	100%
Zinc produced (lbs)	897,258	-	100%	2,050,396	-	100%
Silver equivalent ("Ag/Eq") ounces produced[1]	941,338	337,760	179%	1,879,385	613,583	206%
Silver ounces sold	462,917	159,840	190%	937,871	294,121	219%
Gold ounces sold	4,427	2,195	102%	9,014	4,203	114%
Lead sold (lbs)	830,567	-	100%	1,786,008	-	100%
Zinc sold (lbs)	871,328	-	100%	2,113,717	-	100%
Ag/Eq ounces sold[1]	901,474	342,987	163%	1,871,075	637,829	193%
Cost per tonne ($)[5]	100.22	60.89	65%	99.20	62.53	59%
Cash cost per Ag/Eq ounce ($) [1][2][5]	17.71	17.08	4%	17.39	18.50	(6%)
AISC per Ag/Eq ounce ($) [1][3][5]	22.47	24.15	(7%)	22.15	24.89	(11%)
Financial	**$**	**$**		**$**	**$**	
Revenue	16,823,042	6,133,989	174%	33,941,466	12,520,627	171%
Cost of Sales	19,213,281	7,790,285	147%	39,482,397	15,914,046	148%
Mine operating loss	(2,390,239)	(1,656,296)	44%	(5,540,931)	(3,393,419)	63%
Mine operating cashflow before taxes[7]	394,276	7,923	4,887%	581,490	20,557	2,729%
Net loss	(8,557,538)	(3,521,391)	143%	(17,256,616)	(8,460,543)	104%
EBITDA[4][5]	(4,576,059)	(1,132,279)	304%	(8,643,466)	(3,572,987)	142%
Adjusted EBITDA[4][5]	(3,409,928)	(2,244,594)	45%	(5,683,156)	(4,138,726)	37%
Realized silver price per ounce[6]	24.33	22.56	8%	23.40	23.20	1%
Realized gold price per ounce[6]	1,988.05	1,873.26	6%	1,938.47	1,868.96	4%
Realized lead price per pound[6]	0.97	-	100%	0.97	-	100%
Realized zinc price per pound[6]	1.14	-	100%	1.31	-	100%
Working capital[5]	(17,831,378)	(2,046,261)	771%	(17,831,379)	(2,046,261)	771%
Shareholders						
Loss per share – basic and diluted	(0.03)	(0.02)	31%	(0.05)	(0.04)	41%
Weighted Average Shares Outstanding	327,386,045	226,033,272	45%	325,149,910	225,299,982	44%

1. Silver equivalents are calculated using an 81.33:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.05:1 (Ag/Zn) ratio for Q2 2023, an 83.4:1 (Ag/Au) ratio for Q2 2022; an 82.51:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for YTD 2023 and an 82:22:1 (Ag/Au) ratio for YTD 2022, respectively.
2. Cash cost per silver equivalent ounce include mining, processing, and direct overhead. See Reconciliation to IFRS on page 31.
3. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation, and sustaining capital. See Reconciliation to IFRS on page 31.
4. See Reconciliation of earnings before interest, taxes, depreciation, and amortization on page 30.
5. See "Non-IFRS Financial Measures" on page 29.
6. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.
7. Mine operating cash flow before taxes is calculated by adding back depreciation, depletion, and inventory write-downs to mine operating loss. See Reconciliation to IFRS on page 29.



CONSOLIDATED	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	Three Months Ended					
Operating						
Tonnes mined	166,171	162,116	131,543	107,379	90,045	81,338
Tonnes milled	163,793	160,182	131,341	107,009	94,212	86,288
Silver ounces produced	477,649	458,803	401,244	329,298	155,912	125,423
Gold ounces produced	4,719	4,413	3,907	3,226	2,161	1,880
Lead produced (lbs)	875,802	906,696	811,492	537,608	-	-
Zinc produced (lbs)	897,258	1,153,138	1,261,554	677,127	-	-
Silver equivalent ("Ag/Eq") ounces produced[1]	941,338	938,047	836,375	700,264	337,760	275,823
Silver ounces sold	462,917	474,954	405,384	311,754	159,840	134,281
Gold ounces sold	4,427	4,586	3,865	2,997	2,195	2,007
Lead sold (lbs)	830,567	955,441	846,281	504,408	-	-
Zinc sold (lbs)	871,328	1,242,389	1,600,811	273,327	-	-
Ag/Eq ounces sold[1]	901,474	969,603	866,319	628,256	342,987	294,842
Cost per tonne ($)[5]	100.22	98.16	98.30	90.37	60.89	64.32
Cash cost per Ag/Eq ounce ($) [1][2][5]	17.71	17.06	15.55	13.86	17.08	20.24
AISC per Ag/Eq ounce ($) [1][3][5]	22.47	21.83	20.80	19.53	24.15	25.79
Financial	$	$	$	$	$	$
Revenue	16,823,042	17,118,424	15,487,714	8,871,863	6,133,989	6,386,638
Cost of Sales	19,213,281	20,269,116	15,635,541	12,213,604	7,790,285	8,123,761
Mine operating loss	(2,390,239)	(3,150,692)	(147,830)	(3,341,741)	(1,656,295)	(1,737,122)
Mine operating cashflows before taxes[7]	394,276	187,214	2,367,522	(350,164)	7,923	12,634
Net loss	(8,557,538)	(8,699,078)	(9,905,707)	(8,405,337)	(3,521,390)	(4,939,151)
EBITDA[4][5]	(4,576,059)	(4,093,976)	(5,997,153)	(4,192,955)	(1,132,278)	(2,503,405)
Adjusted EBITDA[4][5]	(3,409,928)	(2,299,797)	(2,129,871)	(2,758,286)	(2,244,594)	(2,059,594)
Realized silver price per ounce[6]	24.33	22.50	21.23	19.06	22.56	23.97
Realized gold price per ounce[6]	1,988.05	1,890.60	1,783.36	1,724.81	1,873.26	1,864.26
Realized lead price per pound[6]	0.97	0.96	0.92	0.86	-	-
Realized zinc price per pound[6]	1.14	1.42	1.42	1.44	-	-
Working capital[5]	(17,831,378)	(11,029,888)	(5,972,704)	(2,591,389)	(2,046,261)	(1,198,721)
Shareholders						
Loss per share - basic and diluted	(0.03)	$(0.03)	$(0.03)	$(0.03)	$(0.02)	$(0.02)
Weighted Average Shares Outstanding	327,386,045	322,849,823	302,153,922	271,509,812	226,033,272	224,556,314

1. Silver equivalents are calculated using 81.33:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.05:1 (Ag/Zn) ratio for Q2 2023, an 83.78:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for Q1 2023; an 81.35:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for Q4 2022; 89.97:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.08:1 (Ag/Zn) ratio for Q3 2022; an 83.4:1 (Ag/Au) ratio for Q2 2022; and an 80:1 (Ag/Au) ratio for Q1 2022.
2. Cash cost per silver equivalent ounce include mining, processing, and direct overhead. See Reconciliation to IFRS on page 31.
3. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 31.
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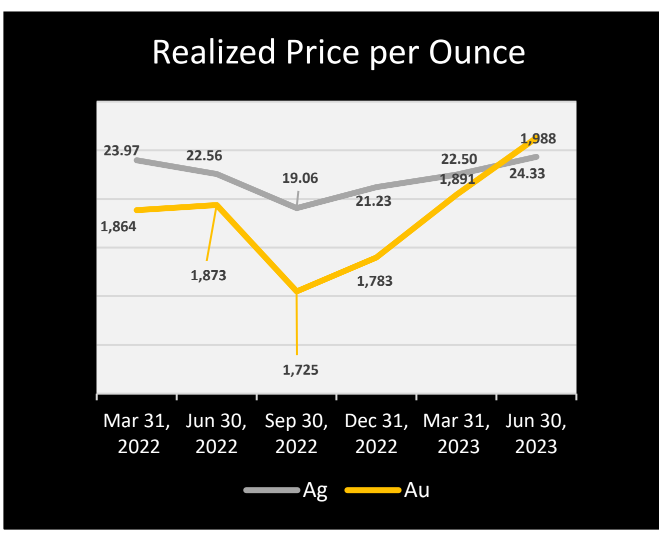
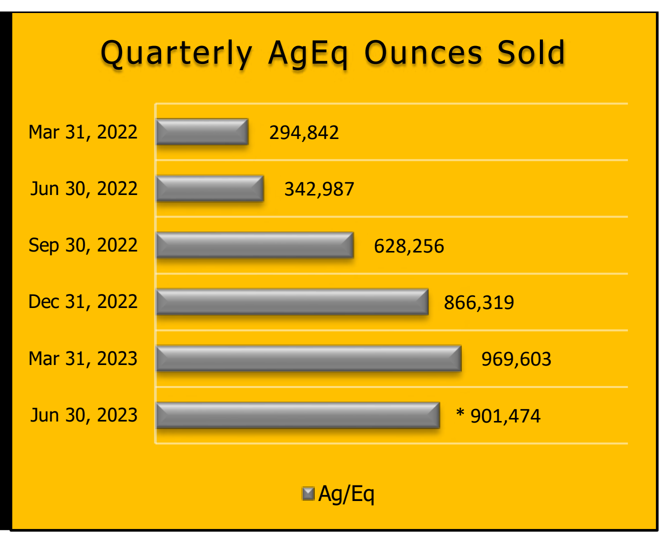
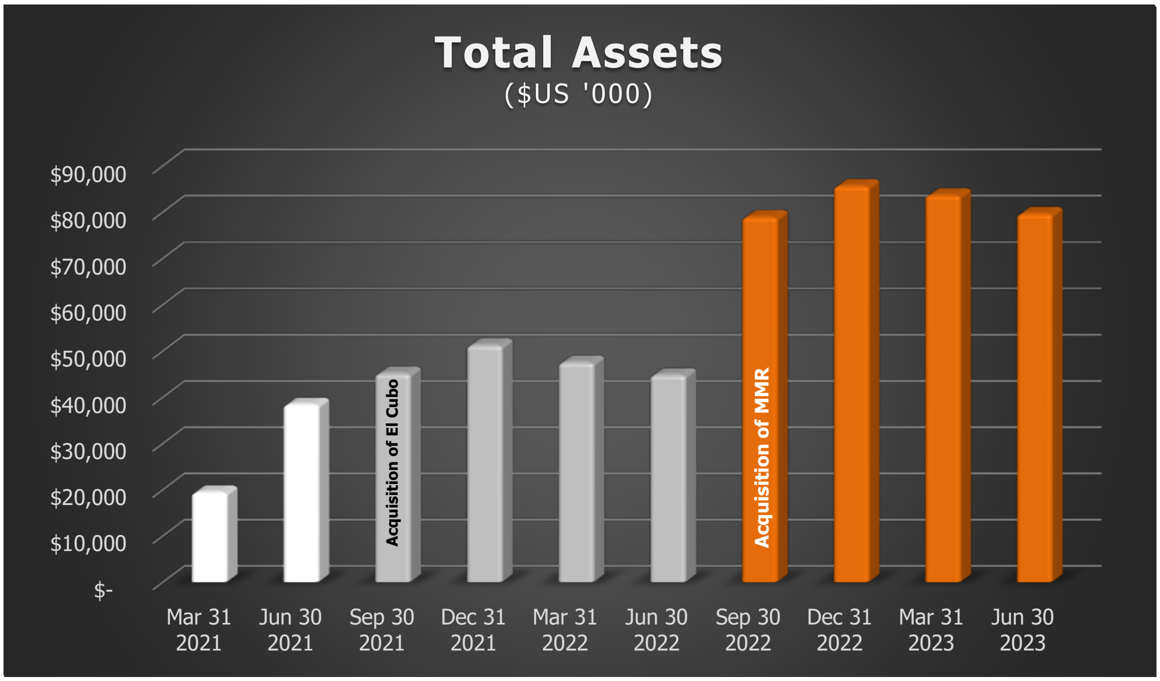




* There were 94,731 equivalent ounces of silver in inventory as at Junes 30, 2023.

The above highlights are key measures used by management; however, they should not be the sole measures used in determining the performance of the Company's operations.

As at	June 30 2023	December 31 2022
	$	$
Cash and cash equivalents	2,835,553	8,832,936
Total assets	79,962,999	85,648,898
Debt	19,756,868	23,832,319
Shareholders' equity	18,971,690	32,511,787



COMPANY HISTORY, OVERVIEW & STRATEGY

Guanajuato Silver is a precious metals producer; the Company currently operates four silver mines in Central Mexico. In the state of Guanajuato, GSilver produces silver and gold from El Cubo Mines Complex, which includes the Villalpando and Santa Cecilia mines ("Villalpando" and "Santa Cecilia"); mineralized material is processed through the CMC mill. Additionally in Guanajuato, the Company operates the Valenciana Mines Complex, which includes the nearby San Ignacio mine ("San Ignacio"); mineralized material is processed at the Cata mill ("Cata"). GSilver also produces silver, gold, lead and zinc from the Topia Mines Complex located in Durango, Mexico.

The Company was incorporated under the *Business Corporations Act* of British Columbia in 1978 and is a publicly traded company on the TSX Venture Exchange ("TSX.V") and the Aquis Exchange in London, England under the symbol "GSVR" and quoted on the OTCQX over-the-counter market in the USA under the symbol "GSVRF". The Company's head office, as well as its registered and records offices, is located at Suite 578 – 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1.

The Company's focus is to develop mining operations within central Mexico through the advancement of its existing mineral concessions and through acquisition of additional operations and mineral resources and reserves.

General location of the Company's mines

Going Concern

For the six months ended June 30, 2023, the Company generated a mine operating loss of $5,540,931, a net loss of $17,256,616 and negative cash flows from operating activities of $1,692,264. As at June 30, 2023, the Company has an accumulated deficit of $93,483,747 and current liabilities that exceed its current assets by $17,831,378, including accounts payable and accrued liabilities of $20,820,240. 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 from operations and/or to obtain additional financing. Management is of the opinion that sufficient funds will be obtained from operations or from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that cash flows from operations or additional financing will not be available on a timely basis or on terms acceptable to the Company.

The Company has historically funded its acquisition, exploration and development activities through equity financings and debt facilities. The Company may choose to fund additional capital requirements through equity, debt, convertible debentures, or other financings, on an as-needed basis, in order facilitate growth or fund operations until the Company achieves positive cash flow.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a responsible mining company, GSilver understands the significance of Environmental, Social, and Governance ("ESG") factors in the Company's mining operations. The Company pledges to conduct its business sustainably and conscientiously, striving to generate long-term value for its stakeholders while minimizing any adverse impact on the environment and society. GSilver's management firmly believes that responsible mining is both a moral obligation and a business necessity. Consequently, the Company endeavors to adhere to high ethical and compliance standards, ensuring that it operates transparently and with integrity. GSilver's commitment to ESG values is not only fundamental to its business strategy but also critical to securing the trust and support of its customers, investors, employees, and communities where the Company operates. The Company's core areas of focus are outlined below, alongside tangible actions it is taking to accomplish and maintain these objectives.

Ethics and Governance

- "Joint efforts" program with local and state governments: roads, infrastructure, transportation, etc
- 2 of our Senior Board Members are Mexican nationals
- Code of Ethics and Business Conduct, Whistleblower and Anti-Bribery and Anti-Corruption policies in place

Health and culture

- Drug abuse prevention progams in the local community
- Support 2 health clinics adjacent to Cubo and Valenciana
- Health and Environment Educational Programs for our personnel
- Restarting the Guanajuato Mining Museum at Valenciana

People and Community

- 14% of the entire Mexican operations workforce and 25% of the leadership team are female
- 100% of our operations are staffed by Mexican employees
- Engagement and collaboration with the University of Guanajuato, including an internship and social service program
- Improvement of local community buildings, homes and schools

Environmental Impact

- Ongoing reforestation and refuse cleanup campaigns
- Execution of environmental monitoring program for regulatory compliance
- Implementing a hydraulic backfill procedure that will have an immediate positive environmental impact at VMC
- Implementing, once permitting is obtained, drystack tailings at El Cubo

MINING OPERATIONS

CONSOLIDATED OPERATIONS

The Company operates CMC, VMC and Topia. Consolidated operating results are as follows:

	Three months ended			Six months ended		
CONSOLIDATED	**June 30 2023**	**June 30 2022**	**% Change**	**June 30 2023**	**June 30 2022**	**% Change**
Production						
Tonnes mined	166,171	90,045	85%	328,287	171,383	92%
Tonnes milled	163,793	94,212	74%	323,975	180,500	79%
Average tonnes milled per day	1,950	1,122	74%	1,928	1,074	79%
Average silver grade (g/t)	106.93	64.00	67%	104.38	62.10	68%
Average gold grade (g/t)	1.10	0.86	28%	1.07	0.87	23%
Average silver recovery (%)	84.90	80.90	5%	84.41	78.00	8%
Average gold recovery (%)	83.10	82.60	1%	82.15	79.90	3%
Silver ounces produced	477,649	155,912	206%	936,452	281,335	233%
Gold ounces produced	4,719	2,161	118%	9,132	4,041	126%
Lead produced (lbs)	875,802	-	100%	1,782,498	-	100%
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Ag/Eq ounces produced(1)	941,338	337,760	179%	1,879,385	613,583	206%
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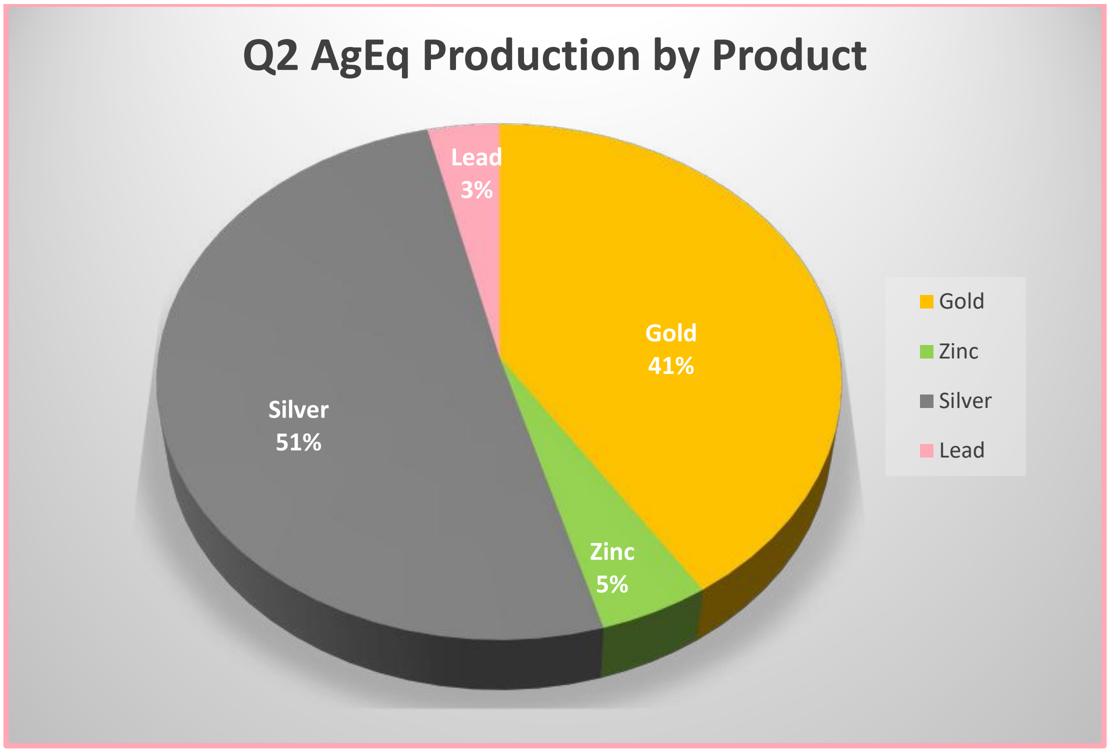
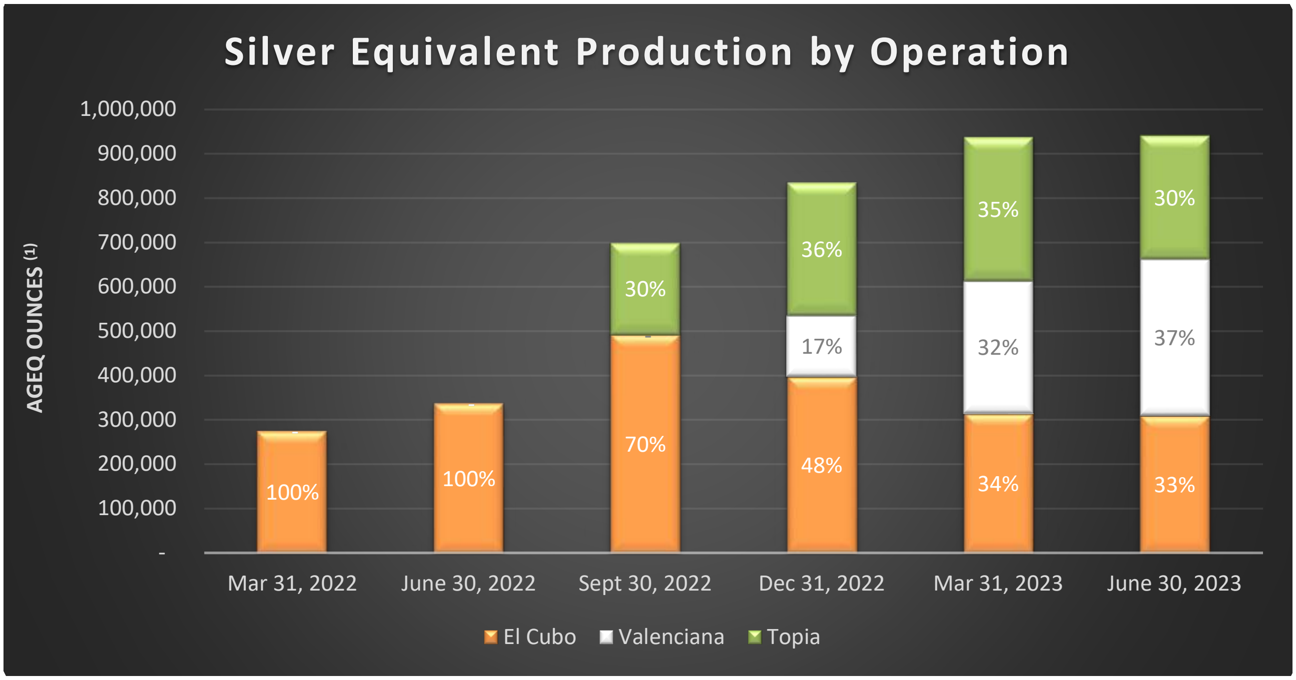
Realized gold price per ounce ($)(6)	1,988.05	1,873.26	6%	1,938.47	1,868.96	4%
Realized lead price per pound ($)(6)	0.97	-	100%	0.97	-	100%
Realized zinc price per pound ($)(6)	1.14	-	100%	1.31	-	100%
Costs						
Cash cost per Ag/Eq ounce ($)(3)(5)	17.71	17.08	4%	17.39	18.50	(6%)
AISC per Ag/Eq ounce ($)(4)(5)	22.47	24.15	(7%)	22.15	24.89	(11%)
Production cost per tonne ($)(2)(5)	100.22	60.89	65%	99.20	62.53	59%
Capital expenditures						
Sustaining ($)	1,424,927	1,036,061	38%	3,037,478	1,358,366	124%
Diamond Drilling						
CMC (mts)	511	5,180	(90%)	511	10,049	(95%)
VMC (mts)	2,434	-	100%	3,889	-	100%
Topia Mine (mts)	866	-	100%	1,497	-	100%

1. Silver equivalents are calculated using an 81.33:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.05:1 (Ag/Zn) ratio for Q2 2023, an 83.4:1 (Ag/Au) ratio for Q2 2022; an 82.51:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for YTD 2023 and an 82:22:1 (Ag/Au) ratio for YTD 2022, respectively.
2. Production costs include mining, milling, and direct overhead at the operation sites See reconciliation on page 31.
3. Cash cost per silver equivalent ounce include mining, processing and direct overhead See reconciliation on page 31.
4. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 31.
5. See "Non-IFRS Financial Measures" on page 29.
6. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.



Second Quarter Production Summary	El Cubo Mines Complex	Valenciana Mines Complex	Topia	Consolidated
Tonnes mined	84,132	62,863	19,175	166,171
Tonnes milled	83,244	61,594	18,955	163,793
Silver ounces produced	147,099	156,859	173,691	477,649
Gold ounces produced	2,006	2,400	314	4,719
Lead produced (lbs)	-	-	875,802	875,802
Zinc produced (lbs)	-	-	897,258	897,258
Silver equivalent ("Ag/Eq") ounces produced(1)	310,237	352,030	279,071	941,338
Silver ounces sold	142,361	153,006	167,551	462,917
Gold ounces sold	1,956	2,179	291	4,427
Lead sold (lbs)	-	-	830,567	830,567
Zinc sold (lbs)	-	-	871,328	871,328
Ag/Eq ounces sold(1)	302,282	330,419	268,773	901,474
Cost per tonne(5)	71.24	86.63	271.69	100.22
Cash cost per Ag/Eq ounce(1)(2)(5)	19.24	15.20	19.19	17.71
AISC per Ag/Eq ounce(1)(3)(4)(5)	20.96	16.39	21.52	22.47

1. Silver equivalents are calculated using an 81.33:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.05:1 (Ag/Zn) ratio for Q2 2023.
2. Production costs include mining, milling, and direct overhead at the operation sites See reconciliation on page 31.
3. Cash cost per silver equivalent ounce include mining, processing, and direct overhead. See Reconciliation to IFRS on page 31.
4. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 31.
5. See "Non-IFRS Financial Measures" on page 29.



1. Silver equivalents are calculated using an 81.33:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.05:1 (Ag/Zn) ratio for Q2 2023; an 83.78:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for Q1 2023; 81.35:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for Q4 2022; 89.97:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.08:1 (Ag/Zn) ratio for Q3 2022, an 83.4:1(Ag/Au), for Q2 2022 and 80:1(Ag/Au) for Q1 2022.

Production

In the second quarter, the total production amounted to 941,338 ounces of silver equivalent, which is comprised of 477,649 ounces of silver, 4,719 ounces of gold, 875,802 pounds of lead, and 897,258 pounds of zinc. This represents a 179% increase in silver equivalent ounces compared to Q2 2022. Out of the total production, CMC accounted for 310,237 silver equivalent ounces, which is 33% of the total production, VMC contributed 352,030 ounces of equivalent silver, representing 37% of the total production, while Topia added 279,071 silver equivalent ounces, making up the remaining 30%.

The 179% increase in consolidated silver equivalent production in the three months ended June 30, 2023, compared to same period of prior year, is mainly driven by the addition of production of 352,030 ounces of silver equivalent from VMC and 279,071 silver equivalent ounces produced at Topia.

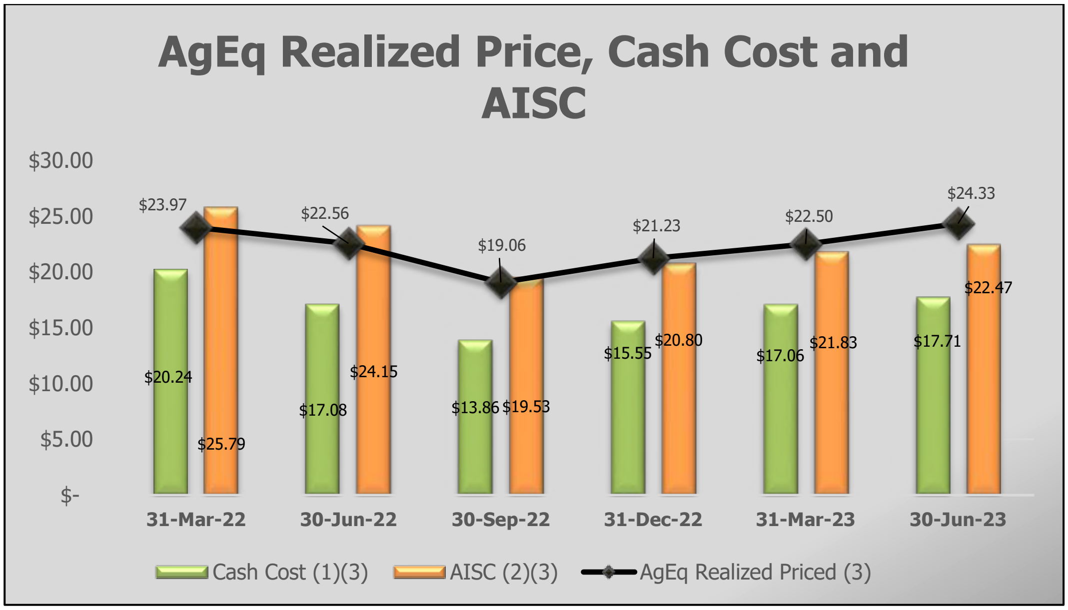
The Company's three plants processed a consolidated 166,171 tonnes of mineralized material with average grades of 107 grams per tonne ("g/t") for silver and 1.10 g/t for gold. Compared to prior year same quarter's performance of 94,212 tonnes at average grades of 64 g/t of silver and 0.86 g/t of gold represents an increase of 85% in tonnes processed, 67% increase average silver grades and 28% increase in average gold grades. Average silver and gold recoveries increased by 5% and 1% respectively.

During the second quarter of 2023, production at the El Cubo decreased 8% because of 12% lower mined tonnage due to final work done to comply with regulatory inspection by the Secretaria del Trabajo (Ministry of Labour) at the Villalpando and Santa Cecelia mines and the reduced availability of several pieces of mining equipment that were under maintenance, offset by increasing mill throughput with fresh higher grade mineralized material and less low- grade material (chorros).

Cash Cost and All-In Sustaining Cost per Ounce

In the second quarter of 2023, costs per tonne increased by 65% to $100.22 compared to $60.89 in the corresponding period of 2022. This notable increase can be primarily attributed to the incorporation of production costs from VMC, as well as the particularly impactful inclusion of Topia mine costs. The continuing ramping up of production at VMC during Q2 2023, along with the significantly higher production cost per tonne for the Topia mine contributed to the overall higher average production cost per tonne, playing a key role in driving up the production expenses during this period.

Cash cost and All-in Sustaining Cost ("AISC") per Ag/Eq ounce produced for the quarter were $17.71 and $22.47 respectively, which represents an increase of 4% and a decrease of 7% respectively, compared to Q2 2022 of $17.08 and $24.15 respectively, and is primarily due to the increase in AgEq ounces produced from VMC and Topia (see "Non-IFRS Financial Measures" on page 29).



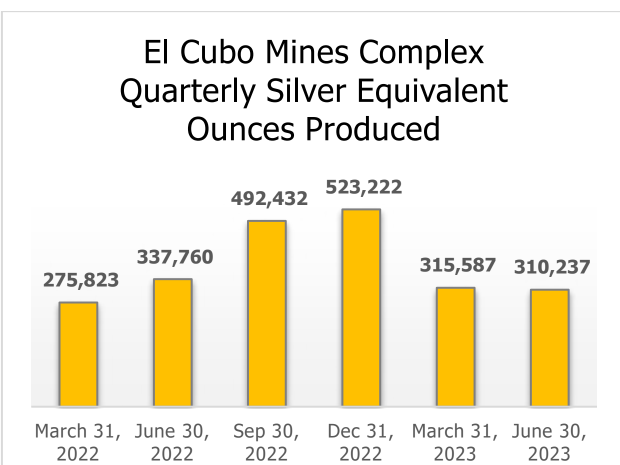
1. Cash cost per silver equivalent ounce include mining, processing and direct overhead See reconciliation on page 31.
2. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 31.
3. See "Non-IFRS Financial Measures" on page 29.

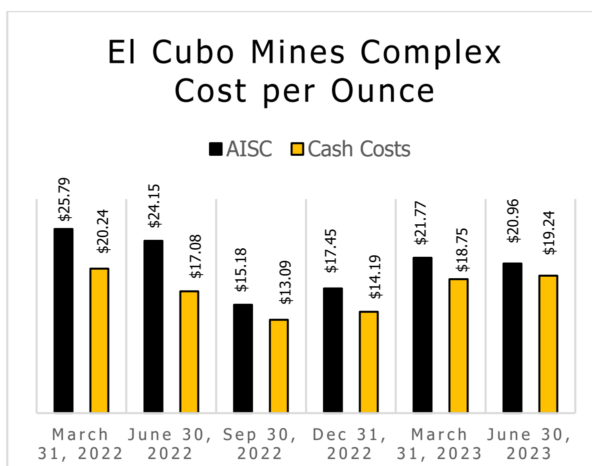
EL CUBO MINES COMPLEX OPERATIONS

Operating results were as follows:

EL CUBO MINES COMPLEX	Three months ended June 30 2023	June 30 2022	% Change	Six Months ended June 30 2023	June 30 2022	% Change
Production						
Tonnes mined	84,132	90,045	(7%)	174,663	171,383	2%
Tonnes milled	83,244	94,212	(12%)	172,244	180,500	(5%)
Average tonnes milled per day	991	1,122	(12%)	1,025	1,074	(5%)
Average silver grade (g/t)	65.38	64.00	2%	60.95	62.10	(2%)
Average gold grade (g/t)	0.88	0.86	2%	0.87	0.87	0%
Average silver recovery (%)	84.38	80.90	4%	83.93	78.00	8%
Average gold recovery (%)	86.16	82.60	4%	86.01	79.90	8%
Silver ounces produced	147,099	155,912	(6%)	283,946	281,335	1%
Gold ounces produced	2,006	2,161	(7%)	4,146	4,041	3%
Ag/Eq ounces produced(1)	310,237	337,760	(8%)	625,824	613,583	2%
Sales						
Silver ounces sold	142,361	159,840	(11%)	294,548	294,121	0%
Gold ounces sold	1,956	2,195	(11%)	4,331	4,203	3%
Ag/Eq ounces sold	302,282	342,987	(12%)	650,184	637,829	2%
Realized silver price per ounce ($)(6)	24.43	22.56	8%	23.48	23.20	1%
Realized gold price per ounce ($)(6)	1,999.27	1,873.26	7%	1,930.20	1,868.96	3%
Costs						
Cash cost per Ag/Eq ounce ($)(3)(5)	19.24	17.08	13%	18.99	18.50	3%
AISC per Ag/Eq ounce ($)(4)(5)	20.96	24.15	(13%)	21.37	24.89	(14%)
Cost per tonne ($)(2)(5)	71.24	60.89	17%	68.56	62.53	10%
Capital expenditures						
Sustaining ($)	367,807	1,036,061	(64%)	1,072,055	1,358,366	(21%)
Diamond Drilling						
Villalpando/El Cubo Drilling (mts)	511	5,855	(91%)	511	10,049	(95%)

1. Silver equivalents are calculated using an 81.33:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.05:1 (Ag/Zn) ratio for Q2 2023, an 83.4:1 (Ag/Au) ratio for Q2 2022; an 82.51:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for YTD 2023 and an 82:22:1 (Ag/Au) ratio for YTD 2022, respectively.
2. Production costs include mining, milling, and direct overhead at the operation sites. See reconciliation on page 31.
3. Cash cost per silver equivalent ounce include mining, processing and direct overhead. See reconciliation on page 31.
4. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 31.
5. See "Non-IFRS Financial Measures" on page 29.
6. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.





Production

Three months ended June 30, 2023 (compared to the three months ended June 30, 2022)

In the second quarter of 2023, the total production of silver equivalent ounces amounted to 310,237, marking an 8% decrease from the 337,760 recorded in the comparable 2022 quarter. This decrease can be attributed to several factors. First, there was a 12% decrease in plant throughput from 94,212 tonnes in Q2 2022 to 83,244 tonnes in Q2 2023 due to completion of work to comply with regulatory inspection by the Secretaria del Trabajo (Ministry of Labour) at the Villalpando and Santa Cecelia mines and the reduced availability of several pieces of mining equipment that were under maintenance. This was offset by a 4% increase in silver recoveries (from 80.9% to 84.4%) and 4% increase in gold recoveries (from 82.6% to 86.2%), respectively, from Q2 2022 to Q2 2023. Average silver grade experienced a 2% increase from 64.0 g/t to 65.4 g/t, 2% increase in gold grade from 0.86 g/t to 0.88 g/t between Q2 2022 and Q2 2023. Lastly, 70% of production came from fresh mineralized material with higher grades from the Dolores and San Nicolas mines and 30% from low grade mineralized material from chorros (Three months ended June 30, 2022, 86% of production came from fresh mineralized material).

Six months ended June 30, 2023 (compared to the six months ended June 30, 2022)

In the six months ended June 30, 2023, the total production of silver equivalent ounces amounted to 625,824, or 2% increase from the 613,583 recorded in the comparable 2022 period. This increase can be attributed to silver recoveries increasing by 6% from 78.0% to 83.9% and gold recoveries increased by 8% from 78.0% to 86.1% in the comparable periods respectively because the Company reduced the amount of chorros (broken unconsolidated mineralized material from previous workings) and began processing higher grade, fresh mineralized material. These increases were offset by a 5% decrease in plant throughput from 180,500 tonnes in the period of 2022 to 172,244 tonnes in the same period of 2023 due to the reduced availability of some pieces of mining equipment that were under maintenance during the second quarter of 2023, along with a 2% decrease in silver grades.

Cash Cost and All-In Sustaining Cost per Ounce (see “Non-IFRS Financial Measures” on page 29).

Three months ended June 30, 2023 (compared to the three months ended June 30, 2022)

Production costs increased 8% to $71.24 per tonne in the second quarter of 2023 from $66.06 per tonne. The increased cost at CMC was mainly due to 7% lower tonnes milled, chiefly from the San Ignacio mine. In addition, there were higher energy costs as the price increased by 12% or $69,000, the rent of a mobile crusher of $87,000 and the peso appreciation of 12% or $69,000 against the dollar compared to the same period in 2022.

Cash costs per silver equivalent ounce for the three months ended June 30, 2023, increased 13% to $19.24 compared to the three months ended June 30, 2022, of $17.08, mainly due to higher production cost and 8% lower production of silver equivalent ounces.

AISC decreased 13% to $20.96 per ounce in this quarter from $24.15 per ounce in Q2 2022, mainly due to a 64% decrease in sustaining capital expenditures compared to the same quarter of 2022.

Six months ended June 30, 2023 (compared to the six months ended June 30, 2022)

Production costs increased 10% to $68.56 per tonne during the six months ended June 30, 2023 from $62.53 per tonne in the same period last year. The increase was mainly due to 4.5% lower tonnes milled and 4% increase in total production cost. Production cost was higher due to 17% and 10% increase in milling and indirect cost respectively, offset by 5% decrease in mining cost. The increase in milling cost was mainly due to the higher price of energy ($51.66 Kwh/t compared to $47.87 Kwh/t). The increase in indirect cost was mainly due to an increase in transportation, union payments and benefits due to the addition of approximately 100 employees hired to replace mining contractors.

Cash costs per silver equivalent ounce for the six months ended June 30, 2023, increased 3% to $18.99 compared to the six months ended June 30, 2022, of $18.50 mainly due to the 4% increase in total production cost offset by 2% increase in silver equivalent ounces produced compared to same period last year.

AISC decreased 14% to $21.37 per ounce in these six months ended June 30, 2023 from $24.78 per ounce in the same period of 2022, mainly due to an increase of 2% in silver equivalent ounces and lower and 21% in sustaining capital expenditures partially offset by higher lease payments.

VALENCIANA MINES COMPLEX OPERATIONS

Operating results were as follows:

VALENCIANA MINES COMPLEX	Three months ended June 30 2023	Three months ended June 30 2022	% Change	Six Months ended June 30 2023	Six Months ended June 30 2022	% Change
Production						
Tonnes mined	62,863	-	100%	115,465	-	100%
Tonnes milled	61,594	-	100%	113,247	-	100%
Average tonnes milled per day	733	-	100%	674	-	100%
Average silver grade (g/t)	99.04	-	100%	99.71	-	100%
Average gold grade (g/t)	1.45	-	100%	1.39	-	100%
Average silver recovery (%)	83.63	-	100%	82.91	-	100%
Average gold recovery (%)	86.54	-	100%	84.50	-	100%
Silver ounces produced	156,859	-	100%	299,079	-	100%
Gold ounces produced	2,400		100%	4,248		100%
Ag/Eq ounces produced[1]	352,030	-	100%	649,799	-	100%
Sales						
Silver ounces sold	153,006	-	100%	292,243	-	100%
Gold ounces sold	2,179	-	100%	3,970	-	100%
Ag/Eq ounces sold	330,419	-	100%	616,978	-	100%
Realized silver price per ounce ($)[6]	24.43	-	100%	23.41	-	100%
Realized gold price per ounce ($)[6]	1,999.28	-	100%	1,949.21	-	100%
Costs						
Cash cost per Ag/Eq ounce ($)[3][5]	15.20	-	100%	14.58	-	100%
AISC per Ag/Eq ounce ($)[4][5]	16.39	-	100%	16.22	-	100%
Production cost per tonne ($)[2][5]	86.63	-	100%	83.34	-	100%
Capital expenditures						
Sustaining ($)	408,265	-	100%	867,676	-	100%
Diamond Drilling						
San Ignacio Mine (mts)	2,434	-	100%	3,889	-	100%

1. Silver equivalents are calculated using an 81.33:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.05:1 (Ag/Zn) ratio for Q2 2023, an 83.4:1 (Ag/Au) ratio for Q2 2022; an 82.51:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for YTD 2023 and an 82:22:1 (Ag/Au) ratio for YTD 2022, respectively.
2. Production costs include mining, milling, and direct overhead at the operation sites See reconciliation on page 31.
3. Cash cost per silver equivalent ounce include mining, processing and direct overhead See reconciliation on page 31.
4. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation, and sustaining capital. See Reconciliation to IFRS on page 31.
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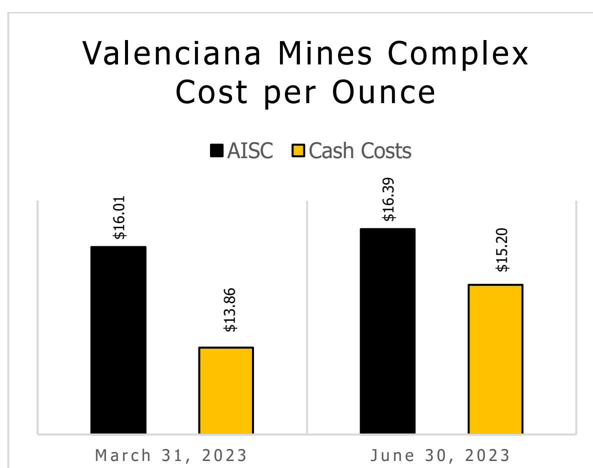

Production

During the three months ended June 30,2023, the Company produced 352,030 silver equivalent ounces, consisting of 156,859 ounces of silver and 2,179 ounces of gold. Total mineralized material processed amounted to 61,594 tonnes during the quarter. Silver grades in the second quarter averaged 99 g/t, gold grades averaged 1.45 g/t. Average metallurgical recoveries in the quarter were at 86.63% for silver and 86.54% for gold, in line with management expectations.

The Company continued processing at 20,000 tonnes per month during the three months ended June 30, 2023, and is on track to ramp up to the full capacity at the Cata mill of 36,000 tonnes per month by the end of 2023.

Three months ended June 30, 2023 (compared to the three months ended March 31, 2023)

Production Cost

Production cost per tonne increased 9% to $86.63 per tonne in the second quarter of 2023 from $79.43 per tonne in the prior quarter, mainly due to higher mining costs from salary increases due to additional mining personnel plus the rent of additional machinery such as compressors, a scoop tram and a dozer used to keep with the ramp up. Milling cost increased mainly due to an increase of 9% in the cost of energy plus higher consumption due to the installation and testing of a Falcon concentrator, required maintenance to the plant and severance payment to a plant personnel. Finally total production cost was impacted by approximately $230,000 as a result of the appreciation of the Mexican peso against the US dollar.

Cash Cost and All-In Sustaining Cost per Ounce (see “Non-IFRS Financial Measures” on page 29).

Cash costs per silver equivalent ounce for the three months ended June 30, 2023, increased 9.6% to $15.20 compared to the three months ended March 31, 2023, of $13.86 mainly due to a 30% production cost increase partially offset by higher silver equivalent ounces produced by 18%.

AISC increased 2% to $16.39 per ounce in this quarter from $16.01 per ounce in Q1 2023, mainly due to a production cost increase of 30% partially offset by higher silver equivalent ounces produced by 18% and lower sustaining capital expenditures.

TOPIA MINES COMPLEX

Operating results were as follows:

TOPIA	Three months ended June 30 2023	June 30 2022	% Change	Six Months ended June 30 2023	June 30 2022	% Change
Production						
Tonnes mined	19,175	-	100%	38,158	-	100%
Tonnes milled	18,955	-	100%	38,484	-	100%
Average tonnes milled per day	226	-	100%	229	-	100%
Average silver grade (g/t)	311.99	-	100%	313.06	-	100%
Average gold grade (g/t)	0.88	-	100%	1.03	-	100%
Average lead grade (%)	2.40	-	100%	2.41	-	100%
Average zinc grade (%)	2.75	-	100%	2.98	-	100%
Average silver recovery (%)	91.34	-	100%	91.23	-	100%
Average gold recovery (%)	58.74	-	100%	58.23	-	100%
Average lead recovery (%)	87.42	-	100%	87.27	-	100%
Average zinc recovery (%)	78.05	-	100%	80.84	-	100%
Silver ounces produced	173,691	-	100%	353,427	-	100%
Gold ounces produced	314	-	100%	738	-	100%
Lead produced (lbs)	875,802	-	100%	1,782,498	-	100%
Zinc produced (lbs)	897,258	-	100%	2,050,396	-	100%
Ag/Eq ounces produced(1)	279,071	-	100%	603,762	-	100%
Sales						
Silver ounces sold	167,551	-	100%	351,081	-	100%
Gold ounces sold	291	-	100%	711	-	100%
Lead sold (lbs)	830,567	-	100%	1,786,008	-	100%
Zinc sold (lbs)	871,328	-	100%	2,113,717	-	100%
Ag/Eq ounces sold	268,773	-	100%	603,915	-	100%
Realized silver price per ounce ($)(6)	24.27	-	100%	23.33	-	100%
Realized gold price per ounce ($)(6)	1,975.68	-	100%	1,926.62	-	100%
Realized lead price per pound ($)(6)	0.97	-	100%	0.97	-	100%
Realized zinc price per pound ($)(6)	1.14	-	100%	1.31	-	100%
Costs						
Cash cost per Ag/Eq ounce ($)(3)(5)	19.19	-	100%	18.74	-	100%
AISC per Ag/Eq ounce ($)(4)(5)	21.52	-	100%	20.68	-	100%
Production cost per tonne ($)(2)(5)	271.69	-	100%	283.03	-	100%
Capital expenditures						
Sustaining ($)	648,854	-	100%	1,097,747	-	100%
Diamond Drilling						
Topia Mine (mts)	866	-	100%	1,497	-	100%

1. Silver equivalents are calculated using an 81.33:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.05:1 (Ag/Zn) ratio for Q2 2023, an 83.4:1 (Ag/Au) ratio for Q2 2022; an 82.51:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for YTD 2023 and an 82:22:1 (Ag/Au) ratio for YTD 2022, respectively.
2. Production costs include mining, milling, and direct overhead at the operation sites See reconciliation on page 31.
3. Cash cost per silver equivalent ounce include mining, processing and direct overhead See reconciliation on page 31.
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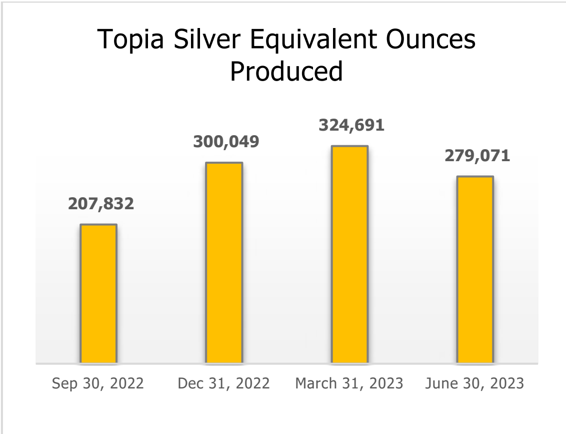
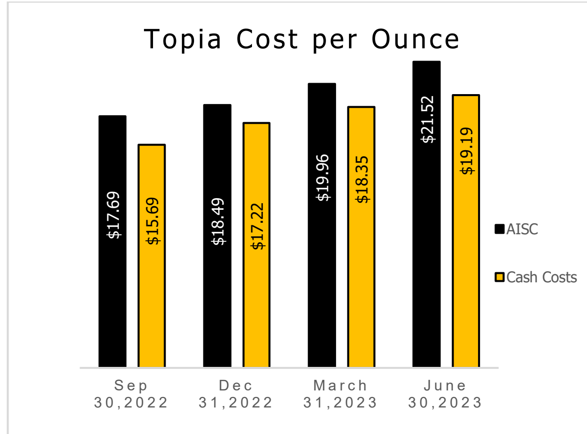




Production

During the three months ended June 30,2023, the Company produced 279,071 silver equivalent ounces, consisting of 173,691 ounces of silver, 314 ounces of gold, 875,802 pounds of lead and 897,258 pounds of zinc. Total mineralized material processed amounted to 18,955 tonnes.

Silver grades in the second quarter averaged 312 g/t, gold grades averaged 0.88 g/t, lead grades averaged 2.40% and zinc grades averaged 2.75%. Average metallurgical recoveries in the quarter were 91.34% for silver, 58.74% for gold, 87.1% for lead and 83.5% for zinc.

Three months ended June 30, 2023 (compared to the three months ended March 31, 2023)

Production Cost

Production costs decreased 8% to $271.69 per tonne in the first quarter of 2023 from $294.05 per tonne. This was a result of two factors: 3% lower tonnes milled and a 10% decrease in mining costs. Mining cost reduced by $790,000 during the quarter due to lower purchased mineral from third parties partially offset by approximately $200,000 as a result of the appreciation of the Mexican peso against the US dollar.

Cash Cost and All-In Sustaining Cost per Ounce (see "Non-IFRS Financial Measures" on page 29).

Cash costs per silver equivalent ounce for the three months ended June 30, 2023, increased 5% to $19.19 compared to the three months ended March 31, 2023, of $18.35 mainly due to a decrease of 14% in silver equivalent ounces partially offset by the reduction in the total production cost.

AISC increased 8% to $21.52 per ounce in this quarter from $19.96 per ounce in Q1 2023, mainly due to a decrease of 14% in silver equivalent ounces, offset by higher sustaining capital expenditures because of the addition of a tailings dam phase 2 and mine development work.

DEVELOPMENT ACTIVITIES

EL CUBO MINES COMPLEX

During Q2 of 2023, the electrification project of the underground mine was completed, this allowed the Company to use electricity from the power grid at the Southern stopes of the mine, which is currently providing 65% of the production from CMC. This is a significant development, as diesel generators can contribute to air pollution and their use can lead to health hazards for workers. By eliminating the use of diesel generators, combined with the installation of the new exhaust fan, the Company has taken important steps towards improving the air quality of the mine and ensuring the health and safety of GSilver's workers.

The Company established a central workshop in the proximity of the El Cubo Mill facility, with an internal maintenance crew of 4 to 6 staff to provide major maintenance repairs and refurbishment to all the mobile fleet for both the Guanajuato and Topia districts. This is expected to reduce maintenance cost from contractors by 25% to 30%. During the second quarter, major repairs to a long hole drill, 2 scoop tram, and several ancillary equipment were done at this workshop.

The Falcon concentrator (the "Falcon") installed in mid-September 2022 has improved the overall metallurgical recoveries by 3% especially for free gold in the mineralization during the second quarter of 2023, and is performing according to plan. Ball mill number one and two have been added into the gravity circuit, increasing the overall recovery capacity.

During the second quarter of 2023, the Company engaged in a rehabilitation campaign of the available stopes at the San Nicolas vein located at the Santa Cecilia mine with the intent to extract high grade mineralized material from the new stopes and high-grade pillar recovery left by the previous owners. It is estimated the Company will access this fresh mineralized material from these pillars during Q3, 2023.

VALENCIANA MINES COMPLEX

VMC has been operating for nearly five centuries along the highly productive Veta Madre ('Mother Vein'), which spans 4.2km. The Cata processing plant is located at the midpoint of this strike length and has a nameplate capacity of 1000 tonnes per day (30,000 tonnes/month). Cata uses a traditional crushing, grinding and flotation system to produce a high-grade silver-gold concentrate. It is situated near the Company's administrative offices, assay lab, and one of two primary access shafts.

The Company has focused on increasing production and reducing hauling costs at VMC through the rehabilitation of the Cata Shaft and its associated infrastructure. The Cata Shaft is an important asset located within the VMC and has a length of 410 meters. It is equipped with a double drum hoist system operated by a steel cable. The shaft also features two skips, each with a capacity of seven tons, and has a hoisting capacity of up to 100 tons per hour. The recent rehabilitation works at the Cata Shaft will enable the Company to access high-quality mineralized material and improve overall operational efficiency. The investment made in the rehabilitation of the Cata Shaft demonstrates the Company's commitment to achieving its production goals and reducing operational costs.

In Q2 2023, reactivation of the hoist was completed with an estimated investment of $141,000. The Cata shaft is currently hoisting between 300 to 400 tonnes per day ("tpd"), which provides a significant positive impact to the costs of production with a significant reduction of haulage and truck haulage. This has also had a direct positive impact on the relationship with the surrounding communities due to the reduction of the use of trucks and the corresponding noise and road use. Rehabilitation work is still in progress and expected to be completed during Q4, 2023.

The Company has successfully installed and operated the second Falcon as planned at the VMC processing plant to improve the overall metallurgical recoveries, especially for free gold in the mineralization. Initially, feed from only one ball mill was processed through the concentrator which yielded positive results, with an additional 3% recovery on average. Preliminary concentrates are grading 100 grams of gold and 1,300 grams of silver. These concentrates do not require any additional flotation to achieve commercial grades.

TOPIA MINES COMPLEX

The Company has set its sights on modernizing and expanding the Topia plant's capacity in 2023 and 2024, upgrading from a nameplate capacity of 250 tonnes per day to 400 tonnes per day. The upgrade will take place in phases over the next 12 to 24 months, with the first phase involving the modernization of the tailings filter press circuit. By upgrading the 50-year-old plant with new equipment, the daily processing capacity will increase by 12% to 15%, reaching 270 tonnes per day. Future phases include upgrading existing flotation cells, potentially adding two new ones, constructing a new reagent area, and refurbishing the crushing and grinding capacity, which is already built to handle 400 tonnes per day. Additionally, the Company has completed construction to increase the permitted height and footprint of the tailings dam at Topia which will increase the capacity from the current two years to up to four years with the current footprint.

In late 2022 and early 2023, the Company was working on two development projects at Topia. The first project involved developing 200 meters of the El Condor tunnel to intersect with the Argentina vein. The second project aimed to improve the connection between the lower Argentina levels and the Cantarana vein systems by constructing the Victoria tunnel in the lower level of the mine. However, in April 2023, the Company decided to temporarily halt the development of the Victoria tunnel in order to prioritize the acceleration of the El Condor tunnel development, which would give the Company access to superior mineralized material which is situated in closer proximity to the Topia plant than the Cantarana vein system.

The power grid at La Prieta mine was achieved in the quarter, providing a substantial reduction in cost and improved efficiency.

MASTRANTOS IV

The Mastrantos IV tailings facility ("Mastrantos IV") is located approximately 3km from the CMC mill and had an operational history dating principally between 1986 to 2003. In 2022, the Company completed 134 shallow drillholes, totalling 220.5 drilled meters (holes to approximately 2.0m depth), at Mastrantos IV with over 95% of the drillholes encountering significant mineralization. The 43,000 square meter target area at Mastrantos IV is a gold and silver mineralized layer starting at surface and extending to approximately 1.5 m in depth, with the majority of the value of this mineralization existing as free gold.

At the time Mastrantos IV was in operation the price of gold generally traded below $400 per ounce and most of the material came from the Santa Cecelia mine, which was encountering bonanza gold grades at the time. These combined circumstances may have contributed to the low gold recoveries and the high-grade values left in the tailings during past operations.

The Company performed various tests on the material, which has included a bulk sample and numerous metallurgical trials completed in conjunction with the University of Guanajuato's School of Mines and an industrial metallurgical test at nearby facility, which demonstrated economic viability. The Company installed eight shaking tables in December 2022 to create a gravity extraction circuit to extract gold and silver from the Mastrantos IV tailings with commissioning taking place shortly thereafter.

A shaking tables circuit is a series of tables used to separate the gold and silver by vibrating the tables rapidly back and forth, concentrating the heavier gold particles along the edges of the table while the lighter silver particles are carried away by the shaking motion and discharged in a separate stream which is collected and reprocessed through tables later on in the circuit which are configured to optimize recovery from the lighter silver material. The separation process can be optimized by adjusting the parameters of the shaking table, such as the amplitude, frequency, and tilt.

In addition to the test performed on the shaking tables, during this quarter, the Company performed industrial floatation in the floatation circuit installed at CMC on Mastrantos IV material. The results, despite the lower metallurgical recoveries were better than expected. The high-grade material located at the tailings dam, together with the recoveries achieved, (29% for gold and 25% for silver), makes this process potentially profitable, due to the lower cost of mining and processing of the Mastrantos IV material. The Company is continuing to run additional tests on both the shaking tables and the floatation circuit to determine which one is the most economical option.

EXPLORATION

SAN IGNACIO MINE

The 2023 exploration program is focused on extending mineralization from what have historically been the most productive vein systems at San Ignacio, namely the Melladito, Purisima and the Nombre de Dios veins; current production from San Ignacio comes primarily from the Melladito and the Nombre de Dios vein systems. Year to date, fourteen underground drillholes have been completed for a total of 2,202 metres. The plan is to continue the drilling program to delineate the mineralized material in NDD3 vein.

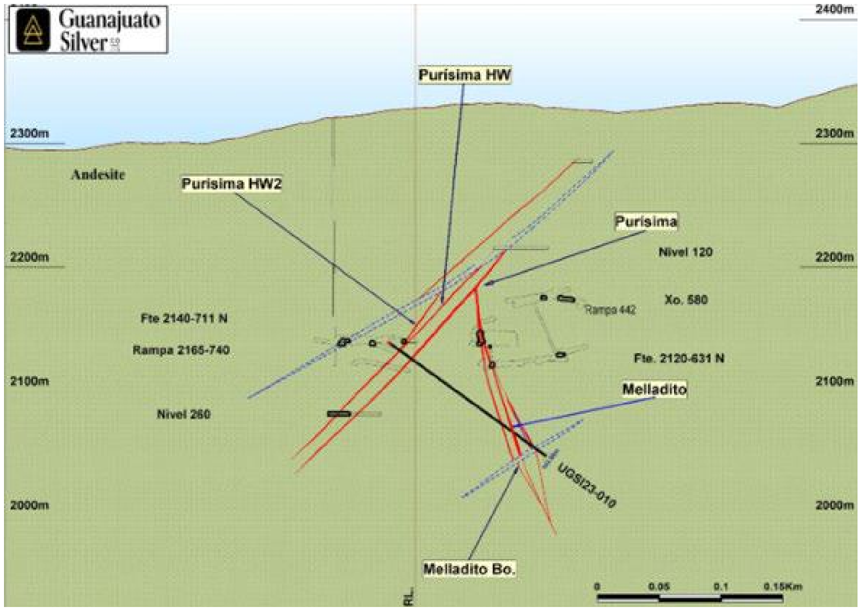
San Ignacio is a relatively new mine, having opened in 2012, with the average lifespan of a mine within the Guanajuato Mining District measured in centuries. There is tremendous potential for San Ignacio as demonstrated with the current round of high-grade drill results; the best intercept of this campaign was drill hole UGSI23-010, which has cut four formal structures of the Melladito and Purisima veins and returned a 4.89 metre wide mineralized intercept of the Melladito vein grading 359 g/t AgEq. This hole confirms the continuity of the mineralization at depth within the Melladito vein, which intercepted 4.92 metres true width of over 1.2 kilograms of silver-equivalent from drillhole UGSI-006. These results also confirm the extension of the Purisima vein to the south."

New drill results are posted below, including a cross section for drill hole UGSI23-010.

HOLE ID	VEIN	From (m)	To (m)	Width (m)	True Width (m)	Au (g/t)	Ag (g/t)	Ag Eq (g/t)
	HW Purisima	4.35	5.25	0.90	0.45	1.78	557	699
	Purisima	17.80	21.30	3.50	2.14	1.68	8	142
	Melladito Bo	109.80	113.20	3.40	1.74	1.72	122	260
UGSI23-010	Melladito	124.00	131.90	7.90	4.89	0.32	334	359
	HW Purisima	0.00	4.15	4.15	4.07	0.70	108	164
	HW Purisima (Branch)	6.00	6.55	0.55	0.48	3.26	260	520
	Purisima	26.25	27.90	1.65	1.06	1.11	1	89
UGSI23-011	Melladito	168.20	168.60	0.40	0.28	0.02	0	2
	NDD3 (Loop)	92.50	93.65	1.15	0.58	2.77	4	226
UGSI23-015	NDD3	106.55	107.15	0.60	0.25	4.05	2	326
UGSI23-017	NDD3	56.90	59.40	2.50	1.90	2.25	63	243
	NDD1 Loop	43.20	43.60	0.40	0.27	0.11	85	94
	NDD1	44.55	45.75	1.20	0.80	1.07	67	152
	NDD1.5	58.60	59.50	0.90	0.61	0.51	99	139
	NDD2	94.20	94.90	0.70	0.54	2.22	13	191
UGSI23-019	NDD3	135.50	136.65	1.15	0.71	2.32	4	189
	NDD1	33.60	34.45	0.85	0.72	0.35	204	232
	NDD1.5	40.10	40.30	0.20	0.17	0.04	2	5
UGSI23-020	NDD2	77.65	78.55	0.90	0.82	1.01	38	119
	Mell Comp Gral	103.10	110.85	7.75	4.11	1.26	35	136
	NDD2	136.45	137.30	0.85	0.85	0.23	3	21
	NDD3	185.20	187.45	2.25	1.62	2.55	5	209
	Loop NDD3	192.05	194.10	2.05	1.37	4.20	6	342
UGSI23-021	HW Vein	199.20	200.40	1.20	0.69	2.93	5	239
	Melladito	125.50	128.55	3.05	1.29	1.51	180	301
	NDD2	141.00	142.00	1.00	0.98	0.60	2	50
	NDD3	175.10	177.10	2.00	1.29	3.41	6	279
UGSI23-022	NDD3 (Loop)	185.15	185.35	0.20	0.12	3.44	8	283

All silver equivalent (AgEq) values are calculated based on a long-term gold to silver price ratio of 80:1.

Cross Section UGSI23-010



VALENCIAN MINE COMPLEX

617.5 meters of brownfield core drilling were completed in one hole. The vertical continuity of the El Borrego vein was verified by this hole (UGBO23-001). Surface geological mapping have defined that the vein has an extension of 1.2 km of length. The drilling program continues to confirm and test the expansion of the southern zone.

TOPIA

Drill results from the La Prieta, Dos Amigos and Union del Pueblo veins are set out in the table below. The best result was UT23-463 which returned over a half metre of 2674 AgEq from the La Prieta vein. Drilling here continues to provide narrow and extraordinarily high grades in many areas of the deposit.

HOLE ID	VEIN	From (m)	To (m)	Width (m)	True Width (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	AgEq (g/t)
UT23-458	Prieta	39.26	39.83	0.57	0.45	4.39	660	3.20	8.48	1435
	and	42.30	42.46	0.16	0.10	13.89	152	1.00	5.57	1551
UT23-459	Dos Amigos	46.80	47.40	0.60	0.42	2.02	938	24.57	9.80	2150
UT23-460	Prieta	62.30	63.00	0.70	0.45	8.16	113	2.08	1.86	923
UT23-461	Dos Amigos	44.66	44.86	0.20	0.10	3.53	905	1.07	7.83	1525
UT23-462	Dos Amigos	87.65	89.10	1.45	1.00	1.19	65	0.58	2.02	264
UT23-463	Prieta	57.70	58.40	0.70	0.60	6.55	1424	4.83	13.77	2674
UT23-464	Rosario	60.75	62.15	1.40	1.05	0.00	26	0.18	0.41	48
UT23-465	U.D. Pueblo	33.55	33.70	0.15	0.15	0.00	731	4.00	0.24	851

All silver equivalent (AgEq) values are calculated based on a long-term gold to silver price ratio of 80:1.

Drilling carried out during the second quarter was 866.10 meters in the Argentina and Rosario veins. The Argentina vein corresponds to the El Condor Project together with the Santa Cruz vein, which is planned to be drilled in the third quarter. The type of drilling executed is infill to delineate the plunge of the mineralization. The following Table is a summary of the most relevant assays on the Argentina and Rosario veins.

HOLE ID	VEIN	From (m)	To (m)	Width (m)	True Width (m)	Au (g/t)	Ag (g/t)	Pb (g/t)	Zn (g/t)	AgEq (g/t)
UT23-468	Argentina	80.05	80.41	0.36	0.36	0.19	202	2.4	0.9	317
UT23-470	Argentina	84.71	85.16	0.45	0.35	0.09	133	0.2	1.0	182
UT23-471	Argentina	76.30	77.15	0.85	0.80	0.10	547	1.1	1.8	646
UT23-473	Rosario	55.58	56.48	0.90	0.80	0.05	51	0.2	0.5	77

All silver equivalent (AgEq) values are calculated based on a long-term gold to silver price ratio of 80:1.

EL CUBO MINES COMPLEX

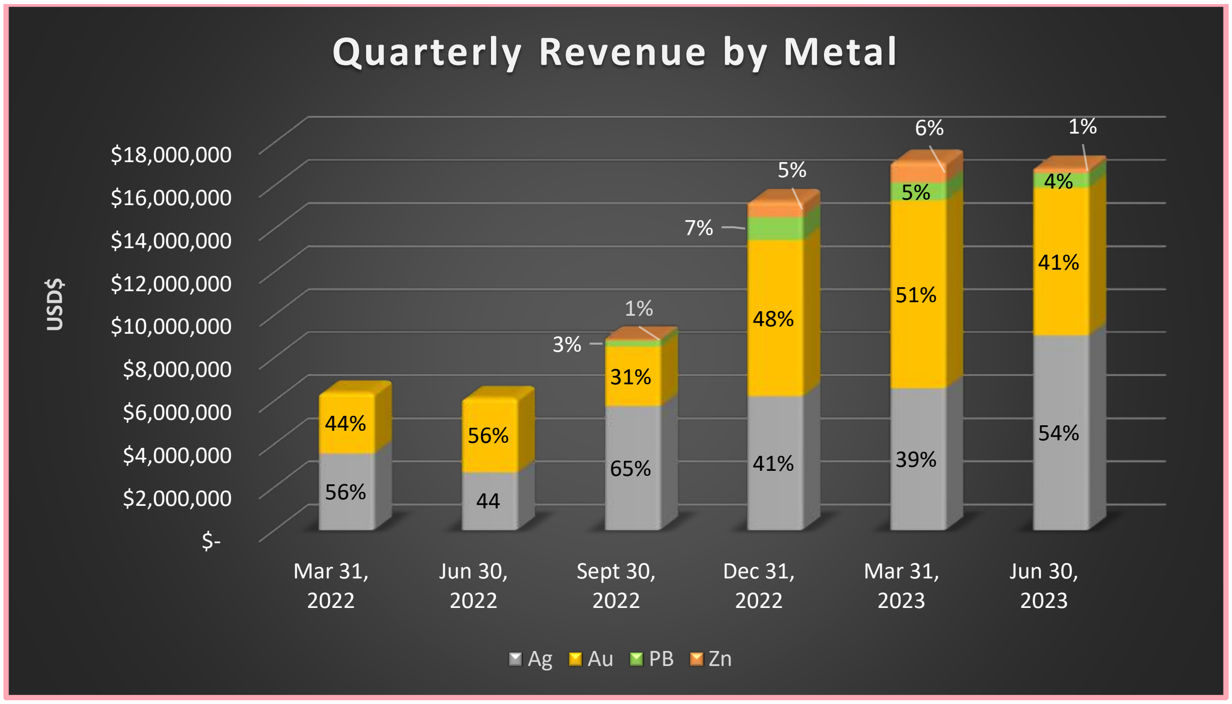
Drilling during the second quarter was 649.00 meters in the Dolores and San Luis veins. As part of the strategic focused exploration program drilling at El Cubo Mines Complex was suspended. The definition of new areas for production in the veins with better service infrastructure and improvement of mineralized material control continues.

FINANCIAL PERFORMANCE

The Financial Results for the three and six months periods were as follows:

CONSOLIDATED	Three months ended June 30, 2023	Three months ended June 30, 2022	% Change	Six Months ended June 30, 2023	Six Months ended June 30, 2022	% Change
Financial Results	**$**	**$**		**$**	**$**	
Revenue	**16,823,042**	6,133,989	174%	**33,941,466**	12,520,627	171%
Gold	6,872,684	3,443,435	225%	13,465,874	7,011,482	92%
Silver	9,041,945	2,690,554	76%	17,772,552	5,509,145	223%
Lead	678,244	-	100%	1,509,921	-	100%
Zinc	230,168	-	100%	1,193,118	-	100%
Cost of Sales	**(19,213,281)**	(7,790,285)	147%	**(39,482,397)**	(15,914,046)	148%
Production Costs	(16,415,956)	(5,767,560)	185%	(32,139,863)	(11,350,715)	183%
Transportation and selling cost	(878,095)	(69,022)	1,172%	(1,703,268)	(171,667)	892%
Inventory changes	865,285	(289,484)	(399%)	483,155	(977,688)	(149%)
Mine operating cashflow before Taxes[7]	**394,276**	7,923	4,877%	**581,490**	20,557	(2,729%)
Depreciation and depletion	(2,784,515)	(1,664,219)	67%	(6,122,421)	(3,413,976)	79%
Mine operating loss	**(2,390,238)**	(1,656,296)	44%	**(5,540,931)**	(3,393,419)	63%
General and Administration	(2,877,358)	(1,342,039)	114%	(5,234,296)	(2,561,620)	104%
SBC Compensation	(650,135)	(231,594)	181%	(901,310)	(641,807)	40%
Exploration - other direct costs	(678,717)	(975,393)	(30%)	(1,203,551)	(1,592,224)	(24%)
Foreign exchange gain (loss)	(1,280,033)	(9,152)	13,886%	(2,345,290)	(299,151)	684%
Other operating income (expenses)	(271,469)	3,524	(7,803%)	(94,756)	6,520	(1,553%)
Interest and finance (costs) income, net	(1,126,420)	(654,350)	72%	(2,336,834)	(1,289,155)	81%
Gain on derivatives	239,601	1,220,275	(80%)	373,739	977,462	(62%)
Other finance (expense) income, net	477,232	123,634	286%	26,613	332,851	(92%)
Net loss	**(8,557,538)**	(3,521,391)	143%	**(17,256,616)**	(8,460,543)	104%
Loss per share - basic and diluted	(0.03)	(0.02)	68%	(0.05)	(0.04)	41%
EBITDA[1] [5]	(4,576,059)	(1,132,279)	304%	(8,643,466)	(3,572,987)	142%
Adjusted EBITDA [2] [5]	(3,409,928)	(2,244,594)	86%	(5,683,156)	(4,138,726)	37%
Cash cost Ag/Eq per ounce [3] [5]	17.71	17.08	4%	17.39	18.50	0%
AISC cost per Ag/Eq ounce [4] [5]	22.47	24.15	(7%)	22.15	24.89	0%
Realized silver price per ounce[6]	24.33	22.56	8%	23.40	23.20	1%
Realized gold price per ounce[6]	1,988.05	1,873.26	6%	1,938.47	1,868.96	4%
Realized lead price per pound[6]	0.97	-	100%	0.97	-	100%
Realized zinc price per pound[6]	1.14	-	100%	1.31	-	100%

1. See Reconciliation of Earnings before interest, taxes, depreciation, and amortization on page 30.
2. See reconciliation of Adjusted EBITDA on page 30.
3. Cash cost per silver equivalent ounce include mining, processing, and direct overhead. See Reconciliation to IFRS on page 31.
4. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 31.
5. See "Non-IFRS Financial Measures" on page 29.
6. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.
7. Mine operating cash flow before taxes is calculated by adding back depreciation, depletion, and inventory write-downs to mine operating loss. See Reconciliation to IFRS on page 29.



Three months ended June 30, 2023 (compared to the three months ended June 30, 2022)

Revenue

During the three months ended June 30, 2023, the Company generated revenues of $16,823,042 net of metal deductions, treatment, and refining costs ($2,551,515) this represents a 174% increase compared to same period prior year mainly due to sales of 462,917 ounces of silver and 4,427 ounces of gold which is a 190% and 102% increase respectively, due to the addition of the Valenciana Mines Complex and the Topia Mine. Additionally, the Company sold 830,567 pounds of lead at a realized price of $0.97 and 871,328 pounds of zinc at a realized price of $1.14 from the Topia Mine. During the quarter realized silver and gold price per ounce sold averaged $24.33 and $1,988.05 an 8% and 6% increase respectively, compared to $22.56 and 1,873.26 per ounce in Q2 2022. There was a negative impact of $2,154,841 on provisional pricing and settlement adjustments during the quarter.

Cost of sales

Cost of sales is comprised of production cost, including mining, processing, maintenance and site general administration net of inventory changes, transportation and selling cost and depreciation and depletion. The increase of 150% in cost of sales for the three months ended June 30, 2023, compared to Q1 2022 is mainly due to 182% increase in production cost and 91% increase in depreciation and depletion, additional $646,740 of transportation, and other selling cost including a new environmental duty and special mining royalty mainly from the addition of production from the San Ignacio, Valenciana and Topia operations.

General and administration

General and administration expenses increased by 114% or $1,535,319 during the three months ended June 30, 2023, compared to Q2 2022. This increase is mainly due to $545,998 increase in salaries and management fees due to the addition of Senior Management in Vancouver and Guanajuato, $403,310 due to increase in insurance, purchase of software and IT equipment and regulatory filing fees allocated in corporate administration, and $697,000 on professional fees in relation to corporate development, due diligence, legal and financing cost.

Exploration

General exploration costs decreased 30% to $678,717 in the three months ended June 30, 2023, compared to $975,393 in the same period in 2022, as the Company focused its exploration program only on the Valenciana Mines Complex with 1,816 meters drilled and a further 866 meters in Topia. A further 649 meters were drilled in El Cubo compared to 5,855 meters drilled in El Cubo in the 3 months ended June 30, 2022.

Share-based compensation

Share-based compensation increased by $418,541 or 181% for the three months ended June 30, 2023, compared to the same period in 2022 due to 347,500 restricted share units and 3,490,000 stock options being granted in 2023. The restricted share units will vest evenly over 12 months, and one third of the 3,490,000 stock options vested and expensed immediately. In Q2 2022, only 400,000 stock options were granted, of which one third vested immediately.

Interest and finance costs

Interest and finance costs increased by $15,265 or 3% for the three months ended June 30, 2023, compared to the three months ended June 30, 2022, due to the different types of loans outstanding. As at June 30 2023, the Company holds the Tertiary OCIM loan of $4,678,621 with an effective interest rate of 23%, and two Ocean Partners loans of $8,113,978 and implied interest rate of 13%. In June 2022, the Company held the Initial and Second OCIM loans of $8,252,190 with an effective interest rate of 21% (*See Liquidity and Capital Resources)* and an increase of 311% on accretion expenses regarding the reclamation and rehabilitation provision from MMR.

Gain on derivatives

Under the OCIM Loans, the requirement to deliver gold and silver ounces is considered a derivative which is required to be revalued at the end of each reporting period. Additionally, as the Company repays the OCIM loans, the derivative portion of the loan will result in a gain or loss on settlement.

For the three months ended June 30, 2023, the Company recognized a gain $242,885 on the revaluation of the derivative on the outstanding Tertiary OCIM Loan offset by a loss of $3,284 on the settlement of the derivative portion of the first payment towards the Tertiary loan. For the three months ended June 30, 2022, the Company recognized a gain of $1,220,275 on the revaluation of the derivative due to a change in silver and gold futures prices in the quarter. (*See Liquidity and Capital Resources*).

Other finance items, net

During the three months ended June 30, 2023, the Company had an unrealized gain of $360,106 on the changes of fair value on forward silver and gold pricing sales, combined with a gain on the fair value measurement on the contingent payments of $129,607. During the three months ended June 30, 2022, the Company recognized a gain of $195,910 on the extinguishment of the initial OCIM loan.

Six months ended June 30, 2023 (compared to the six months ended June 30, 2022)

Revenues

Revenues of $33,941,466 net of metal deductions, treatment, and refining costs ($5,558,611) increased by 171% compared to $12,520,627 net of metal deductions, treatment, and refining costs ($1,515,404) for the six months ended June 30, 2023, mainly due to sales of 937,872 ounces of silver and 9,012 ounces of gold which is a 219% and 114% increase respectively, due to the addition of the Valenciana Mines Complex and the Topia Mine. Additionally, the Company sold 1,786,008 pounds of lead at a realized price of $0.97 and 2,113,717 pounds of zinc at a realized price of $1.31 from the Topia Mine. During the quarter realized silver and gold price per ounce sold averaged $23.40 and $1,938.44 a 1% and 4% increase respectively, compared to $23.20 and $1,868.96 per ounce in the same period of 2022. There was a negative impact of $4,009,937 on provisional pricing and settlement adjustments during the six months ended June 30, 2023.

Cost of sales

The increase of 148% in cost of sales for the six months ended June 30, 2023, compared to the same period of 2022, is mainly due to 183% increase in production cost and 79% increase in depreciation and depletion plus additional $1,703,268 of transportation, and other selling cost including a new environmental duty and special mining royalty mainly from the addition of production from the San Ignacio, Valenciana and Topia operations.

General and administration

General and administration expenses increased by 104% or $2,672,676 during the six months ended June 30, 2023, compared to the six months ended Junes 30,2022. This increase is mainly due to $992,667 increase in salaries and management fees due to the addition of Senior Management in Vancouver and Guanajuato, $800,488 due to increase in insurance and purchase of software and IT equipment allocated in corporate administration, and $907,678 on professional fees due to the Company's increased operations with the acquisition of MMR.

Exploration

General exploration costs decreased 24% to $1,203,551 in the six months ended June 30, 2023, compared to $1,592,224 in the same period in 2022, as the Company focused its exploration program on the Valenciana Mines Complex with 3,889 meters drilled and a further 1,497 meters in Topia. A further 649 meters were drilled in El Cubo, compared to 10,049 meters drilled in El Cubo in the 6 months ended June 30, 2022.

Share-based compensation

Share-based compensation increased by $259,503 or 40% for the six months ended June 30, 2023, compared to the same period in 2022 due to 347,500 restricted share units and 3,490,000 stock options being granted in 2023. The restricted share units will vest evenly over the next 12 months, and one third of the 3,490,000 stock options vested and were expensed immediately. In the first six months of 2022, only 1,100,000 stock options were granted, of which about one third vested immediately.

Interest and finance costs

Interest and finance costs increased by $167,541 or 17% for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, due to the different types of loans on outstanding. As at June 30, 2023, the Company holds the Tertiary OCIM loan of $4,678,621 with an effective interest rate of 23%, and two Ocean Partners loans of $8,113,978 with an effective interest rate of 13%. In June 2022, the Company held the Initial and Second OCIM loans of $8,252,190 with an effective interest rate of 21% and an increase of 269% on accretion expenses regarding the reclamation and rehabilitation provision from MMR.

Gain on derivatives

Under the OCIM Loans, the requirement to deliver gold and silver ounces is considered a derivative which is required to be revalued at the end of each reporting period. Additionally, as the Company repays the OCIM loans, the derivative portion of the loan will result in a gain or loss on settlement.

In the six months ended June 30, the Company recognized a gain of $398,064 on the revaluation of the derivative on restructure of the gold and silver pre-payment facility with OCIM (Secondary Loan) with a new $5,000,000 pre-payment agreement with OCIM (the "Tertiary Loan") offset by a loss of $24,325 on the settlement of the derivative portion of three repayments to OCIM (six months ended June 30, 2022 – gain of $997,462) (See *Liquidity and Capital Resources*).

Other finance items, net

During the six months ended June 30, 2023, the Company had an unrealized gain of $360,106 on the changes of fair value on forward silver and gold pricing sales, combined with a gain on the fair value measurement on the contingent payments of $129,607 offset against a loss of $461,662 on settlement debt in refinancing the OCIM loans. During the six months ended June 30, 2022, the Company recognized a gain of $195,910 on the extinguishment of the initial OCIM loan.

LIQUIDITY AND CAPITAL RESOURCES

The Company's ability to generate enough cash, both in the short term and the long term, to maintain existing capacity and to fund ongoing development and exploration, is dependent upon the ability of the Company to generate positive cash flows from operations and/or obtain the financing necessary to generate and sustain profitable operations. Refer to going concern section above.

The Company will evaluate, from time to time, sales of its common shares to improve the Company's liquidity and working capital position. To the extent that cash generated by operations during 2023 is less than anticipated or in the event the Company determines it will undertake other projects that are currently not part of its plans, or if the Company undertakes another acquisition, additional capital may be required. While the Company has recently completed a $5,969,148 (CAD$8,010,000) private placement (discussed below) based on its existing cash and cash equivalents as at June 30, 2023 of $4,509,396, negative working capital of $17,831,378, and estimated future cash flows, it does have sufficient capital to continue operations for the next twelve months. As a result, it will need to raise additional capital and sources of capital include accessing the private and public capital markets for debt and equity over the next twelve months. Adverse movement in metal prices and unforeseen impacts to the Company's operation may increase the need to raise new external sources of capital, and the inability to access sources of capital could adversely impact the Company's liquidity and require the Company to curtail capital and exploration program and other discretionary expenditures.

	Three months ended			Six Months ended		
	June 30, 2023	June 30, 2022	% Change	June 30, 2023	June 30, 2022	% Change
Cash Flow	$	$		$	$	
Cash provided by (used in) operating activities	406,499	(4,080,479)	(110%)	(1,692,264)	(5,624,408)	(70%)
Cash used in investing activities	(1,650,689)	(1,175,938)	40%	(3,097,650)	(1,509,939)	105%
Cash provided by (used in) financing activities	(1,340,923)	2,862,989	(147%)	(1,252,419)	3,156,210	(140%)
Effect of exchange rate changes on cash	145,659	16,264	796%	44,951	253,490	(82%)
Change in cash	(2,439,452)	(2,377,164)	3%	(5,997,383)	(3,724,647)	61%
Cash, beginning of year	5,275,004	6,886,559	(23%)	8,832,936	8,234,043	7%
Cash, end of year	2,835,553	4,509,396	(37%)	2,835,553	4,509,396	(37%)

As at June 30, 2023, the Company had cash and cash equivalents of $2,835,553 and negative working capital of $17,831,378 compared with cash of $8,832,936 and negative working capital of $5,972,704 at December 31, 2022.

Operating activities

Cash generated from operating activities was $406,499 during the three months ended June 30, 2023 (June 30, 2022 – used in of $4,080,479). The significant non-cash adjustments to the net loss of $8,557,538 in the three months ended June 30, 2023 (June 30, 2022 - $ 3,521,390) were depreciation and depletion of $6,276,315 (six months ended June 30, 2022 – $3,537,274), accretion of $1,158,599 (six months ended June 30, 2022 - $140,369), share-based compensation of $650,135 (June 30, 2022 – $231,594), gain on derivatives and financial assets carried at fair value of $716,834 (June 30, 2022 – $1,220,311), unrealized foreign exchange loss of $1,467,401 (June 30, 2022 – a gain of $114,352) and an increase in non-cash working capital of $3,557,704 (June 30, 2022 – decrease of $1,440,578). The net change in non-cash working capital was primarily due to an increase in amounts receivable, prepaid expenses and accounts payable and accrued liabilities offset by a decrease in purchase of gold and silver bullion, and inventory.

In the six months ended June 30, 2023, cash used in operating activities was $1,692,265 (six months ended June 30, 2022 –$5,624,408). The significant non-cash adjustments to the net loss of $17,256,616 in the six months ended June 30, 2023 (six months ended June 30, 2022 - $ 8,460,543) were depreciation and depletion of $6,276,315 (six months ended June 30, 2022 – $3,537,274), accretion of $1,158,599 (six moths ended June 30, 2022 - $293,795), share-based compensation of $901,310 (six months ended June 30, 2022 – $641,807), gain on derivatives and financial assets carried at fair value of $861,974 (six months ended June 30, 2022 – $977,462), unrealized foreign exchange loss of $2,515,915 (six months ended June 30, 2022 – $98,066) and an increase in non-cash working capital of $3,934,085 (six months ended June 30, 2022 – decrease of $1,174,627). The net change in non-cash working capital was primarily due to an increase in amounts receivable, prepaid expenses and accounts payable and accrued liabilities offset by a decrease in purchase of gold and silver bullion, and inventory.

Investing activities

Investing activities used cash of $1,650,689 in the three months ended June 30, 2023, compared with the use of cash of $1,175,938 in the same period in 2022. The use of cash during the quarter was $130,900 on plant and equipment, $78,600 on construction in progress related to emergency rescue pods and rehabilitation of the tailings dam and $1,388,000 of mine development mainly for the continued ramp up of Topia, Valenciana and San Ignacio mines. Additionally, the Company purchased hedging instruments for $51,978 and the purchase of 3 of the 4 underlying royalties on El Pinguico from the original vendor of the property, Exploraciones Mineras Del Bajio S.A. de C.V. for $70,000.

In the six months ended June 30, 2023, investing activities used cash of $3,097,651, compared with the use of cash of $1,509,939 in the same period in 2022. The use of cash during the period was $355,863 on plant and equipment, $573,879 on construction in progress related to emergency rescue pods and rehabilitation of the tailings dam and $2,013,333 of mine development mainly for the continued ramp up of Topia, Valenciana and San Ignacio mines. Additionally, the Company purchased hedging instruments for $111,328 and the purchase of 3 of the 4 underlying royalties on El Pinguico from the original vendor of the property, Exploraciones Mineras Del Bajio S.A. de C.V. for $70,000.

Financing activities

Cash used in financing activities for the three months ended June 30, 2023, was $1,340,923 mainly from proceeds from the issuance of 4,537,050 common shares from the exercises of warrants and options of $1,383,932 offset by loan and lease payments of $2,724,855.

In the six months ended Junes 30, 2023, cash used in financing activities was $1,252,419 (six months ended June 30, 2023, cash generated of $3,156,210) mainly from proceeds from issuance of 4,080,486 shares for $1,264,992, from the exercises of warrants and options of $1,431,742 offset by loan and lease payments of $3,986,875.

<u>OCIM</u>
The Company had an existing loan facility with OCIM Precious Metals SA ("OCIM") for $7,500,000 (the "Initial Loan") and on May 4, 2022, the Company entered into a new silver and gold pre-payment facility amount of $7,500,000 with OCIM ("Secondary Loan") secured against GSilver's CMC assets. The Secondary Loan was for a term of 18-months and repayable over a period of 12 months, following a six-month grace period, by the Company delivering 20,240 ounces of silver and 163 ounces of gold on a monthly basis (an aggregate of 242,877 ounces of silver and 1,958 ounces of gold), calculated at a fixed discount to the prevailing London Bullion Market Association (LBMA) spot metals' prices on May 4, 2022.

On November 17, 2022, the Company made an early repayment on the Initial Loan and the Secondary Loan of 683.14 ounces of gold and 76,278 ounces of silver, resulting in a discount of 2,354 ounces of silver. The final payment on the Initial Loan of 19,076 ounces of silver and 178.4 ounces of gold was made on January 26, 2023, extinguishing the Initial Loan.

On March 29, 2023, the Company completed the Tertiary Loan of $5,000,000 with OCIM. The Tertiary Loan has a term of 19-months and is repayable over 16 months, following a 3-month grace period, by delivering 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. The full proceeds of the pre-payment facility plus an additional payment of $510,143 were used to extinguish the outstanding balance on the Secondary Loan.

<u>Non-brokered Private Placement</u>
On January 11, 2023, the Company completed the second and final tranche of a non-brokered Listed Issuer Financing Exemption private placement (note 13(b)(iv)) 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 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.

<u>Bought-deal private Placement</u>
On August 10, 2023, the Company completed a bought-deal private placement and issued 22,250,000 Units at $0.270 (CAD$0.36) per unit for gross proceeds of $5,969,148 (CAD$8,010,000). 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$0.55 per share and expire on February 10, 2025. The Company paid the underwriters a cash commission of 6% of the gross proceeds and issued 1,335,000 Broker's warrants representing 6% of the number of Units sold. Each Broker's warrants entitle the holder to purchase one common share of the Company at CAD$0.55 per share and expire on February 10, 2025.

NON-IFRS FINANCIAL MEASURES

The Company has disclosed certain non-IFRS financial measures and ratios in this MD&A, as discussed below. These non-IFRS financial measures and non-IFRS ratios are widely reported in the mining industry as benchmarks for performance and are used by Management to monitor and evaluate the Company's operating performance and ability to generate cash. The Company believes that, in addition to financial measures and ratios prepared in accordance with IFRS, certain investors use these non-IFRS financial measures and ratios to evaluate the Company's performance. However, the measures do not have a standardized meaning under IFRS and may not be comparable to similar financial measures disclosed by other companies. Accordingly, non-IFRS financial measures and non-IFRS ratios should not be considered in isolation or as a substitute for measures and ratios of the Company's performance prepared in accordance with IFRS.

Non-IFRS financial measures are defined in National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure ("NI 52-122") as a financial measure disclosed that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ration, fraction, percentage or similar representation.

A non-IFRS ratio is defined by 52-112 as a financial measure disclosed that (a) is in the form of a ration, fraction, percentage, or similar representation, (b) has a non-IFRS financial measure as one or more of its components, and (c) is not disclosed in the financial statements.

WORKING CAPITAL

Working capital is a non-IFRS measure that is a common measure of liquidity but does not have any standardized meaning. The most directly comparable measure prepared in accordance with IFRS is current assets and net of current liabilities. Working capital is calculated by deducting current liabilities from current assets. Working capital should not be considered in isolation or as a substitute from measures prepared in accordance with IFRS. The measure is intended to assist readers in evaluating our liquidity.

As at	June 30 2023	December 31 2022
	$	$
Current assets	21,012,949	27,182,590
Current liabilities	38,844,327	33,155,294
Working capital	(17,831,378)	(5,972,704)

MINE OPERATING CASH FLOW BEFORE TAXES

Mine operating cash flow before taxes is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Mine operating cash flow is calculated as revenue minus production costs, transportation and selling costs and inventory changes. Mine operating cash flow is used by management to assess the performance of the mine operations, excluding corporate and exploration activities, and is provided to investors as a measure of the Company's operating performance.

	Three months ended					
	30-Jun 2023	31-Mar 2023	31-Dec 2022	30-Sep 2022	30-Jun 2022	31-Mar 2022
	$	$	$	$	$	$
Revenues	16,823,042	17,118,424	15,487,714	8,871,863	6,133,989	6,386,638
Production cost	(16,415,956)	(15,723,907)	(12,911,041)	(9,670,274)	(5,767,560)	(5,550,293)
Transportation and other support cost	(878,096)	(825,173)	(596,916)	(178,676)	(69,021)	(135,508)
Inventory changes	865,285	(382,130)	387,765	626,923	(289,485)	(688,203)
Mine operating cash flows before taxes	**394,276**	**187,214**	**2,367,522**	**(350,164)**	**7,923**	**12,634**

	Cumulative as at the end of each period					
	30-Jun 2023	31-Mar 2023	31-Dec 2022	30-Sep 2022	30-Jun 2022	31-Mar 2022
	$	$	$	$	$	$
Revenues	33,941,466	17,118,424	36,880,204	21,392,490	12,520,627	6,386,638
Production cost	(32,139,863)	(15,723,907)	(33,868,210)	(20,957,169)	(11,350,715)	(5,583,155)
Transportation and other support cost	(1,703,268)	(825,173)	(1,011,081)	(414,165)	(171,667)	(102,646)
Inventory changes	483,155	(382,130)	37,001	(350,764)	(977,688)	(688,203)
Mine operating cash flows before taxes	**581,490**	**187,214**	**2,037,914**	**(329,608)**	**20,557**	**12,634**

EBITDA

EBITDA is a non-IFRS financial measure, which excludes the following from net earnings:

- Income tax expense;
- Finance costs;
- Amortization and depletion.

Adjusted EBITDA excludes the following additional items from EBITDA:

- Share based compensation;
- Non-recurring impairments (reversals);
- Loss (gain) on derivative;
- Significant other non-routine finance items.

Adjusted EBITDA per share is calculated by dividing Adjusted EBITDA by the basic weighted average number of shares outstanding for the period.

Management believes EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures. Management uses EBITDA for this purpose. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" based on an observed or inferred relationship between EBITDA and market values to determine the approximate total enterprise value of a Company.

EBITDA is intended to provide additional information to investors and analysts. It does not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of operating performance prepared in accordance with IFRS. EBITDA excludes the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore is not necessarily indicative of operating profit or cash flow from operations as determined by IFRS. Other companies may calculate EBITDA and Adjusted EBITDA differently.

	Three months ended					
	June 30 2023	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**
	$	**$**	**$**	**$**	**$**	**$**
Net loss per financial statements	(8,557,538)	(8,699,078)	(9,905,707)	(8,405,337)	(3,521,390)	(4,939,152)
Depreciation and depletion – cost of sales	2,784,515	3,337,906	2,515,349	2,991,577	1,664,219	1,749,757
Depreciation and depletion – general and administration	70,544	56,782	59,208	57,210	70,542	51,185
Interest and finance costs (income), net	1,126,420	1,210,414	1,452,284	1,045,309	654,350	634,805
Current income tax	-	-	(118,287)	118,287	-	-
EBITDA	**(4,576,059)**	**(4,093,976)**	**(5,997,153)**	**(4,192,955)**	**(1,132,279)**	**(2,503,405)**
Share based compensation	650,135	251,175	268,164	601,100	231,594	410,213
(Gain) loss on derivatives	(239,601)	(134,138)	1,677,253	(754,358)	(1,220,275)	242,813
ARO unrealized foreign exchange (gain) loss	1,098,944	1,182,666	629,811	73,358	(105,211)	207,978
Other finance items, net	-	450,619	115,212	80,150	(123,634)	(209,217)
Transaction cost associated with the acquisition of MMR	-	-	145,387	1,216,992	-	-
Union payment associated with acquisition of "EL Cubo Mines Complex"	(477,232)	-	-	488,634	-	-
Gain on change of fair value on gold contingent payments to Endeavour	-	-	(1,624)	(516,824)	-	-
Loss on change of fair value on silver contingent payments to MMR	-	-	269,478	-	-	-
Allowance on receivable amount from Great Panther	-	-	1,300,000	-	-	-
Other expenses	-	(118,287)	-	-	-	-
VAT write-off	133,885	162,144	93,412	318,975	-	-
Adjusted EBITDA	**(3,409,928)**	**(2,299,797)**	**(1,500,059)**	**(2,684,927)**	**(2,349,805)**	**(1,851,618)**

	Cumulative as at the end of each period					
	June 30 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	$	$	$	$	$	$
Net loss per financial statements	(17,256,616)	(8,699,078)	(26,771,585)	(16,865,880)	(8,460,542)	(4,939,152)
Depreciation and depletion – cost of sales	6,122,421	3,337,906	8,920,902	6,405,553	3,413,976	1,749,757
Depreciation and depletion – general and administration	153,894	56,782	238,145	180,508	121,727	51,184
Interest and finance costs (income), net	2,336,834	1,210,414	3,786,748	2,334,464	1,289,155	634,805
Current income tax	-	-	-	118,287	-	-
EBITDA	**(8,643,467)**	**(4,093,976)**	**(13,825,789)**	**(7,827,068)**	**(3,635,684)**	**(2,503,405)**
Share based compensation	901,310	251,175	1,511,071	1,242,907	641,807	410,213
(Gain) loss on derivatives	(373,739)	(134,138)	(54,567)	(1,731,820)	(977,462)	242,813
Unrealized foreign exchange loss	2,281,610	1,182,666	805,937	176,125	102,767	207,978
Other finance items, net	-	450,619	(137,489)	(252,701)	(332,851)	(209,217)
Transaction cost associated with the acquisition of MMR	461,622	-	1,362,379	1,216,992	-	-
Union payment associated with acquisition of "EL Cubo Mines Complex"	(488,235)	-	488,634	488,634	-	-
Gain on change of fair value on gold contingent payments to Endeavour	-	-	(518,448)	(516,824)	-	-
Loss on change of fair value on silver contingent payments to MMR	-	-	269,478	-	-	-
Allowance on receivable amount from Great Panther	-	-	1,300,000	-	-	-
Other expenses	(118,287)	(118,287)				
VAT write-off	296,029	162,144	412,387	-	-	-
Adjusted EBITDA	**(5,683,156)**	**(2,299,797)**	**(8,386,408)**	**(7,203,755)**	**(4,138,726)**	**(1,851,618)**

Cash Cost per Ag/Eq Ounce, All-In Sustaining Cost per Ag/Eq Ounce and Production Cost per Tonne

Cash costs per silver equivalent oz and production costs per tonne are measures developed by precious metals companies in an effort to provide a comparable standard; however, there can be no assurance that the Company's reporting of these non-IFRS measures and ratios are similar to those reported by other mining companies. Cash costs per silver equivalent ounce and total production cost per tonne are non-IFRS performance measures used by the Company to manage and evaluate operating performance at its operating mining unit, in conjunction with the related IFRS amounts. They are widely reported in the silver mining industry as a benchmark for performance, but do not have a standardized meaning and are disclosed in addition to IFRS measures. Production costs include mining, milling, and direct overhead at the operation sites**.** Cash costs include all direct costs plus royalties and special mining duty. Total production costs include all cash costs plus amortization and depletion, changes in amortization and depletion in finished goods inventory and site share-based compensation. Cash costs per silver equivalent ounce is calculated by dividing cash costs and total production costs by the payable silver ounces produced. Production costs per tonne are calculated by dividing production costs by the number of processed tonnes. The following tables provide a detailed reconciliation of these measures to the Company's direct production costs, as reported in its consolidated financial statements.

All-in Sustaining Costs ("AISC") is a non-IFRS performance measure and was calculated based on guidance provided by the World Gold Council ("WGC"). WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining capital expenditures. AISC is a more comprehensive measure than cash cost per ounce and is useful for investors and management to assess the Company's operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its current operations, in conjunction with related IFRS amounts. AISC helps investors to assess costs against peers in the industry and help management assess the performance of its mine.

AISC includes total production costs (IFRS measure) incurred at the Company's mining operation, which forms the basis of the Company's total cash costs. Additionally, the Company includes sustaining capital expenditures, corporate general and administrative expense, operating lease payments and reclamation cost accretion. The Company believes this measure represents the total sustainable costs of producing silver and gold concentrate from current operations and provides additional information of the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of silver and gold concentrate production from current operations, new projects capital at current operation is not included. Certain other cash expenditures, including share-based payments, tax payments, dividends and financing costs are also not included.

The following tables provide detailed reconciliations of these measures to cost of sales, as reported in notes to our consolidated financial statements.

		Three months ended June 30, 2023				Three months ended June 30, 2022	
		El Cubo	VMC	Topia	Consolidated	El Cubo	% Change
Cost of sales(5)		**7,358,967**	**5,739,860**	**6,061,241**	**19,160,068**	**7,790,285**	**146%**
Transportation and selling cost(5)		(166,022)	(126,768)	(532,088)	(824,878)	(69,021)	1,095%
Inventory changes		6,443	618,176	240,666	865,285	(320,443)	(370%)
Depreciation		(1,269,002)	(895,446)	(620,068)	(2,784,516)	(1,664,219)	67%
Production cost	A	**5,930,386**	**5,335,822**	**5,149,752**	**16,415,956**	**5,736,602**	**186%**
Add (subtract):							
Government royalties and mining taxes		38,592	13,717	206,779	259,088	30,958	737%
Total cash cost	B	**5,968,978**	**5,349,539**	**5,356,531**	**16,675,047**	**5,767,560**	**189%**
General and administrative - corporate		-	-	-	2,877,358	1,353,266	113%
Operating lease payments		166,162	12,386	-	178,548	-	
Sustaining capital expenditures		367,807	408,265	648,854	1,424,927	1,036,060	38%
Total All-in sustaining cash cost	C	**6,502,948**	**5,770,190**	**6,005,385**	**21,155,880**	**8,156,887**	**159%**
Tonnes milled	D	83,244	61,594	18,955	163,793	94,212	74%
Silver equivalent ounces produced	E	310,237	352,030	279,071	941,338	337,760	179%
Production cost per tonne	A/D	**71.24**	**86.63**	**271.69**	**100.22**	**60.89**	**65%**
Cash cost per AgEq ounce produced	B/E	**19.24**	**15.20**	**19.19**	**17.71**	**17.08**	**4%**
All-in sustaining cash cost per AgEq ounce produced	C/E	**20.96**	**16.39**	**21.52**	**22.47**	**24.15**	(7%)
Mining cost per tonne		32.11	52.74	194.28	58.63	27.79	111%
Milling cost per tonne		23.60	18.20	45.80	24.14	19.13	26%
Indirect cost per tonne		15.55	15.69	31.62	17.45	13.97	25%
Production cost per tonne		**71.24**	**86.63**	**271.69**	**100.22**	**60.89**	**65%**
Mining		2,672,620	3,248,765	3,682,441	9,603,822	2,618,059	267%
Milling		1,964,305	1,120,866	868,036	3,953,207	1,802,452	119%
Indirect		1,293,461	966,190	599,276	2,858,927	1,316,091	117%
Production Cost		**5,930,386**	**5,335,822**	**5,149,752**	**16,415,956**	**5,736,602**	186%

1. Silver equivalents are calculated using an 81.33:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.05:1 (Ag/Zn) ratio for Q2 2023, and an 83.4:1 (Ag/Au) ratio for Q2 2022, respectively.
2. Cash cost per silver equivalent ounce include mining, processing, and direct overhead.
3. AISC per oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital.
4. Production costs include mining, milling, and direct overhead at the operation sites.
5. Consolidated amount for the three months ended June 30, 2023, excludes $53,213 in relation to silver bullion transportation and selling cost from cost of sales.

		Six months ended June 30, 2023				Six months ended June 30, 2022	
		El Cubo	VMC	Topia	Consolidated	ElCubo	% Change
Cost of sales(5)		**15,540,819**	**10,628,150**	**13,241,207**	**39,410,176**	**15,914,046**	**148%**
Transportation and other selling cost(5)		(333,285)	(204,795)	(1,092,966)	(1,631,043)	(171,667)	850%
Inventory changes		(372,603)	766,164	89,594	483,155	(1,041,509)	(146%)
Depreciation		(3,025,457)	(1,751,099)	(1,345,865)	(6,122,421)	(3,413,976)	79%
Production cost	A	**11,809,474**	**9,438,420**	**10,891,973**	**32,139,863**	**11,286,894**	**185%**
Add (subtract):							
Government royalties and mining taxes		76,705	38,731	422,811	538,247	63,821	743%
Total cash cost	B	**11,886,179**	**9,477,151**	**11,314,784**	**32,678,113**	**11,350,715**	**188%**
General and administrative - consolidated		-			5,234,296	2,561,619	104%
Operating lease payments		416,368	192,888	74,865	684,121	-	100%
Sustaining capital expenditures		1,072,055	867,676	1,097,747	3,037,478	1,358,366	124%
Total All-in sustaining cash cost	C	**13,374,602**	**10,537,715**	**12,487,397**	**41,634,008**	**15,270,700**	**173%**
Tonnes milled	D	172,244	113,247	38,484	323,975	180,500	79%
Silver equivalent ounces produced	E	625,824	649,799	603,762	1,879,385	613,583	206%
Production cost per tonne	A/D	**68.56**	**83.34**	**283.03**	**99.20**	**62.53**	**59%**
Cash cost per AgEq ounce produced	B/E	**18.99**	**14.58**	**18.74**	**17.39**	**18.50**	**(6%)**
All-in sustaining cash cost per AgEq ounce produced	C/E	**21.37**	**16.22**	**20.68**	**22.15**	**24.89**	(11%)
Mining cost per tonne		29.94	50.03	206.52	57.94	30.22	92%
Milling cost per tonne		23.51	16.40	45.93	23.69	19.25	23%
Indirect cost per tonne		15.11	16.91	30.58	17.58	13.06	35%
Production cost per tonne		**68.56**	**83.34**	**283.03**	**99.20**	**62.53**	**59%**
Mining		5,157,619	5,666,111	7,947,567	18,771,292	5,454,989	244%
Milling		4,049,124	1,856,930	1,767,739	7,673,793	3,474,632	121%
Indirect		2,602,731	1,915,379	1,176,667	5,694,778	2,357,273	142%
Production Cost		**11,809,474**	**9,438,420**	**10,891,973**	**32,139,863**	**11,286,894**	185%

1. Silver equivalents are calculated using an 82.51:1 (Ag/Au), 0.04:1 (Ag/Pb) and 0.06:1 (Ag/Zn) YTD 2023 and an 82:22:1 (Ag/Au) ratio for YTD 2022, respectively.
2. Cash cost per silver equivalent ounce include mining, processing, and direct overhead.
3. AISC per oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital.
4. Production costs include mining, milling, and direct overhead at the operation sites.
5. Consolidated amount excludes $72,221 in relation to silver bullion transportation and selling cost from cost of sales.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recent quarters:

	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	$	$	$	$	$	$	$	$
Total revenue	16,823,042	17,118,424	15,487,714	8,871,863	6,133,989	6,386,638	4,116,811	-
Production costs	16,415,956	15,723,907	12,911,041	9,670,274	5,767,560	5,550,293	4,911,576	-
Transportation and other selling costs	878,096	825,173	596,916	178,676	69,021	135,508	109,452	-
Inventory changes	(865,285)	382,130	(387,765)	(626,923)	289,485	688,203	60,994	-
Mine operating cash flow before depreciation	394,276	187,214	2,367,522	(350,164)	7,923	12,634	(965,211)	-
Depreciation	(2,784,515)	(3,337,906)	(2,515,349)	(2,991,577)	(1,664,219)	(1,749,757)	(1,268,841)	-
Mine operating loss	(2,390,239)	(3,150,692)	(147,828)	(3,341,742)	(1,656,296)	(1,737,123)	(2,234,052)	-
Net loss	(8,557,538)	(8,699,078)	(9,905,707)	(8,405,337)	(3,521,390)	(4,939,152)	(4,746,245)	(2,571,355)
EBITDA (1)	(4,576,059)	(4,093,976)	(5,997,153)	(4,192,955)	(1,132,278)	(2,503,405)	(2,858,085)	(1,933,186)
Adjusted EBITDA (1)	(3,409,928)	(2,299,797)	(1,500,059)	(2,684,927)	(2,349,805)	(1,851,618)	(2,538,977)	(1,532,866)
Basic and fully diluted loss per share	(0.03)	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)	(0.02)	(0.01)
Weighted Average shares outstanding(000's)	327,386	322,850	302,154	271,510	226,033	224,556	210,532	201,459

In the second quarter of 2023, the Company sold 462,917 ounces of silver at a realized price of $24.33 per ounce, 4,427 ounces of gold at realized price of $1,988.05 per ounce, 830,567 pounds of lead at a realized price of $0.97 per pound and 871,328 pounds of Zinc at a realized price of $1.14 per pound resulting in revenues of $16,823,042 net of treatment and refining cost of $2,551,515 and a negative impact of $2,154,841 on provisional pricing and settlement adjustments during the quarter. The result was a decrease of 7% in silver equivalent ounces but only a 2% decrease in revenues, compared to the first quarter of 2023. The Company generated $2,390,239 of mine operating loses and $8,557,537 of net loss a 24% and 2% decrease respectively, compared to prior quarter.

Revenues increased 11% in the first quarter of 2023 to $17,118,424 compared to $15,487,713 in the fourth quarter of 2022 due primarily to a 13% increase on silver equivalent ounces sold to 981,889 from 866,319 mainly due to the addition of full production from Valenciana Mines Complex and a 5% increase on realized silver price. Mine operating loss was 2031% higher in the first quarter of 2023 due primarily to an increase in production cost mainly from CMC due to higher processing and indirect cost, the addition of the full Valenciana Mines Operation, and the addition of the new environmental duty at Topia. Net loss decreased by 12% due to $134,138 gain on derivatives because of the debt restructure with OCIM from a $1,677,253 loss in the fourth quarter 2022, other income of $176,713 compared to a loss of 1,875,994 last quarter mainly on the allowance on receivable amount from Great Panther by $1,300,000 and $269,478 loss on change of fair value on silver contingent payments to MMR.

The Company generated revenues of $15,487,714 net of treatment and refining costs, which was a 75% increase compared to last quarter, mainly due to sales of 405,348 ounces of silver and 3,865 ounces of gold a 30% and 29% increase respectively, as compared to Q3 2022 due to the addition of the Valenciana Mines Complex. Additionally, the Company sold 846,281 pounds of lead at a realized price of $0.95 and 1,600,811 pounds of zinc at a realized price of $1.37 from the Topia Mine. During the quarter realized silver and gold price per ounce sold averaged $21.23 and $1,783.36 an 11% and a 3% increase respectively, compared to $19.06 and 1,724.81 per ounce in Q3 2022. There was a negative impact of $134,398 on provisional pricing and settlement adjustments during the quarter.

The Company generated revenues of $8,871,863 net of treatment and refining costs, during the three months ended September 30, 2022, a 45% increase compared to the prior quarter, from the sales of 311,754 ounces of silver at a realized price of $19.06 and 2,997 ounces of gold at a realized price of $1,1,724.81 a 95% and 37% increase in ounces respectively, as compared to Q2 2022. In addition, the Company sold 504,408 pounds of lead at a realized price of $0.86 and 237,327 pounds of zinc at a realized price of $1.44 from the Topia Mines. There was an increase of 102% of mine operating losses and 133% of net loss compared to prior quarter mainly due to the integration of MMR's operations.

In the second quarter of 2022, the Company sold 159,840 ounces of silver at a realized price of $22.56 per ounce and 2,195 ounces of gold at realized price of $1,873.26 per ounce, resulting in revenues of $6,133,989 net of treatment and refining cost of $555,126. An increase of 19% and 9% in ounces of silver and gold sold respectively, but a decrease of 4% on revenues, compared to the first quarter of 2022. The Company generated $1,656,297 of mine operating loses and $3,521,392 of net loss a 5% and 29% decrease respectively, compared to prior quarter.

Revenue increased by 55% in the first quarter of 2022 to $6,386,638 compared to $4,116,811 in Q4 2021 due primarily to higher silver (28%) and gold (70%) ounces sold to 134,281 and 2,007 respectively. Mine operating loss decreased by 22% over Q4 2021 due primarily to the increase in ounces sold and slightly higher realized metal prices.

In the fourth quarter of 2021 the Company started producing and selling silver and gold concentrate. During the three months ended December 31, 2021, the Company sold 105,203 ounces of silver at a realized price of $23.35 and 1,179 ounces of gold at a realized price of $1,748.02 resulting in revenues of $4,116,811 net of treatment and refining costs which amounted $302,166. The Company generated $2,234,052 of mine operating losses and $4,746,245 of net loss.

Guanajuato Silver CO LTD

The following is a summary of the Company's production information for the eight most recent quarters:

	2023		2022				2021	
PRODUCTION	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Processed tonnes	**163,793**	**160,182**	**131,341**	**107,009**	**94,212**	**86,288**	**77,524**	**-**
El Cubo	83,244	89,000	108,897	95,380	94,212	86,288	77,524	-
VMC	61,594	51,653	3,928	-	-	-	-	-
Topia	18,955	19,529	18,516	11,629	-	-	-	-
Silver ounces	**477,649**	**458,803**	**401,244**	**329,298**	**155,912**	**125,423**	**124,750**	**-**
El Cubo	147,099	136,847	242,038	219,627	155,912	125,423	124,750	-
VMC	156,859	142,220	4,652	-	-	-	-	-
Topia	173,691	179,736	154,552	109,671	-	-	-	-
Silver Grade (g/t)	**106.93**	**103.68**	**106.08**	**106.28**	**64.00**	**60.50**	**62.36**	**-**
El Cubo	65.38	64.00	80.00	74.94	64.00	60.50	62.36	-
VMC	99.04	104.00	49.46	-	-	-	-	-
Topia	311.99	314.10	283.00	317.55	-	-	-	-
Silver Recovery (%)	**84.9**	**80.9**	**86.8**	**88.5**	**80.9**	**75**	**82.9**	**-**
El Cubo	84.38	83.50	86.4	87.1	80.9	75	82.9	-
VMC	83.6	82.0	72.9	-	-	-	-	-
Topia	91.34	91.10	91.8	92.4	-	-	-	-
								-
Gold Ounces	**4,719**	**4,413**	**3,907**	**3,226**	**2,161**	**1,880**	**1,440**	**-**
El Cubo	2,006	2,140	3,452	3,035	2,161	1,880	1,440	-
VMC	2,400	1,848	110	-	-	-	-	-
Topia	314	424	345	191	-	-	-	-
Gold Grade (g/)	**1.10**	**1.07**	**1.09**	**1.08**	**0.86**	**0.88**	**0.75**	**-**
El Cubo	0.88	0.87	1.12	1.05	0.86	0.88	0.75	-
VMC	1.45	1.36	1.19	-	-	-	-	-
Topia	0.88	1.18	0.91	0.80	-	-	-	-
Gold Recovery (%)	**83.10**	**81.10**	**84.2**	**86.3**	**82.6**	**77**	**78.8**	**-**
El Cubo	86.16	85.90	88.2	88.4	82.6	77	78.8	-
VMC	86.54	81.8	74.5	-	-	-	-	-
Topia	58.74	57.70	63.3	64	-	-	-	-
								-
Lead pounds	**875,802**	**906,696**	**811,492**	**537,608**	**-**	**-**	**-**	**-**
Topia	875,802	906,696	811,492	537,608	-	-	-	-
Lead Grade (%)	**2.4**	**2.4**	**2.3**	**2.3**	**-**	**-**	**-**	**-**
Topia	2.4	2.4	2.3	2.3	-	-	-	-
Lead Recovery (%)	**87.4**	**87.1**	**88.2**	**89.5**	**-**	**-**	**-**	**-**
Topia	87.4	87.1	88.2	89.5	-	-	-	-
								-
Zinc pounds	**897,258**	**1,153,138**	**1,261,554**	**677,127**	**-**	**-**	**-**	**-**
Topia	897,258	1,153,138	1,261,554	677,127	-	-	-	-
Zinc Grade (%)	**2.8**	**3.2**	**3.6**	**3.3**	**-**	**-**	**-**	**-**
Topia	2.8	3.2	3.6	3.3	-	-	-	-
Zinc Recovery (%)	**78.1**	**83.5**	**86.7**	**80.9**	**-**	**-**	**-**	**-**
Topia	78.1	83.5	86.7	80.9	-	-	-	-
Cost per tonne	**100.22**	**98.16**	**98.30**	**90.37**	**60.89**	**64.32**	**63.35**	**-**
El Cubo	71.24	66.06	67.70	67.20	60.89	64.32	63.35	-
VMC	86.63	79.43	102.85	-	-	-	-	-
Topia	271.69	294.04	277.29	280.44	-	-	-	-
Cash costs per ounce	**17.71**	**17.06**	**15.55**	**13.86**	**17.08**	**20.24**	**20.36**	**-**
El Cubo	19.24	18.75	14.19	13.09	17.08	20.24	20.36	-
VMC	15.20	13.86	31.92	-	-	-	-	-
Topia	19.19	18.35	17.22	15.69	-	-	-	-
AISC per ounce	**22.47**	**21.83**	**20.80**	**19.53**	**24.15**	**25.79**	**33.31**	**-**
El Cubo	20.96	21.77	17.45	15.18	24.15	25.79	33.31	-
VMC	16.39	16.01	31.92	-	-	-	-	-
Topia	21.52	19.96	18.49	17.69	-	-	-	-

OTHER FINANCIAL INFORMATION

SHARE CAPITAL

The Company's authorized share capital consists of unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

The common shares, warrants and stock options outstanding are as follows:

	June 30, 2023			August 24, 2023		
	#	Weighted average exercise price	Weighted average life (years)	#	Weighted average exercise price	Weighted average life (years)
Common shares	**328,485,148**			350,985,148		
Warrants	**95,034,212**	$0.50	**1.46**	118,619,212	$0.51	**1.31**
Stock options	**20,569,500**	$0.45	**3.21**	20,369,500	$0.45	**3.08**
Restricted Share Units	**347,500**	$0.58	**0.80**	347,500	$0.58	**0.64**
Fully diluted	**444,436,360**			490,321,360		

MANAGEMENT OF CAPITAL

The Company considers the items included in the consolidated statement of shareholder's equity as capital. 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 production, 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 makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets, and believes that this approach, given the relative size of the Company, is reasonable.

In order to maintain or adjust the capital structure, 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.

The Company is not subject to externally imposed capital requirement.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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:

	Three months ended		Six months ended	
	June 30 2023	June 30 2022	**June 30 2023**	June 30 2022
	$	$	**$**	$
Salaries, bonus and benefits	**175,129**	88,633	**327,848**	124,126
Consulting fees[1]	**56,929**	87,697	**213,047**	158,736
Share-based compensation	**447,408**	89,481	**588,171**	364,606
	679,467	265,811	**1,129,066**	647,468

[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 a company controlled by the President of the Company For the three and six months ended June 30, 2022, consulting fees were also paid to Blueberry Capital Corp., a company controlled by the CEO of the Company.

CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

a) Commitments

As at June 30, 2023, the Company has commitments of $1,882,350 of contracted drilling which are expected to be expended within one year.

b) Contingencies – Obras Mineras El Pinguico

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 six months ended June 30, 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").

As at June 30, 2023, the Company has accrued a total of $203,837 for contingent payment #3 as other current liabilities on the statement of financial position. (December 31, 2022 - $231,552), with fair value gains of $27,715 for the three and six months ended June 30, 2023, recorded in Other operating expense (income), (three and six months ended June 30, 2022 – gain of $125,555).

c) Contingencies – Minera Mexicana el Rosario

The Company has certain contingent payments in relation to the acquisition of MMR in 2022 as follows:

i. $500,000 upon GSilver producing 2,500,000 ounces of silver from the purchased MMR assets.

ii. $750,000 if the price of silver closes at or above US$27.50 per ounce for 30 consecutive days within two years after closing.

iii. $750,000 if the price of silver closes at or above US$30.00 per ounce for 30 consecutive days within three years after closing.

As at June 30, 2023, the Company has accrued a total of $995,896 for these contingent payments in other current liabilities on the statement of financial position (December 31, 2022 - $1,097,789), with fair value loss of $101,893 for the three and six months ended June 30, 2023, recorded in Other operating expense (income), (three and six months ended June 30, 2022 - $Nil). Should the Company have to pay, the Company has the right to offset any payable amount against the current receivable owed from Great Panther.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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.

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
Silver and gold bullion (other assets)	Valued at the lower of cost or net realizable value. Net realizable value is based on the estimated sale price of the silver and gold, generally determined using the spot price at the period end.
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.
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	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. 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.

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 and six months ended June 30, 2023, and 2022, there were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy.

	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	1,553,148	-	1,553,148	-	1,553,148	-
Forward contracts	117,799	-	117,799	117,799	-	-
Derivative	242,885	242,885	-	-	242,885	-
	1,913,832	**-**	**1,913,832**	**117,799**	**1,796,033**	**-**
Financial assets not measured at Fair Value						
Cash and cash equivalents	-	2,835,553	2,835,553	-	-	2,835,553
Other assets - silver and gold bullion	-	235,628	235,628	-	-	235,628
Other receivables	-	10,293,764	10,293,764	-	-	10,293,764
	-	**13,364,945**	**13,364,945**	**-**	**-**	**13,364,945**
Financial liabilities measured at Fair Value						
Other current liabilities	(3,405,857)	-	(3,405,857)	-	(3,405,857)	-
	(3,405,857)	**-**	**(3,405,857)**	**-**	**(3,405,857)**	**-**
Financial liabilities not measured at Fair Value						
Accounts payable and accrued liabilities	-	(20,820,240)	(20,820,240)	-	-	(20,820,240)
Vehicle loan	-	(307,768)	(307,768)	-	-	(307,768)
OCIM Loan	-	(4,921,504)	(4,921,504)	-	-	(4,921,504)
Ocean Partners Loans	-	(8,113,978)	(8,113,978)	-	-	(8,113,978)
	-	**(34,163,490)**	**(34,163,490)**	**-**	**-**	**(34,163,490)**

December 31, 2022	**Fair value through profit or loss**	**Amortized cost**	**Total**	**Level1**	**Level2**	**Carrying value approximates Fair Value**
	$	$	$	$	$	$
Financial assets measured at Fair Value						
Trade receivables from sale of concentrate	3,857,355	-	3,857,355	-	3,857,355	-
	3,857,355	**-**	**3,857,355**	**-**	**3,857,355**	**-**
Financial assets not measured at Fair Value						
Cash and cash equivalents	-	8,832,936	8,832,936	-	-	8,832,936
VAT and Other receivables	-	9,073,024	9,073,024	-	-	9,073,024
	-	**17,905,960**	**17,905,960**	**-**	**-**	**17,905,960**
Financial liabilities measured at Fair Value						
Other current liabilities	(3,403,491)	-	(3,403,491)	-	(3,403,491)	-
Derivative	(155,179)	-	(155,179)	-	(155,179)	-
	(3,558,670)	**-**	**(3,558,670)**	**-**	**(3,558,670)**	**-**
Financial liabilities not measured at Fair Value						
Accounts payable and accrued liabilities	-	(12,532,916)	(12,532,916)	-	-	(12,532,916)
Vehicle loan	-	(118,220)	(118,220)	-	-	(118,220)
OCIM Loan	-	(7,108,524)	(7,108,524)	-	-	(7,108,524)
Ocean Partners Loans	-	(9,106,182)	(9,106,182)	-	-	(9,106,182)
	-	**(28,865,842)**	**(28,865,842)**	**-**	**-**	**(28,865,842)**

RISKS AND UNCERTAINTIES

The Company is exposed to many risks in conducting its business, including but not limited to: metal price risk as the Company derives its revenue from the sale of silver and gold; trading and credit risk in the normal course of dealing with other companies; foreign exchange risk as the Company reports its financial statements in USD dollars whereas the Company operates in Canada and Mexico that utilize the Canadian and Mexican Peso, respectively; risks relating to cyber security; the inherent risk of uncertainties in estimating mineral reserves and mineral resources; political, economic and social risks related to conducting business in jurisdictions such as Canada, and Mexico; environmental and permitting regulation; risks related to its relations with employees and local communities where the Company operates, and risks relating to the spread of COVID-19, which has to date resulted in profound health and economic impacts globally and which presents future risks and uncertainties that are largely unknown at this time. Certain of these risks are described below and are more fully described in GSilver's Annual Information Form (available on SEDAR at www.sedar.com). Readers are encouraged to refer to these documents for a more detailed description of some of the risks and uncertainties inherent to GSilver's business.

Financial risk management

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include fluctuations in metal prices, exchange risk, credit risk, interest rate risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

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 continue production.

The following table summarizes the effect on provisionally priced sales and accounts receivables of a 10% change in metal prices from the realized prices used at June 30, 2023:

Metal	Change	Effect on Sales $
Silver	+/- 10%	1,762,930
Gold	+/- 10%	1,603,564
Lead	+/- 10%	73,866
Zinc	+/- 10%	156,476

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits its cash and cash equivalents with high credit quality major Canadian and Mexican financial institutions as determined by ratings agencies. Trade accounts receivables from concentrate sales are held with large international metals trading companies. Within other receivables there are $1,116,318 owed by Great Panther. On December 15, 2022, Great Panther filed a termination application to make a voluntary assignment into bankruptcy pursuant to the Bankruptcy and Insolvency Act. The Company has the right of offset against any contingent payments owed to Great Panther. The Company took an allowance of $1,300,000 against the $2,416,318 amount receivable due to the uncertainty surrounding the Great Panther bankruptcy and the ability of the Company to collect the full receivable due from them.

As of	June 30, 2023	December 31, 2022
	$	$
Cash and cash equivalents	2,835,553	8,832,936
Trade receivables	1,553,148	3,857,355
VAT recoverable	8,473,991	7,398,102
Other receivables	1,819,773	1,504,922
	14,682,465	**21,593,315**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

The Company enters into contracts that give rise to commitments in the normal course of business. The following table summarizes the remaining contractual maturities of the Company's financial liabilities, operating and capital commitments, shown in contractual undiscounted cash flows, including interest, at June 30, 2023:

	Expected payments by year as at June 30, 2023			
	Less than 1 year	1 -5 years	After 5 years	Total
	$	$	$	$
Trade and other payables	20,820,240	-	-	**20,820,240**
Loans	12,313,306	787,059	-	**13,100,365**
Lease obligations	2,606,225	995,099	42,936	**3,644,260**
Other liabilities	3,405,857	-	39,823,148	**43,229,005**
Total	**39,145,628**	**1,782,158**	**39,866,084**	**80,793,870**

Interest rate risk

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 Canadian and Mexican chartered banks. The interest rate risks on cash and cash equivalents are not considered significant.

The Company's interest rate risk principally arises from the interest rate impact on interest charged on its loan payable and lease liability. The Company's loan payable and lease liability 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. The Company's advance payment is subject to 12-month LIBOR. Based on the Company's interest rate exposure at June 30, 2023, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net loss.

Currency risk –

Currency risk is the risk that foreign exchange rates will fluctuate significantly from expectations. The Company reports its financial statements in US dollars; however, it operates in Mexico which utilized both the Mexican Peso ("MXN") and the US Dollar ("USD") and Canada which utilized the Canadian dollar ("CAD") (collectively "Local Currencies"). Consequently, the financial results of the Company's operations as reported in US dollars are subject to changes in the value of the US 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 US dollar and positively impacted by the inverse.

The Company is exposed to foreign currency risk through the following financial assets and liabilities:

As at June 30, 2023	Canadian dollars	Mexican pesos
Cash and cash equivalents	2,102,952	7,886,173
Amounts receivable	-	171,322,312
Accounts payable and accrued liabilities	(337,966)	(354,164,638)
Current portion of loan payable	-	(2,914,869)
Current portion of lease liabilities	(76,225)	(38,471,748)
Loan Payable	-	(655,845)
Lease liabilities	(175,033)	(13,926,450)
Provision for reclamation and rehabilitation	-	(349,464,557)
Total foreign currency exposure	1,513,728	(580,389,620)
US$ equivalent of foreign currency exposure	1,143,299	(34,202,697)

The Company is primarily exposed to fluctuations in the value of CAD against USD and USD against MXN. With all other variables held constant, a 10% change in CAD against USD or USD against MXN would result in the following impact on the Company's net loss for the period:

Currency	Change	Effect $
Canadian dollars	+/- 10%	100,787
Mexican pesos	+/- 10%	3,110,951

COVID-19 Pandemic

The Company's business could be significantly adversely affected by the effects of a widespread global outbreak of contagious disease, including the continued outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on third parties' ability to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the risk of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of the COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions to planned drill programs, mining and processing operations shutdowns, and other factors that will depend on future developments beyond the Company's control. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that 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.

Climate Change

Extreme weather events (such as prolonged drought, increased frequency and intensity of storms, flooding and wildfires) have the potential to disrupt the Company's operations and the transportation routes that the Company uses. The Company's ability to conduct mining operations also depends upon access to the volumes of water that are necessary to operate its mines and processing facilities. Changes in weather patterns and extreme weather events including flooding or wildfires, either due to normal variances in weather or due to global climate change, could adversely impact, disrupt or increase the costs of the Company's mining operations including the volume of water or other supply lines necessary to operate its facilities, or damage to facilities, plant and operating equipment, any of which would adversely impact the Company's cash flow and profitability.

Also, various governments around the world have introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels regulating, among other things, emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If current regulatory trends continue, this may result in increased costs at some or all of the Company's operations.

Calculation of Reserves and Resources and Precious Metal Recoveries

There is a degree of uncertainty attributable to the calculation and estimation of reserves and resources, if any, and their corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties.

Economic Conditions for Mining

Global financial markets are experiencing extreme volatility as a result of the ongoing COVID-19 pandemic, the war in Ukraine and rising inflation and interest rates. Events in global financial markets, and the volatility of global financial conditions, will continue to have an impact on the global economy. Many industries, including the mining sector, are impacted by market conditions. Some of the key impacts of financial market turmoil include devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. Financial institutions and large corporations may be forced into bankruptcy or need to be rescued by government authorities. Access to financing may also be negatively impacted by future liquidity crises throughout the world. These factors may impact the Company's ability to obtain equity or debt financing and, where available, to obtain such financing on terms favourable to the Company.

Increased levels of volatility and market turmoil could have an adverse impact on the Company's operations and planned growth and the trading price of the securities of the Company may be adversely affected.

The Company assesses on a quarterly basis the carrying values of its mineral properties. Should market conditions and commodity prices worsen and persist in a worsened state for a prolonged period of time, an impairment of the Company's mineral properties may be required.

Assurance on Financial Statements

The Company prepares the financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgement in determining the financial condition of the Company. Significant accounting policies, and practices are described in more detail in the notes to the annual consolidated financial statements for the year ended December 31, 2022. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, the Company has implemented and continues to analyze the internal control systems for financial reporting.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing unaudited condensed consolidated interim financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated interim financial statements. These critical accounting estimates represent management estimates and judgments that are uncertain, and any changes in these could materially impact the Company's financial statements. Management continuously reviews its estimates, judgments and assumptions using the most current information available. 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.

There were no changes in critical accounting judgments and estimates that were significantly different from those disclosed in the Company's annual MD&A as at and for the year ended December 31, 2022.

Changes in Accounting Standards

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments— Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information." Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."
The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

• A change in accounting estimate that results from new information or new developments is not the correction of an error.
• The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's consolidated financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and decommissioning liabilities.

The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of the consolidated financial statements, estimates are sometimes necessary to make a determination of future value or certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. There have been no significant changes in the Company's disclosure controls and procedures during the three months ended June 30, 2023.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.