



Guanajuato
Silver CO
LTD

Condensed Consolidated Interim Financial Statements

**For the three and six months ended
June 30, 2023 and 2022
(Unaudited)**

Guanajuato Silver CO LTD

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

	Notes	June 30 2023	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,835,553	\$ 8,832,936
Amounts receivable	4	10,887,330	11,926,017
Inventories	5	5,902,509	5,156,448
Prepaid expenses and deposits		1,034,130	1,267,189
Other current assets		353,427	-
		21,012,949	27,182,590
Non-current assets			
Property, plant and equipment	6	37,757,834	39,589,971
Mineral properties	7	16,966,696	14,846,037
Exploration and evaluation assets	7	3,265,938	3,195,938
Other assets	4	959,582	834,362
		\$ 79,962,999	\$ 85,648,898
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 20,820,240	\$ 12,532,916
Current portion of loan payable	9	12,313,306	14,744,690
Current portion of lease liabilities	10	2,304,924	2,474,197
Other current liabilities	23(b,c)	3,405,857	3,403,491
		38,844,327	33,155,294
Non-current liabilities			
Loan payable	9	787,059	1,743,414
Lease liabilities	10	945,723	1,466,527
Provision for reclamation and rehabilitation	11	20,414,200	16,771,876
		60,991,309	53,137,111
SHAREHOLDERS' EQUITY			
Share capital	12	85,454,368	82,370,710
Reserves		25,123,543	24,573,358
Accumulated other comprehensive income		1,839,804	1,794,850
Share subscriptions received		37,722	-
Deficit		(93,483,747)	(76,227,131)
		18,971,690	32,511,787
		\$ 79,962,999	\$ 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)

	Notes	For the three months ended		For the six months ended	
		June 30 2023	June 30 2022	June 30 2023	June 30 2022
Revenues	15	\$ 16,823,042	\$ 6,133,989	\$ 33,941,466	\$ 12,520,627
Cost of sales	16	19,213,281	7,790,285	39,482,397	15,914,046
Mine operating loss		(2,390,239)	(1,656,296)	(5,540,931)	(3,393,419)
General and administration	17	2,877,358	1,342,039	5,234,296	2,561,620
Share based compensation	13	650,135	231,594	901,310	641,807
Exploration expenses		678,717	975,393	1,203,551	1,592,224
Foreign exchange loss		1,280,033	9,152	2,345,290	299,151
Other operating expense (income)		271,469	(3,524)	94,756	(6,520)
Operating loss		(8,147,951)	(4,210,950)	(15,320,134)	(8,481,701)
Interest and finance costs, net	18	(1,126,420)	(654,350)	(2,336,834)	(1,289,155)
Gain (loss) on derivative		239,601	1,220,275	373,739	977,462
Other finance (expense) income, net		477,232	123,634	26,613	332,851
Net loss for the period		\$ (8,557,538)	\$ (3,521,391)	(17,256,616)	\$ (8,460,543)
Other comprehensive income (loss)					
Foreign currency translation differences		145,660	21,814	44,954	253,490
Total comprehensive loss for the period		\$ (8,411,878)	\$ (3,499,577)	\$ (17,211,662)	\$ (8,207,053)
Basic and diluted loss per common share	14	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (0.04)
Weighted average number of common shares outstanding (000's)		327,386	226,033	325,150	225,300

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	Share subscriptions received	Equity settled share-based payments	Warrants	Reserves total	Accumulated deficit	Accumulated OCI	Total shareholders' equity
Balance, December 31, 2021		224,216,031	\$60,688,534	\$ -	\$9,737,626	\$8,412,558	\$18,150,184	\$(49,455,546)	\$1,417,390	\$30,800,562
Options exercise for cash	12(b)	50,000	31,814	-	(27,853)	-	(27,853)	-	-	3,961
Warrant exercise for cash	12(b)	1,863,248	647,993	-	-	(222,851)	(222,851)	-	-	425,142
Share-based compensation		-	-	-	641,807	-	641,807	-	-	641,807
Subscriptions received		-	-	3,395	-	-	-	-	-	3,395
Comprehensive income (loss)		-	-	-	-	-	-	(8,460,543)	253,490	(8,207,053)
Balance, June 30, 2022		226,129,279	61,368,341	3,395	10,351,580	8,189,707	18,541,287	(57,916,089)	1,670,880	23,667,814
Private placement	12(b)	57,837,584	10,456,462	(3,395)	-	5,237,504	5,237,504	-	-	15,690,571
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
Warrant exercise for cash	12(b)	6,056,489	1,868,598	-	-	(694,444)	(694,444)	-	-	1,174,154
Fair value of warrants issued		-	-	-	-	259,673	259,673	-	-	259,673
Share-based compensation		-	-	-	869,264	-	869,264	-	-	869,264
Comprehensive loss for the period		-	-	-	-	-	-	(18,311,042)	123,970	(18,187,072)
Balance, December 31, 2022		318,628,147	82,370,710	-	11,220,844	13,352,514	24,573,358	(76,227,131)	1,794,850	32,511,787
Private placement	12(b)	4,080,486	1,087,722	-	-	189,339	189,339	-	-	1,277,061
Warrants issued for finder's fee	12(b)	-	(3,683)	-	-	3,683	3,683	-	-	-
Share issue cost	12(b)	-	(12,069)	-	-	-	-	-	-	(12,069)
Shares issued on settlement of debt		81,465	35,799	-	-	-	-	-	-	35,799
Options exercise for cash	12(b)	2,183,000	226,897	-	(84,349)	-	(84,349)	-	-	142,548
Warrant exercise for cash	12(b)	3,512,050	1,748,992	-	-	(459,798)	-	-	-	1,289,194
Share-based compensation		-	-	-	901,310	-	901,310	-	-	901,310
Subscriptions received		-	-	37,722	-	-	-	-	-	37,722
Comprehensive loss for the period		-	-	-	-	-	-	(17,256,616)	44,954	(17,211,662)
Balance, June 30, 2023		328,485,148	\$85,454,368	\$37,722	\$12,037,805	\$13,085,738	\$25,123,543	\$(93,483,747)	\$1,839,804	\$18,971,690

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		For the six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
Operating activities				
Net loss for the period	\$ (8,557,538)	\$ (3,521,391)	\$ (17,256,616)	\$ (8,460,543)
Items not involving cash and cash equivalents:				
Depreciation and amortization	2,881,627	1,736,333	6,276,315	3,537,274
Accretion	582,228	140,369	1,158,599	293,795
Loss (gain) on settlement of debt	-	(195,910)	461,622	(195,910)
Gain on derivatives	(239,601)	(1,220,275)	(373,739)	(977,462)
Gain on fair value of contingent payments	(129,607)	-	(129,607)	-
Gain on financial assets carried at fair value	(347,625)	-	(358,628)	-
Interest	544,320	535,721	1,178,479	1,017,559
Share-based compensation	650,135	231,594	901,310	641,807
Unrealized foreign exchange loss (gain)	1,467,558	(114,388)	2,516,072	98,067
Changes in non-cash operating working capital:				
Amounts receivable	1,936,671	286,754	2,063,055	(1,428,744)
Inventories	(698,118)	13,013	(756,031)	862,538
Prepaid expenses and deposits	449,067	(88,937)	233,059	(222,379)
Purchases of gold and silver bullion	(617,800)	(1,649,690)	(2,972,592)	(3,281,890)
Proceeds from sale of gold and silver bullion	-	-	-	1,643,708
Accounts payable and accrued liabilities	2,547,293	(1,719)	5,428,549	1,252,138
Other current assets	-	72,277	-	72,277
Settlement of advance payment	-	(304,230)	-	(476,643)
Reclamation expenditures	(62,111)	-	(62,111)	-
Net cash and cash equivalents provided by (used in) operating activities	406,499	(4,080,479)	(1,692,264)	(5,624,408)
Investing activities				
Acquisition of mineral properties and property, plant and equipment	(1,528,711)	(969,814)	(2,916,322)	(1,303,815)
Purchases of derivative instruments	(51,978)	-	(111,328)	-
Payments to acquire royalties	(70,000)	(206,124)	(70,000)	(206,124)
Net cash and cash equivalents used in investing activities	(1,650,689)	(1,175,938)	(3,097,650)	(1,509,939)
Financing activities				
Proceeds from issuance of units	12 -	-	1,277,061	-
Share issuance costs	12 -	-	(12,069)	-
Net proceeds from OCIM Loan refinancing	-	2,913,610	-	2,913,610
Proceeds from the exercise of options and warrants	-	57,655	1,431,742	429,103
Repayment of loan payable	(1,706,091)	(72,621)	(2,274,727)	(86,162)
Payments of lease obligations	(1,018,764)	(39,050)	(1,712,148)	(103,736)
Share subscriptions received	37,722	3,395	37,722	3,395
Net cash and cash equivalents provided by (used in) financing activities	(1,340,923)	2,862,989	(1,252,419)	3,156,210
Effect on cash and cash equivalents of foreign exchange	145,659	16,264	44,951	253,490
Change in cash and cash equivalents	(2,439,452)	(2,377,164)	(5,997,383)	(3,724,647)
Cash and cash equivalents, beginning of period	5,275,004	6,886,559	8,832,936	8,234,043
Cash and cash equivalents, end of period	\$ 2,835,553	\$ 4,509,396	\$ 2,835,553	4,509,396
Cash and cash equivalents are consisted of:				
Cash	\$ 2,797,543	\$ 4,470,594	\$ 2,797,543	\$ 4,470,594
Redeemable guaranteed investment certificate ("GIC")	38,010	38,802	38,010	38,802
Total cash and cash equivalents, end of period	\$ 2,835,553	\$ 4,509,396	\$ 2,835,553	\$ 4,509,396

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 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 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 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 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 August 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 June 30, 2023, were as follows:

Subsidiary	Location	Ownership		Accounting	Principal Activity
		Interest			
1352168 B.C. Ltd.	Canada	100%		Consolidated	Holding Company
1424579 B.C. Ltd.	Canada	100%		Consolidated	Holding Company
Gato Chico Investments Ltd.	Canada	100%		Consolidated	Holding Company
CanMex Silver S.A. de C.V.	Mexico	98%		Consolidated	Exploration Company
Obras Mineras El Pinguico S.A. de C.V.	Mexico	100%		Consolidated	Mining Company
Minera Mexicana El Rosario, 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 2.1) 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 and six months ended June 30, 2023, are the same as those applied in the Company's Annual 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, the Company has 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 Interim 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)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments—Disclosure of Accounting Policies (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 Interim 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 and six months ended June 30, 2023, the Company applied the same critical estimates and judgements as disclosed in note 4 of the Annual Financial Statements.

4. AMOUNTS RECEIVABLE

	June 30 2023	December 31 2022
Trade receivables	\$ 1,553,148	\$ 3,857,355
VAT recoverable	8,473,991	7,398,102
Other receivables	1,819,773	1,504,922
	\$ 11,846,912	\$ 12,760,379
Less: non-current portion of VAT recoverable	(959,582)	(834,362)
	\$ 10,887,330	\$ 11,926,017

At June 30, 2023, the Company assessed the timing of collection of the total VAT recoverable of \$8,473,991 (December 31, 2022 – \$7,398,102) and concluded that \$959,582 (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

	June 30 2023	December 31 2022
Concentrate	\$ 1,973,376	\$ 1,572,831
Ore stockpiles	196,093	113,484
Coins and bullion for sale	40,866	12,860
Materials and supplies	3,692,174	3,457,273
Total inventories	\$ 5,902,509	\$ 5,156,448

During the three and six months ended June 30, 2023, the Company expensed \$16,700,581 and \$35,393,368 respectively of inventories to cost of sales (June 30, 2022, \$7,626,607 and \$15,459,027 respectively).

6. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment					Total PP&E
	Machinery and equipment	Land and buildings	Furniture and other equipment	Construction in progress		
COST	\$	\$	\$	\$	\$	\$
Balance, December 31, 2022	34,284,977	7,752,273	2,922,036	950,315		45,909,602
Additions	1,604,456	-	489,232	1,007,591		3,101,279
Disposals	(339,451)	(20,190)	(17,800)	-		(377,441)
Balance, June 30, 2023	35,549,982	7,732,084	3,393,468	1,957,906		48,633,440
ACCUMULATED DEPRECIATION						
Balance, December 31, 2022	5,374,678	294,115	650,838	-		6,319,631
Depreciation and depletion	4,218,880	224,513	365,349	-		4,808,742
Disposals	(236,272)	(10,445)	(6,049)	-		(252,767)
Balance, June 30, 2023	9,357,286	508,183	1,010,137	-		10,875,606
Net book value, June 30, 2023	26,192,696	7,223,902	2,383,331	1,957,906		37,757,834

	Property, plant and equipment					Total PP&E
	Machinery and equipment	Land and buildings	Furniture and other equipment	Construction in progress		
COST	\$	\$	\$	\$	\$	\$
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
ACCUMULATED DEPRECIATION						
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
Net book value, December 31, 2022	28,910,299	7,458,158	2,271,198	950,315		39,589,971

7. MINERAL PROPERTIES, AND EXPLORATION AND EVALUATION ASSETS

	Mineral properties	Exploration and evaluation assets	Total
COST	\$	\$	\$
Balance, December 31, 2022	19,429,875	3,195,938	22,625,813
Additions	2,961,810	70,000	3,031,810
Changes in closure and reclamation	616,450	-	616,450
Balance, June 30, 2023	23,008,134	3,265,938	26,274,072
ACCUMULATED DEPRECIATION			
Balance, December 31, 2022	4,583,837	-	4,583,837
Depreciation and depletion	1,457,601	-	1,457,601
Balance, June 30, 2023	6,041,438	-	6,041,438
Net book value, June 30, 2023	16,966,696	3,265,938	20,232,634

	Mineral properties	Exploration and evaluation assets	Total
COST	\$	\$	\$
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
ACCUMULATED DEPRECIATION			
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
Net book value, December 31, 2022	14,846,037	3,195,938	18,041,975

Exploration and evaluation assets

	El Pinguico	Other claims	Total
Acquisition Cost:			
Balance, December 31, 2022	\$ 2,930,681	\$ 265,257	\$ 3,195,938
Additions	70,000	-	70,000
Balance, June 30, 2023	\$ 3,000,681	\$ 265,257	\$ 3,265,938

El Pinguico Mine Project

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

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

El Pinguico Mine Project (continued)

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

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

Under the terms of the Option Agreement, the Company will pay a total of CAD\$1,675,000 cash and issue 3,750,000 units (each unit comprised of one common share and one non-transferable share purchase warrant, exercisable at CAD\$0.175 per share for a term of 5 years) to EMBSA. On 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

	June 30 2023	December 31 2022
Accounts payable	\$ 16,808,388	\$ 9,418,922
Income and other tax payable	858,977	750,703
Payroll and benefits accrual	2,902,082	2,180,495
Other payables	250,793	182,796
	\$ 20,820,240	\$ 12,532,916

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	-	224,581	5,224,581
Interest expense	605,989	561,885	10,606	1,178,479
Accretion expense	2,632	96,168	-	98,800
Loan payments	(8,281,586)	(1,650,257)	(79,415)	(10,011,258)
Effect of change in foreign exchange rates	-	-	33,777	33,777
Loss on settlement of debt	461,622	-	-	461,622
Changes in fair value of derivative	(373,739)	-	-	(373,739)
Balance, June 30, 2023	\$ 4,678,619	\$ 8,113,978	\$ 307,768	\$ 13,100,365
Which consist of:				
Current portion of loans	4,330,827	7,721,109	261,370	12,313,306
Non-current portion of loans	347,792	392,869	46,398	787,059
Balance, June 30, 2023	\$ 4,678,619	\$ 8,113,978	\$ 307,768	\$ 13,100,365

	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 and six months ended June 30, 2023, the Company recognized a gain of \$239,601 and \$373,739, respectively, on revaluation of the derivative in profit or loss (June 30, 2022 - gain of \$1,220,275 and \$977,462 respectively) and the value of the derivative asset as at June 30, 2023 is \$242,885.

As at June 30, 2023, the carrying value of the Tertiary Loan, inclusive of accrued interest is \$4,921,504. The outstanding principal amount owing on the OCIM Loan is \$4,921,504 as at June 30, 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 to purchase the equipment.

The following table presents the lease obligations of the Company for the six-months ended June 30, 2023 and year ended December 31, 2022.

	June 30 2023	December 31 2022
Balance, at beginning of period	\$ 3,940,724	\$ 577,743
Additions	855,951	3,343,487
Acquisition of MMR	-	1,081,330
Terminations	(118,082)	(168,643)
Accretion	253,274	186,187
Payments	(1,712,148)	(1,076,789)
Foreign exchange	30,927	(2,592)
Balance, end of period	\$ 3,250,647	\$ 3,940,724
Which consist of:		
Current portion of lease liabilities	2,304,924	2,474,197
Non-current portion of lease liabilities	945,723	1,466,527
Balance, end of period	\$ 3,250,647	\$ 3,940,724

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

	June 30 2023	December 31 2022
Less than one year	\$ 2,606,225	\$ 2,842,898
Between one and two years	858,814	1,366,194
Between two and three years	115,256	112,811
Between three and four years	10,515	69,386
Between four and five years	10,515	12,396
Greater than five years	42,936	44,934
	\$ 3,644,260	\$ 4,448,618
Less future finance charges	(393,613)	(507,893)
Present value of minimum lease payments	\$ 3,250,647	\$ 3,940,724

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	282,462	310,434	213,480	806,376
Reclamation expenditures	(62,111)	-	-	(62,111)
Changes in estimate	321,446	246,917	48,087	616,450
Effect of change in foreign exchange rates	797,804	880,504	603,302	2,281,610
Balance, June 30, 2023	\$ 7,188,320	\$ 7,883,762	\$ 5,342,118	\$ 20,414,200

11. PROVISION FOR RECLAMATION AND REHABILITATION (continued)

	Topia	Valenciana Mines Complex	El Cubo Mines Complex
Anticipated settlement date	2029	2029	2029-2041
Undiscounted uninflated estimated cash flow	\$ 14,428,405	\$ 14,222,934	\$ 11,171,808
Estimated life of mine (years)	5.3	5.3	5.3
Discount rate (%)	8.7	8.7	8.7
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 six months ended June 30, 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 2,183,000 shares on the exercise of 2,183,000 stock options for proceeds of \$142,548 (CAD\$192,765).
- iii. The Company issued 3,512,050 shares on the exercise of 3,512,050 warrants for proceeds of \$1,289,194 (CAD\$1,735,423).
- iv. On June 23, 2023, the Company issued a total of 81,465 common shares at a deemed price of \$0.44, (CAD\$0.58) per share in settlement of \$35,799 (CAD\$47,250) of debt.

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.

12. SHARE CAPITAL (continued)

b) Equity offerings (continued)

- 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:

	June 30, 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	(3,512,050)	0.49	(7,919,737)	0.26
Expired and forfeited	-	-	(4,907,176)	0.48
Outstanding, end of the period	95,034,212	0.50	96,470,019	0.50

As at June 30, 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	0.42
December 7, 2023	0.75	1,201,317	0.44
March 9, 2024	0.45	29,072,765	0.69
December 21, 2024	0.60	8,496,690	1.48
January 10, 2025	0.60	2,076,243	1.53
July 21, 2025	0.33	1,524,520	2.06
August 4, 2025	0.50	41,285,388	2.10
November 30, 2025	0.175	3,750,000	2.42
	0.50	95,034,212	1.46

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:

	June 30 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

13. RESERVES (continued)

b) Stock options

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:

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.

	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	20,187,500	0.38
Granted	3,490,000	0.58
Exercised	(2,433,000)	0.09
Expired and forfeited	(675,000)	0.24
Outstanding at June 30, 2023	20,569,500	0.45

The following table summarizes the information about stock options outstanding as at June 30, 2023:

Expiry date	Options outstanding	Weighted average exercise price CAD\$	Options exercisable	Weighted average exercise price CAD\$
October 12, 2023	1,925,000	0.30	1,925,000	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	6,350,000	0.51	6,350,000	0.51
April 26, 2026	250,000	0.60	250,000	0.60
May 14, 2026	400,000	0.60	400,000	0.60
July 15, 2023	200,000	0.45	200,000	0.45
September 8, 2026	400,000	0.49	400,000	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	133,333	0.61
April 18, 2027	200,000	0.62	133,333	0.62
July 18, 2027	5,842,000	0.33	1,625,334	0.33
September 27, 2027	100,000	0.33	33,333	0.33
April 19, 2028	3,390,000	0.58	1,130,000	0.58
April 28, 2028	100,000	0.58	33,333	0.58
	20,569,500	0.45	13,701,167	0.47

13. RESERVES (continued)

b) Stock options (continued)

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:

	June 30 2023	December 31 2022
Risk-free interest rate	3.48%	2.31%-3.68%
Expected life of options (years)	3 years	2-5 years
Expected annualized volatility	128.19%-128.67%	137.17%-137.68%
Expected dividend yield	Nil	Nil

c) Restricted share units

The Company's Restricted share units ("RSUs") are settled in equity. The fair value is determined based on the quoted market price of the Company's common shares at the date of the grant. The RSUs are recognized as a share-based compensation and are expense over the vesting period with corresponding amount recorded in equity reserves. On April 19, 2023, the Company granted 347,500 RSUs with a grant date fair value of \$148,439 and a vesting date of April 18, 2024.

14. LOSS PER SHARE

	Three months ended		Six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
Net loss for the period	\$ (8,557,538)	\$ (3,521,391)	\$ (17,256,616)	\$ (8,460,543)
Weighted average number of shares (000's)	327,386	226,033	325,150	225,300
Loss per share - basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (0.04)

All the outstanding warrants, options and RSU's are anti-dilutive for the three and six months ended June 30, 2023 (three and six months ended June 30, 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 and six months ended June 30, 2023 and 2022, are as follows:

	Three months ended		Six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
Gold-silver concentrate	\$ 13,715,866	\$ 6,770,225	\$ 26,579,866	\$ 13,163,637
Lead concentrate	4,540,839	-	9,363,363	-
Zinc concentrate	721,178	-	2,008,174	-
Provisional pricing adjustments	(2,154,841)	(636,236)	(4,009,937)	(643,010)
	\$ 16,823,042	\$ 6,133,989	\$ 33,941,466	\$ 12,520,627

The Company sells 100% of its gold-silver, lead and zinc concentrates to two customers. Bullion sales of \$53,145 and \$72,594 for the three and six months ended June 30, 2023 are included in Gold-silver concentrate.

16. COST OF SALES

	Three months ended		Six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
Production costs	\$ 16,415,956	\$ 5,767,560	\$ 32,139,863	\$ 11,350,715
Transportation and other selling cost	878,096	69,022	1,703,268	171,667
Inventory changes	(865,285)	289,484	(483,155)	977,688
Depreciation	2,784,515	1,664,219	6,122,421	3,413,976
	\$ 19,213,281	\$ 7,790,285	\$ 39,482,397	\$ 15,914,046

17. GENERAL AND ADMINISTRATION

	Three months ended		Six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
Salaries and employee benefits	\$ 731,861	\$ 383,577	\$ 1,505,269	\$ 710,306
Professional fees	1,260,631	438,180	1,942,712	825,246
Corporate and administration	787,754	448,169	1,632,421	902,770
Depreciation	97,112	72,113	153,894	123,298
	\$ 2,877,358	\$ 1,342,039	\$ 5,234,296	\$ 2,561,620

18. INTEREST AND FINANCE (COSTS) INCOME

	Three months ended		Six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
Interest income	\$ 128	\$ 61	\$ 244	\$ 473
Interest expense	(544,320)	(529,055)	(1,178,479)	(1,010,938)
Accretion expense	(582,228)	(125,356)	(1,158,599)	(278,690)
	\$ (1,126,420)	\$ (654,350)	\$ (2,336,834)	\$ (1,289,155)

19. RELATED PARTIES

In addition to related party transactions described elsewhere in the notes to the 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:

	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, 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.

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.

June 30, 2023	Total Assets	Total liabilities	Capital expenditures
El Cubo Mines Complex	\$ 36,648,418	\$ (14,312,717)	\$ 1,337,265
Valenciana Mines Complex	14,523,588	(7,883,762)	2,941,243
Topia	23,160,996	(24,070,875)	1,780,721
Corporate	5,629,997	(14,723,955)	73,860
Consolidated	\$ 79,962,999	\$ (60,991,309)	\$ 6,133,087

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
Consolidated	\$ 85,648,898	\$ (53,137,111)	\$ 8,450,334

For the three months ended June 30, 2023					
	Corporate	El Cubo Mines Complex	Valenciana Mines Complex	Topia	Total
Revenues	\$ 53,145	\$ 5,601,446	\$ 6,563,007	\$ 4,605,444	\$ 16,823,042
Cost of sales	53,213	7,358,967	5,739,860	6,061,241	19,213,281
Mine operating profit (loss)	(68)	(1,757,521)	823,147	(1,455,797)	(2,390,239)
General and administration	1,756,911	772,196	202,623	145,628	2,877,358
Share based compensation	650,135	-	-	-	650,135
Exploration expenses	-	276,315	247,846	154,556	678,717
Foreign exchange loss	43,773	177,068	686,083	373,109	1,280,033
Other operating expense (income)	(66)	167,409	104,126	-	271,469
Operating loss	(2,450,821)	(3,150,509)	(417,531)	(2,129,090)	(8,147,951)
Interest and finance costs, net	(619,731)	(151,339)	(209,616)	(145,734)	(1,126,420)
Gain (loss) on derivative	239,601	-	-	-	239,601
Other finance (expense) income, net	89,412	387,820	-	-	477,232
Segmented loss before income taxes	\$ (2,741,539)	\$ (2,914,028)	\$ (627,147)	\$ (2,274,824)	\$ (8,557,538)

20. SEGMENTED INFORMATION (continued)

For the three months ended June 30, 2022						
	Corporate	El Cubo Mines Complex	Valenciana Mines Complex	Topia	Total	
Revenues	\$ -	\$ 6,133,989	\$ -	\$ -	\$ 6,133,989	
Cost of sales	-	7,790,285	-	-	7,790,285	
Mine operating loss	-	(1,656,296)	-	-	(1,656,296)	
General and administration	1,033,942	308,097	-	-	1,342,039	
Share based compensation	231,594	-	-	-	231,594	
Exploration expenses	-	975,393	-	-	975,393	
Foreign exchange loss (gain)	663,493	(654,341)	-	-	9,152	
Other operating expense (income)	-	(3,524)	-	-	(3,524)	
Operating loss	(1,929,029)	(2,281,921)	-	-	(4,210,950)	
Interest and finance costs, net	(499,247)	(155,103)	-	-	(654,350)	
Gain (loss) on derivative	1,220,275	-	-	-	1,220,275	
Other finance (expense) income, net	123,634	-	-	-	123,634	
Segmented loss before income taxes	\$ (1,084,368)	\$ (2,437,024)	\$ -	\$ -	\$ (3,521,391)	

For the six months ended June 30, 2023						
	Corporate	El Cubo Mines Complex	Valenciana Mines Complex	Topia	Total	
Revenues	\$ 72,594	\$ 10,776,670	\$ 12,374,417	\$ 10,717,785	\$ 33,941,466	
Cost of sales	72,221	15,540,819	10,628,150	13,241,207	39,482,397	
Mine operating profit (loss)	373	(4,764,149)	1,746,267	(2,523,422)	(5,540,931)	
General and administration	2,962,904	1,473,064	434,329	363,999	5,234,296	
Share based compensation	901,310	-	-	-	901,310	
Exploration expenses	4,869	482,284	425,460	290,938	1,203,551	
Foreign exchange loss (gain)	(268,934)	402,965	1,413,455	797,804	2,345,290	
Other operating expense (income)	(191,180)	208,475	77,461	-	94,756	
Operating loss	(3,408,596)	(7,330,937)	(604,438)	(3,976,163)	(15,320,134)	
Interest and finance costs, net	(1,289,311)	(312,198)	(452,862)	(282,463)	(2,336,834)	
Gain (loss) on derivative	373,739	-	-	-	373,739	
Other finance (expense) income, net	(360,039)	386,652	-	-	26,613	
Segmented loss before income taxes	\$ (4,684,207)	\$ (7,256,483)	\$ (1,057,300)	\$ (4,258,626)	\$ (17,256,616)	

20. SEGMENTED INFORMATION (continued)

For the six months ended June 30, 2022					
	Corporate	El Cubo Mines Complex	Valenciana Mines Complex	Topia	Total
Revenues	\$ -	\$ 12,520,627	\$ -	\$ -	\$ 12,520,627
Cost of sales	-	15,914,046	-	-	15,914,046
Mine operating loss	-	(3,393,419)	-	-	(3,393,419)
General and administration	1,844,870	716,749	-	-	2,561,620
Share based compensation	641,807	-	-	-	641,807
Exploration expenses	5,717	1,586,507	-	-	1,592,224
Foreign exchange loss (gain)	425,998	(126,847)	-	-	299,151
Other operating expense (income)	-	(6,520)	-	-	(6,520)
Operating loss	(2,918,392)	(5,563,309)	-	-	(8,481,701)
Interest and finance costs, net	(974,615)	(314,540)	-	-	(1,289,155)
Gain (loss) on derivative	977,462	-	-	-	977,462
Other finance (expense) income, net	332,851	-	-	-	332,851
Segmented loss before income taxes	\$ (2,582,695)	\$ (5,877,848)	\$ -	\$ -	\$ (8,460,543)

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).

21. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

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	<p>The fair value of the contingent liabilities where payment is contingent on the price of gold and silver was estimated using the Monte-Carlo averaging simulation technique on simulated gold and silver prices.</p> <p>The fair value of the contingent liability where payment is contingent on achieving production milestones was estimated using the discounted cash flow method and an assigned probability of the achievement of the production milestones.</p>

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

During the three 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.

21. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

June 30, 2023	Fair value through profit or loss		Amortized cost		Total		Level 1		Level 2		Carrying value approximates fair value	
Financial assets measured at fair value												
Trade receivables from sale of concentrate	\$	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
VAT and 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)

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				
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)

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		5,224,581		855,951	369,776
Terminations		-		(118,082)	-
Interest		1,178,479		-	-
Accretion		98,800		253,274	-
Payments in cash		(7,274,727)		(1,712,148)	-
Payments in gold and silver		(2,736,531)		-	-
Foreign exchange		33,777		30,927	-
Loss on settlement of debt		461,622		-	-
Changes in fair value of contingent payment		-		-	(367,410)
Changes in fair value of derivative		(373,739)		-	-
As at June 30, 2023	\$	13,100,365	\$	3,250,647	\$ 3,405,857

The significant non-cash financing and investing transactions during the three and six months ended June 30, 2023 and 2022, are as follows:

	Three months ended		Six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
Payment for OCIM loan in gold and silver ounces	\$ 405,468	\$ 805,713	\$ 2,736,531	\$ 805,713
Closure and reclamation provision	\$ (155,231)	\$ (427,612)	\$ 616,450	\$ (427,612)
Changes in contingent liability	\$ (362,977)	\$ (125,555)	\$ (367,410)	\$ (125,555)
Shares and warrants issued for finders' fees	\$ -	\$ -	\$ 3,683	\$ -
Shares issued on settlement of debt	\$ 35,799	\$ -	\$ 35,799	\$ -
Leases/ROU assets recognized	\$ 39,218	\$ -	\$ 855,951	\$ -

23. COMMITMENTS AND CONTINGENCIES

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 (note 4).

24. SUBSEQUENT EVENTS

Subsequent to June 30, 2023, the Company issued 250,000 shares on the exercise of 250,000 stock options and received proceeds of \$37,722 (CAD\$50,000).

Subsequent to June 30, 2023, 200,000 stock options expired unexercised.

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.