



**Guanajuato**  
**Silver** CO  
LTD

**Condensed Consolidated Interim Financial Statements**

**For the three months ended  
March 31, 2023 and 2022  
(Unaudited)**

## Condensed consolidated interim statements of financial position

(Unaudited - Expressed in US dollars)

	Notes	March 31 2023	December 31 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 5,275,004	\$ 8,832,936
Amounts receivable	4	12,201,119	11,926,017
Inventories	5	5,212,604	5,156,448
Prepaid expenses and deposits		1,483,197	1,267,189
Other current assets		135,488	-
		<b>24,307,412</b>	27,182,590
<b>Non-current assets</b>			
Property, plant and equipment	6	39,241,761	39,589,971
Mineral properties	7	16,092,868	14,846,037
Exploration and evaluation assets	7	3,195,938	3,195,938
Other assets	4	834,362	834,362
		<b>\$ 83,672,341</b>	\$ 85,648,898
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 16,833,739	\$ 12,532,916
Current portion of loan payable	9	12,347,715	14,744,690
Current portion of lease liabilities	10	2,756,788	2,474,197
Other current liabilities	23(b,c)	3,399,058	3,403,491
		<b>35,337,300</b>	33,155,294
<b>Non-current liabilities</b>			
Loan payable	9	2,454,721	1,743,414
Lease liabilities	10	1,448,023	1,466,527
Provision for reclamation and rehabilitation	11	19,118,596	16,771,876
		<b>58,358,640</b>	53,137,111
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	83,579,621	82,370,710
Reserves		24,966,145	24,573,358
Accumulated other comprehensive income		1,694,144	1,794,850
Deficit		(84,926,209)	(76,227,131)
		<b>25,313,701</b>	32,511,787
		<b>\$ 83,672,341</b>	\$ 85,648,898

Commitments and contingencies (note 23)

Subsequent events (note 24)

"James Anderson"  
Director

"Ramon Davila"  
Director

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

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

		For the three months ended	
	Notes	March 31 2023	March 31 2022
Revenues	15	\$ 17,118,424	\$ 6,386,638
Cost of sales	16	20,269,116	8,123,761
<b>Mine operating loss</b>		<b>(3,150,692)</b>	(1,737,123)
General and administration	17	2,356,938	1,219,581
Share based compensation	13(b)	251,175	410,213
Exploration expenses		524,834	616,831
Foreign exchange loss		1,065,257	289,999
Other operating income		(176,713)	(2,996)
<b>Operating loss</b>		<b>(7,172,183)</b>	(4,270,751)
Interest and finance costs, net	18	(1,210,414)	(634,805)
Gain (loss) on derivatives		134,138	(242,813)
Other finance (loss) income, net		(450,619)	209,217
<b>Loss before income taxes</b>		<b>\$ (8,699,078)</b>	\$ (4,939,152)
Current income tax expense		-	-
Deferred income tax expense		-	-
<b>Net loss for the period</b>		<b>\$ (8,699,078)</b>	\$ (4,939,152)
<b>Other comprehensive income (loss), net of tax</b>			
Foreign currency translation differences		(100,706)	231,676
<b>Total comprehensive loss for the period</b>		<b>\$ (8,799,784)</b>	\$ (4,707,476)
<b>Basic and diluted loss per common share</b>	14	<b>\$ (0.03)</b>	\$ (0.02)
<b>Weighted average number of common shares outstanding (000's)</b>		<b>322,850</b>	224,556

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

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

	Notes	Number of common shares	Common shares	Equity settled share-based payments	Warrants	Reserves total	Accumulated deficit	Accumulated OCI	Total shareholders' equity
<b>Balance, December 31, 2021</b>		<b>224,216,031</b>	<b>60,688,534</b>	<b>\$9,737,626</b>	<b>\$8,412,558</b>	<b>18,150,184</b>	<b>(49,455,546)</b>	<b>1,417,390</b>	<b>30,800,562</b>
Warrant exercise for cash	12(b)	1,616,524	565,188	-	(193,740)	(193,740)	-	-	371,448
Share-based compensation		-	-	410,213	-	410,213	-	-	410,213
Comprehensive loss for the period		-	-	-	-	-	(4,939,152)	231,676	(4,707,476)
<b>Balance, March 31, 2022</b>		<b>225,832,555</b>	<b>\$61,253,722</b>	<b>\$ 10,147,839</b>	<b>\$ 8,218,818</b>	<b>\$18,366,658</b>	<b>\$(54,394,698)</b>	<b>\$1,649,066</b>	<b>26,874,747</b>
Private placement	12(b)	57,837,584	10,456,462	-	5,237,504	5,237,504	-	-	15,693,966
Warrants issued for finder's fee		-	(360,074)	-	360,074	360,074	-	-	-
Share issue cost		-	(765,415)	-	-	-	-	-	(765,415)
Shares issued on business combination	12(b)	25,787,200	8,976,524	-	-	-	-	-	8,976,524
Shares issued on settlement of debt	12(b)	2,817,595	826,274	-	-	-	-	-	826,274
Options exercise for cash	12(b)	50,000	31,814	(27,853)	-	(27,853)	-	-	3,961
Warrant exercise for cash	12(b)	6,303,213	1,951,403	-	(723,555)	(723,555)	-	-	1,227,848
Fair value of warrants issued		-	-	-	259,673	259,673	-	-	259,673
Share-based compensation	12(b)	-	-	1,100,858	-	1,100,858	-	-	1,100,858
Comprehensive loss for the period		-	-	-	-	-	(21,832,433)	145,784	(21,686,649)
<b>Balance, December 31, 2022</b>		<b>318,628,147</b>	<b>\$82,370,710</b>	<b>\$11,220,844</b>	<b>\$13,352,514</b>	<b>\$24,573,358</b>	<b>\$(76,227,131)</b>	<b>\$1,794,850</b>	<b>\$32,511,787</b>
Private placement	12(b)	4,080,486	1,087,722	-	189,339	189,339	-	-	1,277,061
Warrants issued for finder's fee	12(b)	-	(3,683)	-	3,683	3,683	-	-	-
Share issue cost	12(b)	-	(12,069)	-	-	-	-	-	(12,069)
Options exercise for cash	12(b)	1,158,000	136,941	(51,410)	-	(51,410)	-	-	85,531
Share-based compensation		-	-	251,175	-	251,175	-	-	251,175
Comprehensive loss for the period		-	-	-	-	-	(8,699,078)	(100,706)	(8,799,784)
<b>Balance, March 31, 2023</b>		<b>323,866,633</b>	<b>\$83,579,621</b>	<b>\$11,420,609</b>	<b>\$13,545,536</b>	<b>\$24,966,145</b>	<b>\$(84,926,209)</b>	<b>\$1,694,144</b>	<b>\$25,313,701</b>

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

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

	Notes	For the three months ended	
		March 31 2023	March 31 2022
<b>Operating activities</b>			
Net loss for the period		\$ (8,699,078)	\$ (4,939,152)
Items not involving cash and cash equivalents:			
Depreciation and depletion		3,394,688	1,800,942
Accretion		576,371	153,426
Loss on settlement of debt		461,622	-
Loss (gain) on derivatives		(134,138)	242,813
Gain on financial assets carried at fair value		(11,003)	-
Interest		636,702	481,838
Share-based compensation		251,175	410,213
Unrealized foreign exchange		1,048,514	212,454
Changes in non-cash operating working capital:			
Amounts receivable		126,385	(1,715,498)
Inventories		(57,914)	849,525
Prepaid expenses and deposits		(216,008)	(133,442)
Purchases of gold and silver bullion		(2,354,792)	(1,632,200)
Proceeds from sale of gold and silver bullion		-	1,643,708
Accounts payable and accrued liabilities		2,878,711	1,253,857
Settlement of advance payment		-	(172,413)
Net cash and cash equivalents used in operating activities		(2,098,765)	(1,543,929)
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(1,387,612)	(334,001)
Purchases of hedging instruments		(59,350)	-
Net cash and cash equivalents used in investing activities		(1,446,962)	(334,001)
<b>Financing activities</b>			
Proceeds from issuance of units	12(b)	1,277,061	-
Share issuance costs	12(b)	(12,069)	-
Proceeds from the exercise of options and warrants		85,531	371,448
Repayment of loan payable		(568,636)	(13,541)
Payments of lease obligations		(693,384)	(64,686)
Net cash and cash equivalents provided by financing activities		88,503	293,221
Effect on cash and cash equivalents of foreign exchange		(100,708)	237,226
Change in cash and cash equivalents		(3,557,932)	(1,347,484)
Cash and cash equivalents, beginning of period		8,832,936	8,234,043
<b>Cash and cash equivalents, end of period</b>		\$ 5,275,004	\$ 6,886,559
Cash and cash equivalents are consisted of:			
Cash		5,237,818	\$ 6,846,546
Redeemable guaranteed investment certificate ("GIC")		37,186	40,013
<b>Total cash and cash equivalents, end of period</b>		\$ 5,275,004	\$ 6,886,559

Supplemental cash flow information (Note 22)

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

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Guanajuato Silver Company Ltd. is the parent company of its subsidiary group (collectively, the "Company" or "GSilver") and is a publicly traded corporation, incorporated in Canada, with its head office located at 578 – 999 Canada Place, Vancouver, BC, V6E 3E1. GSilver's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "GSVR", on the OTCQB under the symbol "GSVR.F", and on the Aquis Exchange under the symbol "GSVR".

The Company is a precious metals producer engaged in reactivating past producing silver and gold mines near the city of Guanajuato, Mexico. The Company is currently producing silver and gold at the El Cubo mine and mill (the "El Cubo Mines Complex"), the Valenciana Mines Complex, including the Cata processing plant, and the Topia mine in Mexico.

#### *Going concern*

These unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company started producing and selling silver and gold concentrate in the fourth quarter of 2021. For the three months ended March 31, 2023, the Company generated a mine operating loss of \$3,150,692, a net loss of \$8,699,078 and negative cash flows from operating activities of \$2,098,765, and has an accumulated deficit of \$84,926,209 and current liabilities that exceed its current assets by \$11,029,888 as at March 31, 2023. 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 and/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.

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

### 2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022 (the "Annual Financial Statements").

The accounting policies and critical judgments and estimates applied by the Company in these interim financial statements are the same as those applied in the most recent Annual Financial Statements. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the most recent annual consolidated financial statements. The Company's interim results are not necessarily indicative of its results for a full year.

These interim financial statements were approved by the Company's Board of Directors on May 24, 2023.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of consolidation

The accounts of the Company and its subsidiaries, which are controlled by the Company, have been included in these interim financial statements. Control is achieved when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. The principal subsidiaries of the Company and their geographic locations at March 31, 2023, were as follows:

Subsidiary	Location	Ownership Interest	Accounting	Principal Activity
1352168 B.C. Ltd.	Canada	100%	Consolidated	Holding Company
Gato Chico Investments Ltd.	Canada	100%	Consolidated	Holding Company
CanMex Silver S.A. de C.V.	Mexico	98%	Consolidated	Exploration Company
Obras Mineras El Pinguico S.A. de C.V.	Mexico	100%	Consolidated	Mining Company
Minera Mexicana El Rosario, SA de C.V.	Mexico	100%	Consolidated	Mining Company
Compañía Minera Nivel 7 S.A. de C.V.	Mexico	100%	Consolidated	Inactive

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

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

#### b) Basis of measurement

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

#### c) Presentation and functional currency

The functional currency of GSilver is the Canadian dollar ("CAD"). The functional currency of Obras Mineras El Pinguico S.A. de C.V. and Minera Mexicana El Rosario, SA de C.V. is the United States dollar ("USD"). The presentation currency for the Company and each of its subsidiaries is the USD.

#### d) Changes in accounting policies and recent accounting pronouncements

The accounting policies applied in the Company's interim financial statements for the three months ended March 31, 2023, are the same as those applied in the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2022 and 2021. A number of new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2024 and earlier application is permitted; however, we have not early adopted and continue to evaluate the impact of the forthcoming or amended standards in preparing our interim financial statements.

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### *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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### d) Changes in accounting policies and recent accounting pronouncements (continued)

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 are applicable to the Company's annual financial statements for the year ended December 31, 2023 and will be reflected in the description of the Company's accounting policies in the annual 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.

#### e) Use of estimates assumptions and judgements

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

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

In preparing the interim financial statements for the three months ended March 31, 2023, the Company applied the same critical estimates and judgements as disclosed in note 4 of its audited consolidated financial statements for the year ended December 31, 2022.



#### 4. AMOUNTS RECEIVABLE

	March 31 2023	December 31 2022
Trade receivables	\$ 3,243,997	\$ 3,857,355
VAT recoverable	8,204,106	7,398,102
Other receivables	1,587,377	1,504,922
	<b>\$ 13,035,481</b>	<b>\$ 12,760,379</b>
Less: non-current portion of VAT recoverable	<b>(834,362)</b>	<b>(834,362)</b>
	<b>\$ 12,201,119</b>	<b>\$ 11,926,017</b>

At the reporting date, the Company assessed the timing of collection of the total VAT recoverable of \$8,204,106 (December 31, 2022 – \$7,398,102) and concluded that \$834,362 (December 31, 2022 – \$834,362) of the VAT recoverable is not expected to be collected within the next 12 months, therefore it was classified as non-current Other assets.

Other receivables includes \$1,116,318 related to the working capital adjustment from the acquisition of MMR from Great Panther. The Company has the right to offset any contingent payments owed to Great Panther (note 23(c)) against the working capital adjustment receivable. On December 15, 2022, Great Panther filed a termination application to make a voluntary assignment into bankruptcy pursuant to the Bankruptcy and Insolvency Act; as a result, during the year ended December 31, 2022, 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.

#### 5. INVENTORIES

	March 31 2023	December 31 2022
Concentrate	\$ 1,208,679	\$ 1,572,831
Ore stockpiles	95,507	113,484
Coins and bullion for sale	28,250	12,860
Materials and supplies	3,880,168	3,457,273
Total inventories	<b>\$ 5,212,604</b>	<b>\$ 5,156,448</b>

During the three months ended March 31, 2023, the Company expensed \$19,794,553 (March 31, 2022 – \$7,832,420) of inventories to cost of sales.

## 6. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment				Total PP&E
	Machinery and equipment	Land and buildings	Furniture and other equipment	Construction in progress	
<b>COST</b>	\$	\$	\$	\$	\$
Balance, December 31, 2022	34,284,977	7,752,273	2,922,036	950,315	45,909,602
Additions	1,050,925	-	393,916	712,349	2,157,190
<b>Balance, March 31, 2023</b>	<b>35,335,902</b>	<b>7,752,273</b>	<b>3,315,952</b>	<b>1,662,664</b>	<b>48,066,792</b>
<b>ACCUMULATED DEPRECIATION</b>					
Balance, December 31, 2022	5,374,678	294,115	650,838	-	6,319,631
Depreciation and depletion	2,216,728	137,104	151,568	-	2,505,400
<b>Balance, March 31, 2023</b>	<b>7,591,406</b>	<b>431,219</b>	<b>802,406</b>	<b>-</b>	<b>8,825,031</b>
<b>Net book value, March 31, 2023</b>	<b>27,744,496</b>	<b>7,321,055</b>	<b>2,513,546</b>	<b>1,662,664</b>	<b>39,241,761</b>

	Property, plant and equipment				Total PP&E
	Machinery and equipment	Land and buildings	Furniture and other equipment	Construction in progress	
<b>COST</b>	\$	\$	\$	\$	\$
Balance, December 31, 2021	12,640,237	4,885,684	1,781,997	-	19,307,919
Additions	2,222,888	22,312	204,413	950,315	3,399,928
Acquisition of MMR	19,588,414	2,866,189	935,626	-	23,390,230
Disposals	(166,563)	(21,911)	-	-	(188,474)
Balance, December 31, 2022	34,284,977	7,752,273	2,922,036	950,315	45,909,602
<b>ACCUMULATED DEPRECIATION</b>					
Balance, December 31, 2021	818,699	43,433	135,090	-	997,222
Depreciation and depletion	4,560,384	252,873	515,748	-	5,329,005
Disposals	(4,406)	(2,191)	-	-	(6,597)
Balance, December 31, 2022	5,374,678	294,115	650,838	-	6,319,631
<b>Net book value, December 31, 2022</b>	<b>28,910,299</b>	<b>7,458,158</b>	<b>2,271,198</b>	<b>950,315</b>	<b>39,589,971</b>

## 7. MINERAL PROPERTIES, AND EXPLORATION AND EVALUATION ASSETS

	Mineral properties	Exploration and evaluation assets	Total
<b>COST</b>	\$	\$	\$
Balance, December 31, 2022	19,429,875	3,195,938	22,625,813
Additions	1,362,680	-	1,362,680
Changes in closure and reclamation	771,681	-	771,681
<b>Balance, March 31, 2023</b>	<b>21,564,236</b>	<b>3,195,938</b>	<b>24,760,174</b>
<b>ACCUMULATED DEPRECIATION</b>			
Balance, December 31, 2022	4,583,837	-	4,583,837
Depreciation and depletion	887,530	-	887,530
<b>Balance, March 31, 2023</b>	<b>5,471,367</b>	<b>-</b>	<b>5,471,367</b>
<b>Net book value, March 31, 2023</b>	<b>16,092,868</b>	<b>3,195,938</b>	<b>19,288,806</b>

	Mineral properties	Exploration and evaluation assets	Total
<b>COST</b>	\$	\$	\$
Balance, December 31, 2021	14,647,607	2,797,365	17,444,972
Additions	4,696,892	398,573	5,095,465
Acquisition of MMR	2,923,222	-	2,923,222
Changes in closure and reclamation	(2,837,846)	-	(2,837,846)
Balance, December 31, 2022	19,429,875	3,195,938	22,625,812
<b>ACCUMULATED DEPRECIATION</b>			
Balance, December 31, 2021	779,693	-	779,693
Depreciation and depletion	3,804,144	-	3,804,144
Balance, December 31, 2022	4,583,838	-	4,583,838
<b>Net book value, December 31, 2022</b>	<b>14,846,037</b>	<b>3,195,938</b>	<b>18,041,975</b>

### Exploration and evaluation assets

	El Pinguico	Other claims	Total
Acquisition Cost:			
Balance, December 31, 2022	\$ 2,930,681	\$ 265,257	\$ 3,195,938
Additions	-	-	-
<b>Balance, March 31, 2023</b>	<b>\$ 2,930,681</b>	<b>\$ 265,257</b>	<b>\$ 3,195,938</b>

### El Pinguico Mine Project

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

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

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

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

Under the terms of the Option Agreement, the Company will pay a total of CAD\$1,675,000 cash and issue 3,750,000 units (each unit comprised of one common share and one non-transferable share purchase warrant, exercisable at CAD\$0.175 per share for a term of 5 years) to EMBSA. On March 16, 2023, the Company and EMBSA amended the Option Agreement whereby the CAD\$525,000 option payment originally due on February 22, 2022, was deferred. The revised payment schedule is as follows:

- CAD\$200,000 cash (paid) and 3,750,000 units on or before November 30, 2020 (issued);
- CAD\$325,000 cash on or before February 22, 2021 (paid);
- CAD\$262,500 on or before April 10, 2022 (paid);
- CAD\$262,500 on or before October 10, 2022 (paid);
- CAD\$312,500 cash on or before March 16, 2023;
- CAD\$312,500 cash on or before October 16, 2023.

On March 16, 2023, the Company purchased all of EMBSA's interest in its 15% royalty on net profits derived from the surface stockpile of historically mined (but unprocessed) mineralized material at El Pinguico for a purchase price of US\$70,000. Accordingly, upon payment of the final option payment of C\$312,500 to EMBSA on or before October 16, 2023, the only royalty that will remain over the El Pinguico project will be a 15% net profits royalty on the underground stockpile of previously mined material in favour of EMBSA.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31 2023	December 31 2022
Accounts payable	\$ 13,418,852	\$ 9,418,922
Income and other tax payable	796,498	750,703
Payroll and benefits accrual	2,391,307	2,180,495
Other payables	227,082	182,796
	<b>\$ 16,833,739</b>	<b>\$ 12,532,916</b>

## 9. LOANS PAYABLE

	OCIM		OP		Vehicles		Total	
Balance, December 31, 2022	\$	7,263,703	\$	9,106,182	\$	118,219	\$	16,488,104
Additions		5,000,000		-		210,824		5,210,824
Interest expense		309,790		288,184		30,831		628,805
Accretion expense		2,632		57,459		-		60,091
Loan payments		(7,876,119)		-		(23,580)		(7,899,699)
Effect of change in foreign exchange rates		-		-		7,869		7,869
Loss on settlement of debt		461,622		-		-		461,622
Changes in fair value of derivative		(155,179)		-		-		(155,179)
<b>Balance, March 31, 2023</b>	<b>\$</b>	<b>5,006,448</b>	<b>\$</b>	<b>9,451,825</b>	<b>\$</b>	<b>344,162</b>	<b>\$</b>	<b>14,802,436</b>
Which consist of:								
Current portion of loans		3,811,427		8,280,058		256,230		12,347,715
Non-current portion of loans		1,195,022		1,171,768		87,932		2,454,721
<b>Balance, March 31, 2023</b>	<b>\$</b>	<b>5,006,448</b>	<b>\$</b>	<b>9,451,825</b>	<b>\$</b>	<b>344,162</b>	<b>\$</b>	<b>14,802,436</b>

	OCIM		OP		Vehicles		Total	
Balance, December 31, 2021	\$	8,007,072	\$	-	\$	174,277	\$	8,181,349
Additions		2,913,610		9,665,327		-		12,578,937
Interest expense		2,356,368		244,758		2,538		2,603,664
Accretion expense		31,579		70,765		-		102,344
Loan payments		(6,369,489)		(874,669)		(62,298)		(7,306,455)
Effect of change in foreign exchange rates		-		-		3,703		3,703
Gain on settlement of debt		(195,910)		-		-		(195,910)
Changes in fair value of derivative		520,473		-		-		520,473
Balance, December 31, 2022	\$	7,263,703	\$	9,106,182	\$	118,219	\$	16,488,104
Which consist of:								
Current portion of loans		7,263,703		7,398,364		82,623		14,744,690
Non-current portion of loans		-		1,707,818		35,596		1,743,414
Balance, December 31, 2022	\$	7,263,703	\$	9,106,182	\$	118,219	\$	16,488,104

### a) Oceans Partners Facilities

On August 22, 2022, the Company entered into a credit facility (the "OP Facility") with Ocean Partners (UK), a metals off-take and trading firm, for \$5,000,000 and on August 30, 2022, the Company drew down the \$5,000,000 credit facility with Ocean Partners. The OP Facility is for a term of 24-months, repayable over a period of 21-months following a three-month grace period, and is secured by a guarantee of MMR and a pledge over the Company's shares of MMR (the "OP security"). Interest on the loan is calculated at 12-month LIBOR + 7.5%.

### 9. LOANS PAYABLE (continued)

#### a) Ocean Partners Facilities (continued)

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

#### b) OCIM loan

On May 31, 2021, the Company entered into a definitive agreement for an 18-month gold and silver loan with European based OCIM Group ("OCIM") for \$7,500,000 ("Initial Loan"). The loan is repayable over the following 12 months commencing February 28, 2022, with the Company delivering 19,076 silver ounces and 178.5 gold ounces per month (an aggregate 228,916 silver and 2,141 gold ounces). The number of silver and gold ounces was fixed at an annualized 15% discount to the spot price on July 26, 2021, the date the Company served notice of drawdown of funds. The Company extinguished the Initial Loan in January 2023 with the final delivery of gold and silver.

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

On March 29, 2023, the Company entered into a new \$5,000,000 pre-payment agreement with OCIM (the "Tertiary Loan"). The Tertiary Loan has a term of 19-months and is repayable over 16 months, following a 3 month grace period, by delivery 9,832 ounces of silver and 77 ounces of gold on a monthly basis (an aggregate of 157,232 ounces of silver and 1,241 ounces of gold), calculated at a fixed discount to the prevailing London Bullion Market Association (LBMA) spot metals' prices on March 29, 2023. 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.

The Tertiary Loan has been accounted for as a loan extinguishment of the Secondary Loan resulting in a loss of \$461,622 recognized in the interim statement of loss and comprehensive loss.

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

During the three months ended March 31, 2023, the Company recognized a gain of \$155,179 on revaluation of the derivative in the interim statements of loss and comprehensive loss (March 31, 2022 - loss of \$242,813).

As at March 31, 2023, the carrying value of the Tertiary Loan, inclusive of accrued interest of \$6,448 are \$5,006,448. The outstanding principal amount owing on the OCIM Loan is \$5,000,000 as at March 31, 2023.

## 10. LEASE LIABILITIES

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

The following table presents the lease obligations of the Company for the three-months ended March 31, 2023 and year ended December 31, 2022.

	March 31 2023	December 31 2022
Balance, at beginning of period	\$ 3,940,724	\$ 577,743
Additions	816,733	3,343,487
Acquisition of MMR	-	1,081,330
Terminations	-	(168,643)
Accretion	123,906	186,187
Payments	(693,384)	(1,076,789)
Foreign exchange	16,833	(2,592)
<b>Balance, end of period</b>	<b>\$ 4,204,811</b>	<b>\$ 3,940,724</b>
Which consist of:		
Current portion of lease liabilities	2,756,788	2,474,197
Non-current portion of lease liabilities	1,448,023	1,466,527
<b>Balance, end of period</b>	<b>\$ 4,204,811</b>	<b>\$ 3,940,724</b>

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

	March 31 2023	December 31 2022
Less than one year	\$ 3,129,848	\$ 2,842,898
Between one and two years	1,350,269	1,366,194
Between two and three years	115,450	112,811
Between three and four years	53,032	69,386
Between four and five years	13,264	12,396
Greater than five years	43,110	44,934
	<b>\$ 4,704,973</b>	<b>4,448,618</b>
Less future finance charges	(500,162)	(507,893)
<b>Present value of minimum lease payments</b>	<b>\$ 4,204,811</b>	<b>\$ 3,940,724</b>

## 11. PROVISION FOR RECLAMATION AND REHABILITATION

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

	Topia	Valenciana Mines Complex	El Cubo Mines Complex	Total
Balance, December 31, 2022	\$ 5,848,718	\$ 6,445,907	\$ 4,477,249	\$ 16,771,876
Accretion	136,728	150,492	105,155	392,375
Changes in estimate	333,403	339,530	98,748	771,681
Effect of change in foreign exchange rates	412,401	454,508	315,757	1,182,666
<b>Balance, March 31, 2023</b>	<b>\$ 6,731,250</b>	<b>\$ 7,390,437</b>	<b>\$ 4,996,909</b>	<b>\$ 19,118,596</b>

## 11. PROVISION FOR RECLAMATION AND REHABILITATION (continued)

	Topia	Valenciana Mines Complex	El Cubo Mines Complex
Anticipated settlement date	2029	2029	2041
Undiscounted uninflated estimated cash flow	\$ 9,404,433	\$ 28,496,921	\$ 13,418,056
Estimated life of mine (years)	5.7	5.9	5.3
Discount rate (%)	8.8	8.8	8.8
Inflation rate (%)	3.0	3.0	3.0

## 12. SHARE CAPITAL

### a) Authorized share capital

The authorized share capital of the Company is as follows:

- i. unlimited voting common shares without par value; and
- ii. unlimited preferred shares without par value

### b) Equity offerings

During the three months ended March 31, 2023, the Company issued common shares as follows:

- i. On January 11, 2023, the Company completed the second and final tranche of a non-brokered Listed Issuer Financing Exemption private placement (note 12(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.
- ii. The Company issued 1,158,000 shares on the exercise of 1,158,000 stock options for net proceeds of \$85,531 (CAD\$115,890).

During the year ended December 31, 2022, the Company issued common shares as follows:

- i. On July 21, 2022, the Company completed a private placement and issued 41,885,388 units at \$0.256 (CAD\$0.33) per unit for gross proceeds of \$10,722,659. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at CAD\$0.50 per share for a period of three years. The proceeds from the private placement were allocated to the shares (\$6,181,271) and warrants (\$4,541,388) based on their relative fair values. In connection with the private placement, the Company incurred issuance costs of \$503,579 paid in cash and issued 1,524,520 finder's warrants with an exercise price of CAD\$0.33 exercisable for three years and a fair value of \$307,084 (CAD\$385,237) as finders fees.
- ii. On August 4, 2022, the Company issued 25,787,200 common shares with a fair value of \$8,976,524 (CAD\$11,818,491) in connection with the acquisition of MMR.
- iii. On December 8, 2022, the Company issued a total of 2,817,595 common shares at a deemed price of \$0.293, (CAD\$0.40) per share in settlement of \$826,274 (CAD\$1,127,038) of debt, including 693,750 shares issued to related parties totalling \$203,445.
- iv. On December 22, 2022, the Company completed the first tranche of a non-brokered Listed Issuer Financing Exemption private placement and issued 15,952,196 units at \$0.312 (CAD\$0.425) per unit for gross proceeds of \$4,971,307. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at CAD\$0.60 per share for a period of two years. The proceeds from the private placement were allocated to the shares (\$4,275,191) and warrants (\$696,116) based on their relative fair values. In connection with the private placement, the Company incurred issuance costs of \$190,356 paid in cash and issued 514,591 finder's warrants with an exercise price of CAD\$0.60 exercisable for two years and a fair value of \$52,990 (CAD\$72,129) as finders fees.
- v. The Company issued 7,919,737 common shares on the exercise of 7,919,737 warrants for net proceeds of \$1,599,296 (CAD\$2,054,570).
- vi. The Company issued 50,000 common shares on the exercise of 50,000 options for net proceeds of \$3,961 (CAD\$5,000).



## 13. RESERVES

### a) Warrants

The following summarizes the continuity of common share purchase warrants:

	March 31, 2023		December 31, 2022	
	Number outstanding	Weighted average exercise price CAD\$	Number outstanding	Weighted average exercise price CAD\$
Outstanding, beginning of the period	96,470,019	0.50	54,890,334	0.45
Issued	2,076,243	0.60	54,406,598	0.51
Exercised	-	-	(7,919,737)	0.26
Expired and forfeited	-	-	(4,907,176)	0.48
<b>Outstanding, end of the period</b>	<b>98,546,262</b>	<b>0.50</b>	<b>96,470,019</b>	<b>0.50</b>

As at March 31, 2023 the following common share purchase warrants were outstanding:

Expiry date	Exercise price CAD\$	Warrants outstanding	Remaining life (years)
November 30, 2023	0.75	7,627,289	0.67
December 7, 2023	0.75	1,201,317	0.69
March 9, 2024	0.45	29,484,815	0.94
August 29, 2024	0.50	2,500,000	1.42
December 21, 2024	0.60	8,496,690	1.73
January 10, 2025	0.60	2,076,243	1.78
July 21, 2025	0.33	1,524,520	2.31
August 4, 2025	0.50	41,885,388	2.35
November 30, 2025	0.18	3,750,000	2.67
	<b>0.50</b>	<b>98,546,262</b>	<b>1.70</b>

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

	March 31 2023	December 31 2022
Risk-free interest rate	4.02%	3.00%-4.02%
Expected life of options (years)	2 years	2-3 years
Expected annualized volatility	82.00%	81.67%-134.16%
Expected dividend yield	Nil	Nil

### b) Stock options (continued)

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

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

## 13. RESERVES (continued)

### b) Stock options (continued)

Additionally, the Company has adopted an Omnibus equity compensation plan (the "Omnibus") under the rules of the TSXV pursuant to which the Company's Board of Directors is authorized, from time to time, to grant a varying range of incentive awards, including restricted share units, deferred share units, performance share units and other share-based awards (the "Awards"), to employees, consultants, directors, and officers. The Omnibus is a fixed plan whereby the number of Awards shall not exceed 15,000,000 shares of the Company. The Omnibus shares are in addition to, and are not deducted from, the number of shares issuable under the Plan. As at March 31, 2023, no Awards have been issued under the Omnibus plan.

	Number of options	Weighted average exercise price CAD\$
Outstanding at December 31, 2021	13,325,000	0.39
Granted	7,175,000	0.38
Exercised	(50,000)	0.10
Expired and forfeited	(262,500)	0.40
Outstanding at December 31, 2022	<b>20,187,500</b>	0.38
Exercised	(1,158,000)	0.10
<b>Outstanding at March 31, 2023</b>	<b>19,029,500</b>	<b>0.40</b>

The following table summarizes the information about stock options outstanding as at March 31, 2023:

Expiry date	Options outstanding	Weighted average exercise price CAD\$	Options exercisable	Weighted average exercise price CAD\$
March 30, 2023 <sup>(1)</sup>	1,225,000	0.075	1,225,000	0.075
June 27, 2023	475,000	0.20	475,000	0.20
October 12, 2023	1,975,000	0.30	1,975,000	0.30
January 4, 2024	150,000	0.30	150,000	0.30
February 6, 2024	150,000	0.30	150,000	0.30
February 17, 2024	37,500	0.30	37,500	0.30
March 24, 2026	6,450,000	0.51	6,450,000	0.51
April 26, 2026	250,000	0.60	250,000	0.60
May 14, 2026	400,000	0.60	266,666	0.60
July 15, 2023	200,000	0.45	200,000	0.45
September 8, 2026	400,000	0.49	266,666	0.49
October 12, 2026	150,000	0.41	100,000	0.41
November 5, 2026	25,000	0.53	16,667	0.53
March 22, 2027	500,000	0.64	333,333	0.64
September 22, 2023	200,000	0.64	200,000	0.64
April 4, 2027	200,000	0.61	66,667	0.61
April 18, 2027	200,000	0.62	66,667	0.62
July 18, 2027	5,942,000	0.33	1,958,667	0.33
September 27, 2027	100,000	0.33	33,333	0.33
	<b>19,029,500</b>	<b>0.40</b>	<b>14,221,165</b>	<b>0.41</b>

<sup>(1)</sup> Under the Plan, options that expire during a blackout period automatically have their expiration date extended. The options will expire 10 days after the removal of the blackout period.

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

	March 31 2023	December 31 2022
Risk-free interest rate	N/A	2.31%-3.68%
Expected life of options (years)	N/A	2-5 years
Expected annualized volatility	N/A	137.17%-137.68%
Expected dividend yield	N/A	Nil

## 14. LOSS PER SHARE

	For the three months ended	
	March 31 2023	March 31 2022
Net loss for the period	\$ (8,699,078)	\$ (4,939,152)
Weighted average number of shares(000's)	322,850	224,556
<b>Loss per share-basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>

All of the outstanding warrants and options are anti-dilutive for the three months ended March 31, 2023 (three months ended March 31, 2022 – all).

## 15. REVENUES

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

	For the three months ended	
	March 31 2023	March 31 2022
Gold-silver concentrate	\$ 12,864,000	\$ 6,393,412
Lead concentrate	4,822,524	-
Zinc concentrate	1,286,996	-
Provisional pricing adjustments	(1,855,096)	(6,774)
	<b>\$ 17,118,424</b>	<b>\$ 6,386,638</b>

The Company sells 100% of its gold-silver, lead and zinc concentrates to two customers. Bullion sales of \$19,449 are included in Gold-silver concentrate.

## 16. COST OF SALES

	For the three months ended	
	March 31 2023	March 31 2022
Production costs	\$ 15,723,907	\$ 5,583,155
Transportation and other selling cost	825,173	102,646
Inventory changes	382,130	688,204
Depreciation	3,337,906	1,749,757
	<b>\$ 20,269,116</b>	<b>\$ 8,123,762</b>

## 17. GENERAL AND ADMINISTRATION

	For the three months ended	
	March 31 2023	March 31 2022
Salaries and employee benefits	\$ 773,408	\$ 326,729
Professional fees	682,081	387,066
Corporate and administration	844,667	454,601
Depreciation	56,782	51,185
	<b>\$ 2,356,938</b>	<b>\$ 1,219,581</b>

## 18. INTEREST AND FINANCE (COSTS) INCOME

	<b>For the three months ended</b>	
	<b>March 31 2023</b>	March 31 2022
Interest income	\$ 2,659	\$ 412
Interest expense	(636,702)	(481,883)
Accretion expense	(576,371)	(153,334)
	<b>\$ (1,210,414)</b>	<b>\$ (634,805)</b>

## 19. RELATED PARTIES

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

### *Compensation of key management personnel*

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

	<b>For the three months ended</b>	
	<b>March 31 2023</b>	March 31 2022
Salaries, bonus and benefits	\$ 87,113	\$ 35,494
Consulting fees <sup>(1)</sup>	156,118	71,039
Share-based compensation	140,763	275,125
	<b>\$ 383,994</b>	<b>\$ 381,658</b>

<sup>(1)</sup> 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, and for the three months ended March 31 2022, to Blueberry Capital Corp., a company controlled by the CEO of the Company.

## 20. SEGMENTED INFORMATION

The Company has three operating mining segments, located in Mexico, as well as a corporate segment.

The Company's operations are based in Mexico with Corporate offices based out of Canada.

March 31, 2023	Total Assets	Total liabilities	Capital expenditures
El Cubo Mines Complex	\$ 37,374,558	\$ (13,016,195)	\$ 725,469
Valenciana Mines Complex	9,450,551	(7,390,437)	2,246,505
Topia	28,818,589	(21,762,598)	538,523
Corporate	8,028,643	(16,189,409)	9,375
<b>Consolidated</b>	<b>\$ 83,672,341</b>	<b>\$ (58,358,639)</b>	<b>\$ 3,719,023</b>

December 31, 2022	Total Assets	Total liabilities	Capital expenditures
El Cubo Mines Complex	\$ 39,880,692	\$ (12,179,268)	\$ 6,160,948
Valenciana Mines Complex	11,841,899	(6,445,907)	1,238,213
Topia	20,890,994	(16,571,858)	1,004,480
Corporate	13,035,313	(17,940,078)	46,693
<b>Consolidated</b>	<b>\$ 85,648,898</b>	<b>\$ (53,137,111)</b>	<b>\$ 8,450,334</b>

Three months ended March 31, 2023	Revenues	Cost of sales	Exploration expense	G&A and other expenses	Finance items	Segmented net loss
El Cubo Mines Complex	\$ 5,175,224	\$ 7,652,201	\$ 205,969	\$ 824,714	\$ 162,027	\$ (3,669,688)
Valenciana Mines Complex	5,811,410	5,417,942	177,614	682,425	-	(466,571)
Topia	6,112,341	7,179,968	136,382	717,763	379,975	(2,301,747)
Corporate	19,449	19,005	4,869	1,271,755	984,893	(2,261,072)
<b>Consolidated</b>	<b>\$ 17,118,424</b>	<b>\$ 20,269,116</b>	<b>\$ 524,834</b>	<b>\$ 3,496,657</b>	<b>\$ 1,526,895</b>	<b>\$ (8,699,078)</b>

Three months ended March 31, 2022	Revenues	Cost of sales	Exploration expense	G&A and other expenses	Finance items	Segmented net loss
El Cubo Mines Complex	\$ 6,386,638	\$ 8,123,761	\$ 611,114	\$ 1,221,141	\$ 139,691	\$ (3,709,070)
Valenciana Mines Complex	-	-	-	-	-	-
Topia	-	-	-	-	-	-
Corporate	-	-	5,717	695,655	528,711	(1,230,082)
<b>Consolidated</b>	<b>\$ 6,386,638</b>	<b>\$ 8,123,761</b>	<b>\$ 616,831</b>	<b>\$ 1,916,796</b>	<b>\$ 668,401</b>	<b>\$ (4,939,152)</b>

## 21. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

### Fair value measurement and valuation techniques

Financial instruments included in the interim statements of financial position are measured either at fair value or amortized cost. Estimated fair values for financial instruments are designated 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.
Hedging instruments (other assets)	The Company determines the value of the hedging instruments 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	<p>The fair value of the contingent liabilities where payment is contingent on the price of gold and silver was estimated using the Monte-Carlo averaging simulation technique on simulated gold and silver prices.</p> <p>The fair value of the contingent liability where payment is contingent on achieving production milestones was estimated using the discounted cash flow method and an assigned probability of the achievement of the production milestones.</p>

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

During the three months ended March 31, 2023, and 2022, there were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy.

## 21. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

March 31, 2023	Fair value through profit or loss		Amortized cost		Total	Level 1		Level 2		Carrying value approximates fair value
<b>Financial assets measured at fair value</b>										
Trade receivables from sale of concentrate	\$	3,243,997	\$	-	\$ 3,243,997	\$	-	\$	3,243,997	\$ -
Hedging instruments		132,800		-	132,800		132,800		-	-
	\$	<b>3,376,797</b>	\$	<b>-</b>	\$ <b>3,376,797</b>	\$	<b>132,800</b>	\$	<b>3,243,997</b>	\$ -
<b>Financial assets not measured at fair value</b>										
Cash and cash equivalents	\$	-	\$	5,275,004	\$ 5,275,004	\$	-	\$	-	\$ 5,275,004
Other assets - silver and gold bullion		-		2,688	2,688		-		-	2,688
VAT and other receivables		-		9,791,483	9,791,483		-		-	9,791,483
	\$	<b>-</b>	\$	<b>15,069,175</b>	\$ <b>15,069,175</b>	\$	<b>-</b>	\$	<b>-</b>	\$ <b>15,069,175</b>
<b>Financial liabilities measured at fair value</b>										
Other current liabilities	\$	(3,399,058)	\$	-	\$ (3,399,058)	\$	-	\$	(3,399,058)	\$ -
	\$	<b>(3,399,058)</b>	\$	<b>-</b>	\$ <b>(3,399,058)</b>	\$	<b>-</b>	\$	<b>(3,399,058)</b>	\$ -
<b>Financial liabilities not measured at fair value</b>										
Accounts payable and accrued liabilities	\$	-	\$	(16,833,739)	\$ (16,833,739)	\$	-	\$	-	\$ (16,833,739)
Vehicle loan		-		(344,162)	(344,162)		-		-	(344,162)
OCIM loan		-		(5,006,448)	(5,006,448)		-		-	(5,006,448)
Ocean Partners loans		-		(9,451,825)	(9,451,825)		-		-	(9,451,825)
	\$	<b>-</b>	\$	<b>(31,636,175)</b>	\$ <b>(31,636,175)</b>	\$	<b>-</b>	\$	<b>-</b>	\$ <b>(31,636,175)</b>

## 21. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

December 31, 2022	Fair value through profit or loss		Amortized cost		Total	Level 1	Level 2	Carrying value approximates fair value				
<b>Financial assets measured at fair value</b>												
Trade receivables from sale of concentrate	\$	3,857,355	\$	-	\$	3,857,355	\$	-	\$	3,857,355	\$	-
	<b>\$</b>	<b>3,857,355</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>3,857,355</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>3,857,355</b>	<b>\$</b>	<b>-</b>
<b>Financial assets not measured at fair value</b>												
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
	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>17,905,960</b>	<b>\$</b>	<b>17,905,960</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>17,905,960</b>
<b>Financial liabilities measured at fair value</b>												
Other current liabilities	\$	(3,403,491)	\$	-	\$	(3,403,491)	\$	-	\$	(3,403,491)	\$	-
Derivative		(155,179)		-		(155,179)		-		(155,179)		-
	<b>\$</b>	<b>(3,558,670)</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(3,558,670)</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(3,558,670)</b>	<b>\$</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>												
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)
	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(28,865,842)</b>	<b>\$</b>	<b>(28,865,842)</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(28,865,842)</b>



## 22. SUPPLEMENTAL CASHFLOW INFORMATION

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

	Loans	Leases	Other current liabilities
As at December 31, 2021	\$ 8,181,349	\$ 577,743	\$ 750,000
Additions	12,578,937	3,343,487	-
Acquisition of MMR	-	1,081,330	2,658,311
Terminations	-	(168,643)	-
Interest	2,603,664	-	-
Accretion	102,344	186,187	-
Payments in cash	(1,168,629)	(1,076,789)	-
Payments in gold and silver	(6,137,826)	-	-
Foreign exchange	3,703	(2,592)	-
Gain on settlement of debt	(195,910)	-	-
Changes in fair value of contingent payment	-	-	(4,820)
Changes in fair value of derivative	520,473	-	-
As at December 31, 2022	16,488,104	3,940,724	3,403,491
Additions	5,210,824	816,733	-
Interest	628,805	123,906	-
Accretion	60,091	123,906	-
Payments in cash	(5,568,636)	(693,384)	-
Payments in gold and silver	(2,331,063)	-	-
Foreign exchange	7,868	16,832	-
Loss on settlement of debt	461,622	-	-
Changes in fair value of contingent payment	-	-	(4,433)
Changes in fair value of derivative	(155,179)	-	-
<b>As at March 31, 2023</b>	<b>\$ 14,802,436</b>	<b>\$ 4,204,811</b>	<b>\$ 3,399,058</b>

The significant non-cash financing and investing transactions during the three months ended March 31, 2023 and 2022, are as follows:

	For the three months ended	
	March 31 2023	March 31 2022
Payment for OCIM loan in gold and silver ounces	\$ 2,331,063	\$ 1,611,427
Closure and reclamation provision remeasured	\$ 771,681	\$ -
Changes in contingent liability	\$ (4,433)	\$ -
Shares and warrants issued for finders' fees	\$ 3,683	\$ -
Leases/ROU assets recognized	\$ 816,733	\$ -

## 23. COMMITMENTS AND CONTINGENCIES

### a) Commitments

As at March 31, 2023, the Company had no commitments 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 three months ended March 31, 2023, Contingent Payment #2 expired unpaid.
- iii. \$1,000,000 if the LBMA spot price of gold closes at or above \$2,200 per ounce for 20 consecutive trading days within three years after closing ("Contingent Payment #3").

The Company has accrued a total of \$231,552 for contingent payment #3 as other current liabilities on the statement of financial position.

### 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.

The Company has accrued a total of \$1,097,789 for these contingent payments in other current liabilities on the statement of financial position.

## 24. SUBSEQUENT EVENTS

Subsequent to March 31, 2023, the Company issued 1,025,000 shares on the exercise of 1,025,000 stock options and received proceeds of \$57,016 (CAD\$76,875).

Subsequent to March 31, 2023, the Company issued 3,512,050 shares on the exercise of 3,512,050 warrants and received proceeds of \$1,289,193 (CAD\$1,735,423).

Subsequent to March 31, 2023, 200,000 stock options expired unexercised.