Guanajuato Silver Co Ltd

Condensed Consolidated Interim Financial Statements

For the three and nine months ended
September 30, 2022 and 2021
(Unaudited)

Guanajuato Silver Co Ltd

Condensed consolidated interim statements of financial position

(Unaudited - Expressed in US dollars)

	Notes		September 30 2022		December 31 2021
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**6,365,025**	$	8,234,043
Amounts receivable	5		**8,559,051**		2,620,908
Inventories	6		**4,058,420**		1,586,140
Prepaid expenses and deposits			**1,496,294**		554,354
Other current assets	7		**2,125,850**		1,622,935
			22,604,640		14,618,380
Non-current assets					
Property, plant and equipment	8		**37,330,369**		18,310,696
Mineral properties	9		**13,734,919**		13,867,915
Exploration and evaluation assets	9		**3,003,489**		2,797,365
Other assets	5		**2,333,262**		1,725,520
		$	**79,006,679**	$	51,319,876
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	10	**$**	**11,281,648**	$	3,467,293
Advance payment	11		**739,359**		1,293,103
Current portion of loan payable	12		**10,843,229**		7,285,522
Current portion of lease liabilities			**1,270,306**		152,354
Other current liabilities	27(b)		**1,061,487**		750,000
			25,196,029		12,948,272
Non-current liabilities					
Loan payable	12		**2,201,818**		895,827
Lease liabilities			**1,042,787**		425,389
Provision for reclamation and rehabilitation	13		**14,559,001**		6,249,826
			42,999,635		20,519,314
SHAREHOLDERS' EQUITY					
Share capital	14		**77,584,072**		60,688,534
Reserves			**23,556,089**		18,150,184
Accumulated other comprehensive income			**1,188,309**		1,417,390
Deficit			**(66,321,426)**		(49,455,546)
			36,007,044		30,800,562
		$	**79,006,679**	$	51,319,876

Commitments and contingencies (note 27)

Subsequent events (note 28)

"James Anderson"
Director

"Ramon Davila"
Director

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

Guanajuato Silver Co Ltd

Condensed consolidated interim statements of loss and comprehensive loss

(Unaudited - Expressed in US dollars, except share and per share amounts)

		For the three months ended		For the nine months ended	
	Notes	**September 30 2022**	September 30 2021	**September 30 2022**	September 30 2021
			Restated- Note 3		*Restated- Note 3*
Revenues	17	**$ 8,871,863**	$ -	**$ 21,392,490**	$ -
Cost of sales	18	**12,213,605**	-	**28,127,651**	-
Mine operating loss		**(3,341,742)**	-	**(6,735,161)**	**-**
General and administration	19	**2,524,386**	1,643,694	**5,086,006**	3,035,976
Share based compensation	15(b)	**601,100**	636,023	**1,242,907**	2,196,741
Exploration expenses	20	**679,026**	49,118	**2,271,250**	915,644
Care and maintenance		**560,529**	-	**560,529**	-
Foreign exchange loss (gain)		**21,599**	(157,084)	**320,750**	154,982
Other operating expense (income)		**187,567**	(2,862)	**181,047**	198,755
Operating loss		**(7,915,949)**	(2,168,889)	**(16,397,650)**	(6,502,098)
Interest and finance costs, net	21	**(1,045,309)**	(638,169)	**(2,334,464)**	(645,482)
Gain on derivative	22	**754,358**	254,742	**1,731,820**	254,742
Other finance (expense) income, net		**(80,150)**	(19,039)	**252,701**	(18,788)
Loss before income taxes		**$ (8,287,050)**	$ (2,571,355)	**$ (16,747,593)**	$ (6,911,626)
Current income tax expense		**118,287**	-	**118,287**	-
Deferred income tax expense		**-**	-	**-**	-
Net loss for the period		**$ (8,405,337)**	$ (2,571,355)	**$ (16,865,880)**	$ (6,911,626)
Other comprehensive (loss) income, net of tax					
Foreign currency translation differences		**(482,571)**	465,682	**(229,081)**	930,675
Total comprehensive loss for the period		**$ (8,887,908)**	$ (2,105,673)	**$ (17,094,961)**	$ (5,980,951)
Basic and diluted loss per common share	16	**$ (0.03)**	$ (0.01)	**$ (0.07)**	$ (0.04)
Weighted average number of common shares outstanding (000's)		**271,510**	201,459	**240,873**	174,655

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

Guanajuato Silver Co LTD

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	Equity settled share-based payments	Warrants	Reserves total	Accumulated deficit	Accumulated OCI	Total shareholders' equity
Balance, December 31, 2020		**111,037,351**	**$32,300,211**	**$1,588,267**	**$7,254,070**	**$2,529,339**	**$9,783,409**	**$(37,605,745)**	**$1,591,106**	**$7,657,248**
Private placement	14(b)	56,500,000	9,482,192	(1,588,267)	-	3,932,925	3,932,925	-	-	**11,826,850**
Share and warrants issued for finders fee		518,139	123,025	-	-	506,472	506,472	-	-	**629,497**
Share issue cost	14(b)	-	(803,465)	-	-	-	-	-	-	**(803,465)**
Shares issued on asset acquisition	14(b)	21,331,058	9,835,451	-	-	-	-	-	-	**9,835,451**
Options exercise for cash	14(b)	1,233,334	218,553	-	(113,473)	-	(113,473)	-	-	**105,080**
Warrant exercise for cash	14(b)	11,777,528	2,461,787	-	-	(130,891)	(130,891)	-	-	**2,330,896**
Share-based compensation		-	-	-	2,196,741	-	2,196,741	-	-	**2,196,741**
Comprehensive loss for the period		-	-	-	-	-	-	(6,911,626)	930,675	**(5,980,951)**
Balance, September 30, 2021 (1)		202,397,410	53,617,754	**-**	**9,337,338**	**6,837,845**	**16,175,183**	**(44,517,371)**	**2,521,781**	**27,797,347**
Private placement	14(b)	17,304,306	5,826,280	-	-	1,624,403	1,624,403	-	-	**7,450,683**
Share issue cost	14(b)	-	(110,896)	-	-	-	-	-	-	**(110,896)**
Shares issued on settlement of VAT		901,224	387,487	-	-	-	-	-	-	**387,487**
Options exercise for cash	14(b)	179,166	42,905	-	-	-	-	-	-	**42,905**
Warrant exercise for cash	14(b)	3,433,925	925,005	-	-	-	-	-	-	**925,005**
Share-based compensation		-	-	-	350,598	-	350,598	-	-	**350,598**
Comprehensive loss for the period		-	-	-	-	-	-	(4,938,175)	(1,104,391)	**(6,042,566)**
Balance, December 31, 2021 (1)		**224,216,031**	**60,688,534**	**-**	**9,687,936**	**8,462,248**	**18,150,184**	**(49,455,546)**	**1,417,390**	**30,800,562**
Private placement	14(b)	41,885,388	6,181,271	-	-	4,541,388	4,541,388	-	-	**10,722,659**
Warrants issued for finders fee	14(b)	-	(307,084)	-	-	307,084	307,084			**-**
Share issue cost	14(b)	-	(503,579)	-	-	-	-	-	-	**(503,579)**
Shares issued on business combination	4(b)	25,787,200	8,976,524	-	-	-	-	-	-	**8,976,524**
Options exercise for cash	14(b)	50,000	31,814	-	(27,853)	-	(27,853)	-	-	**3,961**
Warrant exercise for cash	14(b)	7,919,737	2,516,591	-	-	(917,294)	(917,294)	-	-	**1,599,296**
Fair value of warrants issued	12(a)	-	-	-	-	259,673	259,673	-	-	**259,673**
Share-based compensation		-	-	-	1,242,907	-	1,242,907	-	-	**1,242,907**
Comprehensive loss for the period		-	-	-	-	-	-	(16,865,880)	(229,081)	**(17,094,961)**
Balance, September 30, 2022		**299,858,356**	**$77,584,072**	**-**	**$10,902,990**	**$12,653,099**	**$23,556,089**	**$ (66,321,426)**	**$1,188,309**	**$36,007,044**

(1) The figures presented for the period from December 31, 2020 to September 30, 2021 and from September 30, 2021 to December 31, 2021 have been restated to reflect the change in presentation currency (Note 3 (c)).

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

Guanajuato Silver CO LTD

Condensed consolidated interim statements of cash flows

(Unaudited - Expressed in US dollars)

		For the three months ended		For the nine months ended	
	Notes	**September 30 2022**	September 30 2021	**September 30 2022**	September 30 2021
			Restated- Note3		*Restated-Note3*
Operating activities					
Net loss for the period		**$ (8,405,337)**	$ (2,571,355)	**$ (16,865,880)**	$ (6,911,626)
Items not involving cash and cash equivalents:					
Depreciation and amortization		**3,048,787**	33,273	**6,586,061**	155,045
Accretion		**348,783**	41,725	**642,578**	47,769
Gain on settlement of debt		**-**	-	**(195,910)**	-
Gain on derivatives		**(754,358)**	-	**(1,731,820)**	-
Gain on change in fair value of contingent payment		**(516,824)**	-	**(516,824)**	-
Interest		**696,881**	645,767	**1,714,439**	645,767
Impairment of advance receivable		**-**	-	**-**	201,616
Share-based compensation		**601,100**	152,091	**1,242,907**	1,712,809
Unrealized foreign exchange		**186,454**	(6,093)	**284,520**	58,573
Changes in non-cash operating working capital:					
Amounts receivable	5	**342,712**	(1,214,517)	**(1,086,032)**	(3,555,562)
Inventories	6	**(614,229)**	-	**248,309**	-
Prepaid expenses and deposits		**(368,962)**	251,654	**(591,340)**	(229,740)
Purchases of gold and silver bullion		**(1,434,300)**	-	**(4,716,190)**	-
Proceeds from sale of gold and silver bullion		**-**	-	**1,643,708**	-
Accounts payable and accrued liabilities		**2,264,613**	1,439,208	**3,516,754**	1,874,406
Other current assets		**86,746**	-	**159,023**	-
Settlement of advance payment	11	**(129,460)**	-	**(606,103)**	-
Net cash and cash equivalents used in operating activities		**(4,647,393)**	(1,228,248)	**(10,271,800)**	(5,967,670)
Investing activities					
Acquisition of property, plant and equipment		**(629,444)**	(3,997,731)	**(1,933,258)**	(5,663,884)
Acquisition of Minera Mexicana el Rosario, net of cash acquired	4	**(8,235,480)**	-	**(8,235,480)**	-
Acquisition of the El Cubo Complex		**-**	-	**-**	(7,553,997)
Option payments to acquire royalties		**-**	-	**-**	(17,962)
Payments to acquire royalties		**-**	-	**(206,124)**	-
Proceeds on sale of stockpile material		**-**	6,620	**-**	6,620
Net cash and cash equivalents used in investing activities		**(8,864,924)**	(3,991,112)	**(10,374,862)**	(13,229,224)
Financing activities					
Proceeds from issuance of units		**10,722,659**	-	**10,722,659**	11,826,850
Share issuance costs		**(503,579)**	-	**(503,579)**	(268,488)
Net proceeds from OCIM loans	12	**-**	-	**2,913,610**	-
Net proceeds from Ocean Partners loan	12	**4,949,962**	7,450,000	**4,949,962**	7,450,000
Proceeds from the exercise of options and warrants		**1,174,156**	-	**1,603,259**	2,227,137
Repayment of loan payable	12	**(18,574)**	(48,231)	**(104,736)**	(58,160)
Payments of lease obligations		**(477,351)**	(97,529)	**(581,088)**	(116,958)
Share subscriptions received		**(3,395)**	(43,305)	**-**	-
Net cash and cash equivalents provided by financing activities		**15,843,878**	7,260,935	**19,000,087**	21,060,381
Effect on cash and cash equivalents of foreign exchange		**(475,932)**	(165,385)	**(222,444)**	12,702
Change in cash and cash equivalents		**1,855,629**	1,876,190	**(1,869,018)**	1,876,189
Cash and cash equivalents, beginning of period		**4,509,396**	4,179,962	**8,234,043**	4,179,962
Cash and cash equivalents, end of period		**$ 6,365,025**	$ 6,056,152	**$ 6,365,025**	$ 6,056,152
Cash and cash equivalents are consisted of:					
Cash		**$ 6,328,547**	$ 5,975,036	**$ 6,328,547**	$ 5,975,036
Redeemable guaranteed investment certificate (“GIC”)		**36,478**	81,117	**36,478**	81,117
Total cash and cash equivalents, end of period		**$ 6,365,025**	$ 6,056,152	**$ 6,365,025**	$ 6,056,152

Supplemental cash flow information (Note 26)

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 Acuis 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 its 100% owned El Cubo mine and mill (the "El Cubo Complex") acquired in April 2021, while simultaneously advancing the nearby El Pinguico and Ample de El Pinguico mineral properties (collectively, the "Pinguico Mine Project"), which terminated production in 1913 due to the Mexican revolution, leaving surface and underground stockpiles.

On August 4, 2022 the Company acquired 100% of Great Panther Mining's Ltd.'s ("Great Panther") Mexican subsidiary, Minera Mexicana Rosario S.A. de C.V. ("MMR"), which holds the Valenciana Mine Complex (formerly known as the Guanajuato Mine Complex or GMC) including the Cata processing plant, the San Ignacio mine and the Topia mine and production facility (the "MMR Acquisition"). (Note 4) .

Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company started producing and selling silver and gold concentrate in the fourth quarter of 2021. For the nine months ended September 30, 2022 the Company generated a mine operating loss of $6,735,161, a net loss of $16,865,880 and negative cash flows from operating activities of $10,271,800, and has an accumulated deficit of $66,321,426 and current liabilities that exceed its current assets by $2,591,389 as at September 30, 2022. 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 condensed consolidated 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021 (the "Annual Financial Statements").

The accounting policies and critical judgments and estimates applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the most recent Annual Financial Statements, except as described in Note 3(e). These condensed consolidated interim financial statements do not include all the information required for full annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the most recent annual consolidated financial statements. The Company's interim results are not necessarily indicative of its results for a full year.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on November 28, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The accounts of the Company and its subsidiaries, which are controlled by the Company, have been included in these condensed consolidated interim financial statements. Control is achieved when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. The principal subsidiaries of the Company and their geographic locations at September 30, 2022 were as follows:

Subsidiary	Location	Ownership Interest	Accounting	Principal Activity
1352168 B.C. 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

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

b) Basis of measurement

These condensed consolidated interim financial statements have been prepared using the historical cost basis except for certain financial instruments which are measured at fair value (Note 24) at the end of each reporting period. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Foreign currency translation

i. Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates. This has been determined within each entity within the Company. The Company considers the functional currency for its Canadian operations to be the Canadian dollar.

For entities with a functional currency other than the presentation currency, foreign currency balances are translated as follows:

- Assets and liabilities are translated at period end exchange rates;
- Revenue and expenses are translated using exchange rates approximating those in effect on the date transactions occurred; and
- Exchange gains and losses arising on translation are recorded to foreign currency translation reserve in other comprehensive income.

Until September 30, 2021, the Company considered the functional currency of its Mexican subsidiaries to be the MXN$, after which the functional currency changed to the United States dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The factors that caused the change included the currency of sales which are denominated in US$ upon entering into a concentrate sales agreement and the commencement of sales in the fourth quarter of 2021. The functional currency was changed on a prospective basis.

ii. Presentation currency

During the fourth quarter of 2021, the Company changed its presentation currency to the United States dollar ("US$") from the Canadian dollar ("C$"). The Company determined that this change in presentation currency better reflects the Company's current activities, increases the comparability to its peers, and better enhances the relevance of the financial statements to users. The Company applied the change in presentation currency retrospectively and restated the comparative financial information as if the presentation currency had always been US$, in accordance *with IAS 21, The Effects of Changes in Foreign Exchange Rates, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Error.*

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Foreign currency translation (continued)

ii. Presentation currency (continued)

The change in presentation currency has been performed on a retrospective basis with comparative periods translated into US$ as follows:

- Assets and liabilities previously presented in C$ were translated into US$ using the comparative reporting date exchange rate;
- Equity, including reserves and deficit, were translated using the historical exchange rates; and
- The consolidated statements of loss and comprehensive loss and cash flows were translated using the average foreign exchange rates in effect during that period.

The resulting foreign currency exchange differences were recorded to the foreign currency translation reserve.

d) Changes in accounting policies and recent accounting pronouncements

The accounting policies applied in the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022, are the same as those applied in the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2021 and 2020. A number of new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2023 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 unaudited condensed consolidated interim financial statements.

e) Use of estimates assumptions and judgements

The preparation of the unaudited condensed consolidated 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 unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022, 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, 2021, except as described below.

Fair value of assets acquired and liabilities assumed in the acquisition of MMR (Note 4)

Accounting for acquisitions requires estimates with respect to the fair value of the assets acquired and liabilities assumed. The determination of fair value requires management to use valuation methods including discounted cash flow models and other market-based information, and to make assumptions and estimates about future events, such as production, future metal prices, production costs, capital expenditures, discount rates and other assumptions. Changes in these assumptions or estimates could affect the fair values assigned to assets acquired and liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

(Unaudited - Expressed in US dollars, unless otherwise indicated)

4. ACQUISITION OF MINERA MEXICANA EL ROSARIO S.A. DE C.V.

a) Description of the Transaction

On August 4, 2022 the Company completed the acquisition MMR from Great Panther, including the producing Topia mine and production facility, the San Ignacio mine, the Valenciana Mines Complex (formerly know as the Guanajuato Mines Complex or GMC) and the Cata processing plant, under a binding definitive agreement signed on June 29, 2022. Under the terms of the transaction, the Company acquired 100% of the shares of MMR The Company has determined that this transaction represents a business combination, with the Company identified as the acquirer. The Company began consolidating the operating results, cash flows and net assets of MMR from August 4, 2022 onwards.

b) Consideration and Purchase Price Allocation

On closing of the MMR Acquisition, GSilver paid $16,540,364 (subject to adjustment) to Great Panther as follows:

- $8,000,000 in cash
- 25,787,200 GSilver common shares which had a fair value of $8,976,524 based on the closing price of the Company's shares on August 4, 2022; and
- A working capital adjustment of $1,264,471 in favour of the Company as a result of a deficiency in the working capital of MMR compared to the target working capital per the Sale and Purchase agreement.

In addition, GSilver has agreed to pay Great Panther up to an additional $2,000,000 in contingent payments based on the following:

- $500,000 upon GSilver producing 2,500,000 ounces of silver from the purchased MMR assets.
- $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.
- $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 contingent payments have a fair value of $828,311, which are included as consideration (Note 27c).

In accordance with the acquisition method of accounting, the total consideration was allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition.

Total consideration for the acquisition was valued at $16,540,364 and has been allocated on a provisional basis to the assets acquired and liabilities assumed based on their estimated fair values on the closing date as follows:

Cash consideration	$	8,000,000
25,787,200 GSilver common shares		8,976,524
Fair value of contingent consideration		828,311
Working capital adjustment		(1,264,471)
Total Consideration	**$**	**16,540,364**

Cash and cash equivalents	$	1,115,396
Net non-cash working capital, excluding mineral inventory		1,921,695
Right of use assets		1,081,357
Property, plant and equipment		18,961,876
Mineral inventory		654,691
Mineral properties		5,570,219
Lease liabilities		(1,081,357)
Provision for reclamation and rehabilitation		(11,683,511)
Net Assets Acquired	**$**	**16,540,364**

(Unaudited - Expressed in US dollars, unless otherwise indicated)

4. ACQUISITION OF MINERA MEXICANA ROSARIO S.A. DE C.V. (continued)

b) Consideration and Purchase Price Allocation (continued)

The Company engaged an independent appraiser to assist with determination of the fair values of certain assets acquired and liabilities assumed. The fair values of mineral properties were estimated using discounted cash flow models (Level 3). The preliminary fair values of property, plant and equipment were estimated using the depreciated replacement cost approach (Level 3). Expected future cash flows were based on estimates of future silver, gold, lead and zinc prices, estimated quantities of mineral resources, expected future production costs and capital expenditures based on life of mine models at the acquisition date. The fair value of provision for reclamation and rehabilitation was estimated based on the present value of the estimated future cash flows (Level 3). The fair value of mineral inventory was based on forward metal prices and the cost to complete (Level 3).

The fair values of the assets acquired and liabilities assumed of MMR have been provisionally determined at the end of the reporting period. The fair values will remain preliminary until the Company completes its valuation of the mineral properties, property, plant and equipment, mineral inventory, provision for reclamation and rehabilitation and deferred taxes. The working capital adjustment is also preliminary and subject to change .The final determination of the working capital adjustment and the fair values of assets acquired and liabilities assumed, which is expected to be no later than 12 months from the closing date, could differ significantly from the provisional amounts presented. Any adjustments made will be recognized retrospectively and comparative information will be revised.

Transaction and integration cost for the three and nine months ended September 30, 2022, totalling $1,216,992 were expensed as incurred and presented as legal, other professional fees and corporate administration within general and administration expense in the condensed consolidated interim statements of loss and comprehensive loss.

Consolidated revenue for the three and nine months ended September 30, 2022 includes revenue from the properties acquired in the transaction of $1,805,095. Consolidated net loss for the three and nine months ended September 30, 2022 includes net loss from MMR of $3,444,834. Had the transaction occurred on January 1, 2022, pro-forma unaudited consolidated revenue and net loss for the nine months ended September 30, 2022 would have been approximately $33,639,697 and $5,468,393 respectively.

5. AMOUNTS RECEIVABLE

	September 30 2022	December 31 2021
Trade receivables	**$ 1,132,744**	$ 491,731
VAT recoverable	**6,805,650**	3,809,363
Other receivables	**2,953,919**	45,334
	$ 10,892,313	$ 4,346,428
Less: non-current portion of VAT recoverable	**(2,333,262)**	(1,725,520)
	$ 8,559,051	$ 2,620,908

At the reporting date, the Company assessed the timing of collection of the total VAT receivable of $ 6,805,650 (December 31, 2021 – $3,809,363) and concluded that $2,333,262 (December 31, 2021 – $1,725,520) 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 $2,615,470 related to the working capital adjustment from the acquisition of MMR from Great Panther. Great Panther filed a notice of intention to make a proposal under the bankruptcy and insolvency act of Canada on September 6, 2022.

6. INVENTORIES

	September 30 2022	December 31 2021
Concentrate stockpiles	**$ 1,132,470**	$ 832,707
Ore stockpiles	**101,854**	326,997
Materials and supplies	**2,824,096**	426,436
Total inventories	**$ 4,058,420**	$ 1,586,140

During the three and nine months ended September 30, 2022 , the Company expensed $10,585,900 and $26,044,927, respectively of inventories to cost of sales (Three and nine months ended September 30, 2021 -nil and -nil respectively).

(Unaudited - Expressed in US dollars, unless otherwise indicated)

7. OTHER CURRENT ASSETS

As at September 30, 2022, other current assets were comprised of 600 ounces of gold and 60,000 ounces of silver valued at $2,125,850.

As at December 31, 2021, other current assets were comprised of 400 ounces of gold and 40,000 ounces of silver valued at $1,622,935.

8. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment			
	Machinery and equipment	Land and buildings	Furniture and other equipment	Total PP&E
COST	**$**	**$**	**$**	**$**
Balance at December 31, 2021	12,640,237	4,885,684	1,781,997	19,307,918
Additions	1,886,540	20,190	162,909	2,069,639
Acquisition of MMR (note 4)	15,976,445	3,063,026	1,003,765	20,043,236
Disposals	(166,563)	(21,911)	-	(188,474)
Balance, September 30, 2022	**30,336,659**	**7,946,989**	**2,948,671**	**41,232,319**
ACCUMULATED DEPRECIATION				
Balance at December 31, 2021	818,699	43,433	135,090	997,222
Depreciation and depletion	2,436,986	148,153	326,187	2,911,325
Disposals	(4,406)	(2,191)	-	(6,597)
Balance, September 30, 2022	**3,251,279**	**189,395**	**461,277**	**3,901,950**
Net book value at September 30, 2022	**27,085,380**	**7,757,594**	**2,487,395**	**37,330,369**

	Property, plant and equipment			
	Machinery and equipment	Land and buildings	Furniture and other equipment	Total PP&E
Cost	$	$	$	$
Balance, December 31, 2020	106,796	-	18,561	125,358
Additions	12,533,441	4,885,684	1,763,436	19,182,561
Balance, December 31, 2021	12,640,237	4,885,684	1,781,997	19,307,919
ACCUMULATED DEPRECIATION				
Balance, December 31, 2020	1,575	-	5,441	7,016
Depreciation and depletion	817,124	43,433	129,650	990,207
Balance, December 31, 2021	818,699	43,433	135,090	997,223
Net book value at December 31, 2021	11,821,538	4,842,251	1,646,907	18,310,696

(Unaudited - Expressed in US dollars, unless otherwise indicated)

9. MINERAL PROPERTIES, AND EXPLORATION AND EVALUATION ASSET

	Mineral properties	Exploration and evaluation assets	Total
COST	**$**	**$**	**$**
Balance, December 31, 2021	14,647,607	2,797,365	17,444,972
Additions	1,548,864	206,124	1,754,988
Acquisition of MMR (note 4)	5,570,219	-	5,570,219
Changes in closure and reclamation	(4,071,478)	-	(4,071,478)
Balance, September 30, 2022	**17,695,212**	**3,003,489**	**20,698,701**
ACCUMULATED DEPRECIATION			
Balance, December 31, 2021	779,693	-	779,693
Depreciation and depletion	3,180,600	-	3,180,600
Balance, September 30, 2022	**3,960,293**	**-**	**3,960,293**
Net book value at September 30, 2022	**13,734,919**	**3,003,489**	**16,738,408**

	Mineral properties	Exploration and evaluation assets	Total
COST	**$**	**$**	**$**
Balance, December 31, 2020	-	2,529,887	2,529,887
Additions	12,422,640	267,478	12,690,118
Changes in closure and reclamation	2,224,967	-	2,224,967
Balance, December 31, 2021	14,647,607	2,797,365	17,444,972
ACCUMULATED DEPRECIATION			
Balance, December 31, 2020	-	-	-
Depreciation and depletion	779,693	-	779,693
Balance, December 31, 2021	779,693	-	779,693
Net book value at December 31, 2021	13,867,914	2,797,365	16,665,279

Exploration and evaluation assets

	El Pinguico	Other claims	Total
Acquisition Cost:			
Balance, December 31, 2020	$ 2,264,630	$ 265,257	2,529,887
Additions	267,478	-	267,478
Balance, December 31, 2021	2,532,108	265,257	2,797,365
Additions	206,124	-	206,124
Balance, September 30, 2022	$ **2,738,232**	**$ 265,257**	**$ 3,003,489**

El Pinguico Mine Project

The Pinguico Mine project is comprised of two mining claims, El Pinguico and Ample de 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.

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

(Unaudited - Expressed in US dollars, unless otherwise indicated)

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

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

Under the terms of the Option Agreement, the Company will pay a total of CAD$1,675,000 cash and issue 3,750,000 units (each unit comprised of one common share and one non-transferable share purchase warrant, exercisable at CAD$0.175 per share for a term of 5 years) to EMBSA. On April 7, 2022, 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 ($206,124) on or before April 10, 2022 (paid)
- CAD$262,500 on or before October 10, 2022 ("Second Installment").
- CAD$625,000 cash on or before February 22, 2023.

The Second Installment shall bear interest from February 22, 2022, at an annual rate of 5%, compounded annually, until the date of repayment. On October 7, 2022, the Company and EMBSA amended the Option Agreement to allow for the Second Installment to be settled by the Company issuing shares to EMBSA (Note 28).

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

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30 2022		December 31 2021
Accounts payable	**$**	**7,561,550**	$	2,740,437
Tax payable		**487,761**		317,990
Payroll and benefits accrual		**3,075,418**		383,813
Other payables		**156,919**		25,053
	$	**11,281,648**	$	3,467,293

11. ADVANCE PAYMENT

In October 2021, the Company received $1,293,103 (plus $206,897 of VAT) up-front payment from its customer which was recognized as deferred revenue. The advance payment bears interest at 12-month Libor + 6.75% and is to be repaid in 15 monthly installments of $100,000 (inclusive of VAT), after a 3-month grace period, against the proceeds from the silver-gold concentrate delivered. On June 6, 2022, the repayment schedule was amended whereby the Company will make monthly installments of $50,000 (inclusive of VAT) from June 2022 to November 2022 and from December 2022 to March 2023 the monthly payment will be $175,000 (inclusive of VAT).

For the three and nine months ended September 30, 2022 the Company paid $122,710 and $553,744 of principal and $17,732 and $73,047 of interest respectively (three and nine months ended September 30, 2021- nil payment and nil interest respectively).

The advance payment is recognized as revenue upon delivery of the silver-gold concentrate when the customer obtains control of the silver-gold concentrate, and the Company has satisfied its performance obligation.

		Advance payment
Balance, December 31, 2021	$	1,293,103
Interest expense		73,047
Settlement recognized in revenue		(626,791)
Balance, September 30, 2022	**$**	**739,359**

(Unaudited - Expressed in US dollars, unless otherwise indicated)

12. LOANS PAYABLE

		OCIM		Ocean Partners		Vehicles		Total
Balance, December 31, 2021	$	8,007,072	$	-	$	174,277	$	8,181,349
Additions		2,913,610		4,690,327		-		7,603,937
Interest expense		1,597,178		53,519		11,383		1,662,080
Accretion expense		23,684		25,806		-		49,490
Loan payments		(2,469,121)		-		(52,755)		(2,521,876)
Effect of change in foreign exchange rates		-		-		(2,202)		(2,202)
Gain on settlement of debt		(195,910)		-		-		(195,910)
Changes in fair value of derivative on settlement of debt		(263,826)		-		-		(263,826)
Changes in fair value of derivative		(1,467,994)		-		-		(1,467,994)
Balance, September 30, 2022	**$**	**8,144,693**	**$**	**4,769,652**	**$**	**130,702**	**$**	**13,045,047**
Which consist of:								
Current portion of loans		8,144,693		2,619,048		79,487		10,843,229
Non-current portion of loans		-		2,150,604		51,214		2,201,818
Balance, September 30, 2022	**$**	**8,144,693**	**$**	**4,769,652**	**$**	**130,702**	**$**	**13,045,047**

		OCIM		Ocean Partners		Vehicles		Total
Balance, December 31, 2020	$	-	$	-	$	21,721	$	21,721
Additions		7,450,000		-		183,576		7,633,576
Interest expense		922,365		-		50,082		972,447
Accretion expense		-		-		-		-
Loan payments		-		-		(76,478)		(76,478)
Effect of change in foreign exchange rates		-		-		(4,624)		(4,624)
Changes in fair value of derivative		(365,293)		-		-		(365,293)
Balance, December 31, 2021	$	8,007,072	$	-	$	174,277	$	8,181,349
Which consist of:								
Current portion of loans		7,217,403		-		68,119		7,285,522
Non-current portion of loans		789,669		-		106,158		895,827
Balance, December 31, 2021	$	8,007,072	$	-	$	174,277	$	8,181,349

a) Oceans Partners Loan

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.

On August 30, 2022, the Company drew down on its $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 secured by a guarantee of MMR, a pledge over the Company's shares of MMR. Interest on the loan will be calculated at 12-month LIBOR + 7.5%.

Concurrent with the OP Facility, the Company has agreed to sell 100% of its silver and gold concentrate produced from the Valenciana Mines Complex and San Ignacio Mine to Ocean Partners for a period of 24 months subject to a minimum delivery of 6,000 wet metric tonnes of concentrate. As further consideration for the OP Facility, the Company has issued a total of 2,500,000 share purchase warrants to Ocean Partners; each warrant entitling Ocean Partners to purchase one common share of GSilver at a price of C$0.50 for period 24 months. The warrants have been classified as equity and have a fair value of $259,673. The loan is classified as a financial liability and measured at amortized cost using the effective interest rate implicit in the loan. The fair value of the warrants along with a $50,000 fee have been recorded against the carrying amount of the loan, resulting in a carrying value of $4,690,327 at initial recognition.

(Unaudited - Expressed in US dollars, unless otherwise indicated)

12. LOANS PAYABLE (continued)

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 less $50,000 of transaction cost ("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 loan is classified as a financial liability and measured at amortized cost using the effective interest rate implicit in the loan. The requirement to deliver gold and silver ounces was determined to be a derivative and is measured at fair value at the end of each reporting period.

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 and received $2,913,610 in cash. The Company has three monthly payments remaining under the Initial Loan which are due commencing November, 2022 (note 28).

The Secondary Loan has been accounted for as a loan extinguishment of the Initial Loan resulting in a gain of $195,910 in profit and loss.

During the three and nine months ended September 30, 2022, the Company recognized a gain of $754,358 and $1,731,820 respectively on revaluation of the derivative in the condensed consolidated interim statements of loss and comprehensive loss. (December 31, 2021 - gain of $289,908).

As at September 30, 2022, the carrying value of the Initial and Secondary Loans, inclusive of accrued interest of $851,022, are $10,241,807 and the value of the derivative asset is $ 2,097,113 resulting net amount of $8,144,694. The outstanding principal amount owing on the OCIM Loan is $9,390,785 as at September 30, 2022

13. 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, 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, 2021	$ -	$ -	$ 6,249,826	$ 6,249,826
Acquisition of MMR	5,864,034	5,819,477	-	11,683,511
Accretion	71,838	74,463	374,717	521,018
Changes in estimate	(629,708)	(707,802)	(2,733,969)	(4,071,478)
Effect of change in foreign exchange rates	48,845	38,941	88,339	176,125
Balance, September 30, 2022	**$ 5,355,009**	**$ 5,225,079**	**$ 3,978,913**	**$ 14,559,001**

	Topia	Valenciana Complex	El Cubo Complex
Anticipated settlement date	2029	2029	2041
Undiscounted uninflated estimated cash flow	$ 9,017,315	$ 9,434,090	$ 6,647,250
Estimated life of mine (years)	5.7	5.9	6.8
Discount rate (%)	9.63	9.63	9.76
Inflation rate (%)	3.1	3.1	3.1

14. SHARE CAPITAL

a) Authorized share capital

The authorized share capital of the Company is as follows:
i. unlimited voting common shares without par value
ii. unlimited preferred shares without par value

b) Equity offerings

During the nine months ended September 30, 2022 , the Company issued common shares as follows:

i. On July 21, 2022, the Company completed a non-brokered 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. 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).

iv. The Company issued 50,000 common shares on the exercise of 50,000 options for net proceeds of $3,961 (CAD$5,000).

During the year ended December 31, 2021, the Company issued common shares as follows:

i. On March 11, 2021, the Company completed a non-brokered private placement and issued 56,500,000 units at CAD$0.30 per unit for gross proceeds of $13,415,117 (CAD$16,950,000). Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at CAD$0.45 per share for a period of three years. In connection with the private placement, the Company incurred issuance costs of $270,565 (CAD$341,839) paid in cash, issued 518,139 common shares and 1,648,669 finder's warrants with an exercise price of CAD$0.45 exercisable for three years and a fair value of $532,915 (CAD$670,141) as finders fees.

ii. On April 9, 2021 the Company issued 21,331,058 common shares with a fair value of $9,835,451 (CAD$12,372,014) in connection with the acquisition of El Cubo Complex.

iii. On November 16, 2021, the Company issued a total of 901,224 common shares to settle the VAT payable on the Promissory note with Endeavour in connection with the acquisition of El Cubo Complex, totalling $387,487 (CAD$495,673).

iv. On December 8, 2021, the Company completed a non-brokered private placement and issued 17,304,306 units at CAD$0.55 per unit for gross proceeds of $7,450,683 (CAD$9,517,368). Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at CAD$.0.75 per share for a period of two years. In connection with the private placement, the Company paid $73,284 (CAD$92,928) in cash and issued 352,910 finder's warrants with an exercise price of CAD$0.75 exercisable for two years and a fair value of $37,597 (CAD$47,665) as finders fees.

v. During the year ended December 31, 2021, the Company issued 15,211,453 common shares on exercise of 15,211,453 warrants for net proceeds of $3,142,165 (CAD$3,884,425) and issued 1,412,500 common shares on the exercise of 1,412,500 options for net proceeds of $197,678 (CAD$244,375).

(Unaudited - Expressed in US dollars, unless otherwise indicated)

15. OTHER RESERVES

a) Warrants

The following summarizes the continuity of common share purchase warrants:

	September 30, 2022		December 31, 2021	
	Number outstanding	**Weighted average exercise price CAD$**	Number outstanding	Weighted average exercise price CAD$
Outstanding, beginning of the period	**54,890,334**	**0.45**	32,893,012	0.29
Issued	**45,909,908**	**0.49**	38,727,275	0.52
Exercised	**(7,919,737)**	**0.26**	(15,211,453)	0.26
Expired and forfeited	**(4,907,176)**	**0.48**	(1,518,500)	0.43
Outstanding, end of the period	**87,973,329**	**0.49**	54,890,334	0.45

As at September 30, 2022 , 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	1.17
December 7, 2023	0.75	1,201,317	1.19
March 9, 2024	0.45	29,484,815	1.44
August 29, 2024	0.50	2,500,000	1.92
July 21, 2025	0.33	1,524,520	2.81
August 4, 2025	0.50	41,885,388	2.85
November 30, 2025	0.18	3,750,000	3.17
	0.49	**87,973,329**	**2.19**

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:

	Number of options	**Weighted average exercise price CAD$**
Outstanding at December 31, 2020	6,412,500	0.19
Granted	8,325,000	0.50
Expired	(1,412,500)	0.15
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 September 30, 2022	**20,187,500**	**0.38**

15. OTHER RESERVES (continued)

b) Stock options (continued)

The following table summarizes the information about stock options outstanding as at September 30, 2022:

Expiry date	Options outstanding	Weighted average exercise price	Options exercisable	Weighted average exercise price CAD$
March 30, 2023	2,225,000	0.075	2,225,000	0.075
June 27, 2023	550,000	0.20	550,000	0.20
October 12, 2023	2,025,000	0.30	2,025,000	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	4,416,667	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	50,000	0.41
November 5, 2026	25,000	0.53	8,333	0.53
March 22, 2027	500,000	0.64	166,667	0.64
September 22, 2023	200,000	0.64	100,000	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	5,975,000	0.33	1,991,667	0.33
September 27, 2027	100,000	0.33	33,333	0.33
	20,187,500	**0.38**	**13,020,832**	**0.36**

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

	September 30 2022	December 31 2021
Risk-free interest rate	**2.31%-3.68%**	0.50%-0.67%
Expected life of options (years)	**2-5 years**	2-5 years
Expected annualized volatility	**137.17%-137.68%**	149.93%-157.82%
Expected dividend yield	**Nil**	Nil

16. LOSS PER SHARE

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
		Restated- Note 3		*Restated- Note 3*
Net loss for the period	**$ (8,405,337)**	$ (2,571,355)	**$ (16,865,880)**	$ (6,911,626)
Weighted average number of shares(000's)	**271,510**	201,459	**240,873**	174,655
Loss per share-basic and diluted	**(0.03)**	(0.01)	**(0.07)**	(0.04)

All of the outstanding warrants and options are anti-dilutive for the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 – all).

(Unaudited - Expressed in US dollars, unless otherwise indicated)

17. REVENUES

The Company is principally engaged in the business of producing gold-silver, lead and zinc concentrate in Mexico. The disaggregated revenue information in respect of the three and nine months ended September 30, 2022, and 2021 is as follows:

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
Gold-silver concentrate	**$ 7,958,562**	$ -	**$ 21,122,199**	$ -
Lead concentrate	**2,218,891**	-	**2,218,891**	-
Zinc concentrate	**289,023**	-	**289,023**	-
Provisional pricing adjustments	**(1,594,613)**	-	**(2,237,623)**	-
	$ 8,871,863	$ -	**$ 21,392,490**	$ -

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

18. COST OF SALES

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
Production Costs	**$ 9,670,274**	$ -	**$ 20,957,169**	$ -
Transportation and other selling cost	**178,676**	-	**414,164**	-
Inventory changes	**(626,923)**	-	**350,765**	-
Depreciation	**2,991,577**	-	**6,405,553**	-
	$ 12,213,605	$ -	**$ 28,127,651**	$ -

19. GENERAL AND ADMINISTRATION

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
		Restated- Note 3		*Restated- Note 3*
Salaries and employee benefits	**$ 479,204**	$ 468,165	**$ 1,189,510**	**$** 658,210
Professional fees	**1,275,531**	284,025	**2,100,777**	757,530
Corporate and administration	**712,441**	859,733	**1,615,211**	1,433,939
Depreciation	**57,210**	31,771	**180,508**	186,297
	$ 2,524,386	$ 1,643,694	**$ 5,086,006**	**$** 3,035,976

20. EXPLORATION EXPENSES

The Company expenses exploration costs as they are incurred.

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
		Restated- Note 3		*Restated- Note 3*
Villalpando	**$ 511,944**	$ 49,118	**$ 1,875,928**	$ 915,644
El Pinguico	**74,367**	-	**302,608**	-
Topia	**92,715**	-	**92,715**	-
	$ 679,026	$ 49,118	**$ 2,271,250**	$ 915,644

(Unaudited - Expressed in US dollars, unless otherwise indicated)

21. INTEREST AND FINANCE (COSTS) INCOME

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
		Restated- Note 3		*Restated- Note 3*
Interest income	**$ 59,513**	$ 76	**$ 59,986**	$ 285
Interest expense	**(771,566)**	(583,456)	**(1,782,504)**	(587,282)
Accretion expense	**(333,256)**	(54,789)	**(611,946)**	(58,485)
	$ (1,045,309)	$ (638,169)	**$ (2,334,464)**	$ (645,482)

22. GAIN ON DERIVATIVE

The requirement to deliver gold and silver ounces under the OCIM Loan (note 12) was determined to be a derivative and is measured at fair value at the end of each reporting period. On early payment of the Initial Loan on May 4, 2022, the Company recognized a gain on settlement of the derivative of $263,826 in profit and loss.

The remaining deliveries of gold and silver ounces for the Initial and Secondary Loans were fixed on July 26, 2021 and May 4, 2022 respectively. Changes in gold and silver prices relative to the fixed payment terms effect the value of the derivative. On September 30, 2022, the Company revalued the remaining deliveries of gold and silver ounces. For the three and nine months ended September 30, 2022, the Company recognized a gain of $754,358 and $1,731,820, respectively, on the revaluation of the derivative on the Secondary OCIM Loan and the settlement of the derivative portion of the Initial OCIM loan (three and nine months ended September 30, 2021 – nil)

23.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:

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021	**September 30 2022**	September 30 2021
		Restated- Note 3		*Restated- Note 3*
Salaries, bonus and benefits	**$ 37,520**	$ 87,754	**$ 114,632**	$ 87,754
Consulting fees	**170,358**	67,292	**376,108**	271,998
Share-based compensation	**315,657**	251,094	**680,263**	1,231,488
	$ 523,535	$ 406,140	**$ 1,171,003**	$ 1,591,240

(1) Consulting fees were paid to Blueberry Capital Corp. a company controlled by the CEO of the Company, 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.

(Unaudited - Expressed in US dollars, unless otherwise indicated)

24. SEGMENTED INFORMATION

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

September 30, 2022	Total Assets	Total liabilities	Capital expenditures
Mining	66,193,049	(29,182,953)	3,859,710
Corporate	12,813,630	(13,816,682)	5,189
Consolidated	**79,006,679**	**(42,999,635)**	**3,864,899**

December 31, 2021	Total Assets	Total liabilities	Capital expenditures
Mining	39,847,235	(12,001,292)	11,172,811
Corporate	11,472,641	(8,518,022)	334,443
Consolidated	**51,319,876**	**(20,519,314)**	**11,507,254**

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

Three months ended September 30, 2022		Mining		Corporate		Total
Revenues from external customers	$	8,871,864	$	-	$	8,871,864
Cost of sales before depreciation and depletion		(9,222,028)		-		(9,222,028)
Depreciation and depletion in cost of sales		(2,991,577)		-		(2,991,577)
General and administration		(700,764)		(1,910,080)		(2,610,844)
Exploration		(679,026)		-		(679,026)
Other income (expense)		(560,529)		(606,817)		(1,167,346)
Finance items		(594,499)		(11,881)		(606,380)
Segmented loss	**$**	**(5,876,559)**	**$**	**(2,528,778)**	**$**	**(8,405,337)**

Three months ended September 30, 2021 (Restated – note 3)		Mining		Corporate		Total
Revenues from external customers	$	-	$	-	$	-
Cost of sales before depreciation and depletion		-		-		-
Depreciation and depletion in cost of sales		-		-		-
General and administration		(1,023,896)		(673,333)		(1,697,229)
Exploration		(49,117)		-		(49,117)
Other income (expense)		-		(582,491)		(582,491)
Finance items		(449,044)		206,526		(242,518)
Segmented loss	**$**	**(1,522,057)**	**$**	**(1,049,298)**	**$**	**(2,571,355)**

(Unaudited - Expressed in US dollars, unless otherwise indicated)

24.SEGMENTED INFORMATION (continued)

Nine months ended September 30, 2022		Mining		Corporate		Total
Revenues from external customers	$	21,392,490	$	-	$	21,392,490
Cost of sales before depreciation and depletion		(21,722,098)		-		(21,722,098)
Depreciation and depletion in cost of sales		(6,405,553)		-		(6,405,553)
General and administration		(1,417,513)		(3,754,950)		(5,172,463)
Exploration		(2,271,250)		-		(2,271,250)
Other income (expense)		(560,529)		(1,248,624)		(1,809,153)
Finance items		(770,431)		(107,422)		(877,853)
Segmented loss	**$**	**(11,754,884)**	**$**	**(5,110,996)**	**$**	**(16,865,880)**

Nine months ended September 30, 2021 (Restated – note 3)		Mining		Corporate		Total
Revenues from external customers	$	-	$	-	$	-
Cost of sales before depreciation and depletion		-		-		-
Depreciation and depletion in cost of sales		-		-		-
General and administration		(1,564,858)		(1,524,652)		(3,089,510)
Exploration - other direct costs		(915,644)		-		(915,644)
Other income (expense)		-		(2,143,209)		(2,143,209)
Finance items		(396,061)		(367,202)		(763,263)
Segmented loss	**$**	**(2,876,564)**	**$**	**(4,035,062)**	**$**	**(6,911,626)**

25. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Fair value measurement and valuation techniques

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

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (interest rate, yield curves), or inputs that are derived principally from or corroborated observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

25. 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.
Ocean Partners 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.
OCIM loan	The fair value of the loan was estimated using the discounted cash flow method at a rate that equates to a comparable current market interest rate.
Derivative	Valued using inputs derived from observable market data, including quoted commodity forward prices.
Vehicle loans	The carrying values of vehicle loans approximate their fair values as a result of relatively unchanged interest rates since inception of the loans.
Other current liabilities	The fair value of the contingent liabilities where payment is contingent on the price of gold and silver was estimated using the Monte-Carlo averaging simulation technique on simulated gold and silver prices. The fair value of the contingent liability where payment is contingent on achieving production milestones was estimated using the discounted cash flow method and an assigned probability of the achievement of the production milestones.

The carrying value of cash and cash equivalents, 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.

During the three and nine months ended September 30, 2022, and 2021, there were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy.

(Unaudited - Expressed in US dollars, unless otherwise indicated)

25. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

September 30, 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	$ 1,132,744	$ -	$ 1,132,744	$ -	$ 1,132,744	$ -
Derivative	2,097,113	-	2,097,113	-	2,097,113	-
	$ 3,229,857	**$ -**	**$ 3,229,857**	**$ -**	**$ 3,229,857**	**$ -**
Financial assets not measured at fair value						
Cash and cash equivalents	$ -	$ 6,365,025	$ 6,365,025	$ -	$ -	$ 6,365,025
Other assets - silver and gold bullion	-	2,125,850	2,125,850	-	-	2,125,850
Other receivables	-	7,426,308	7,426,308	-	-	7,426,308
	$ -	**$ 15,917,183**	**$ 15,917,183**	**$ -**	**$ -**	**$ 15,917,183**
Financial liabilities measured at fair value						
Other current liabilities	(1,061,487)	-	(1,061,487)	-	(1,061,487)	-
	$ (1,061,487)	**$ -**	**$ (1,061,487)**	**$ -**	**$ (1,061,487)**	**$ -**
Financial liabilities not measured at fair value						
Accounts payable and accrued liabilities	-	(11,281,648)	(11,281,648)	-	-	(11,281,648)
Vehicle loan	-	(130,702)	(130,702)	-	-	(130,702)
OCIM loan	-	(10,241,807)	(10,241,807)	-	-	(10,241,807)
Ocean Partners loan	-	(4,769,652)	(4,769,652)	-	-	(4,769,652)
	$ -	**$ (26,423,810)**	**$ (26,423,810)**	**$ -**	**$ -**	**$ (26,423,810)**

(Unaudited - Expressed in US dollars, unless otherwise indicated)

25. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

December 31, 2021	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	$ 491,731	$ -	$ 491,731	$ -	$ 491,731	$ -
Derivative	365,293	-	365,293	-	365,293	-
	$ 857,024	**$ -**	**$ 857,024**	**$ -**	**$ 857,024**	**$ -**
Financial assets not measured at fair value						
Cash and cash equivalents	$ -	$ 8,234,043	$ 8,234,043	$ -	$ -	$ 8,234,043
Other assets - silver and gold bullion	-	1,622,935	1,622,935	-	-	1,622,935
Other receivables	-	2,129,178	2,129,178	-	-	2,129,178
	$ -	**$ 11,986,156**	**$ 11,986,156**	**$ -**	**$ -**	**$ 11,986,156**
Financial liabilities measured at fair value						
Other current liabilities	(750,000)	-	(750,000)	-	(750,000)	-
	$ (750,000)	**$ -**	**$ (750,000)**	**$ -**	**$ (750,000)**	**$ -**
Financial liabilities not measured at fair value						
Accounts payable and accrued liabilities	-	(3,467,293)	(3,467,293)	-	-	(3,467,293)
Vehicle loan	-	(174,277)	(174,277)	-	-	(174,277)
OCIM loan	-	(8,372,366)	(8,372,366)	-	-	(8,372,366)
	$ -	**$ (12,013,936)**	**$ (12,013,936)**	**$ -**	**$ -**	**$ (12,013,936)**

(Unaudited - Expressed in US dollars, unless otherwise indicated)

26. 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	Promissory note
As at December 31, 2020	$ 21,756	$ -	$ -	$ -
Additions	7,655,980	686,398	750,000	2,212,389
Interest	-	-	-	-
Payments	972,447	70,586	-	180,221
Transaction costs	(76,478)	(174,384)	-	(2,475,000)
Equity component	(4,659)	(4,857)	-	-
Foreign exchange	-	-	-	82,390
Changes in fair value	(387,697)	-	-	-
As at December 31, 2021	8,181,349	577,743	750,000	-
Additions	7,603,937	1,257,818	-	-
Acquisition of MMR	-	1,081,330	828,311	-
Terminations	-	(168,643)	-	-
Interest	1,662,080	113,809	-	-
Accretion	49,490	-	-	-
Payments in cash	(104,736)	(581,088)	-	-
Payments in gold and silver	(2,417,140)	-	-	-
Foreign exchange	(2,204)	32,123	-	-
Gain on settlement of debt	(195,910)	-	-	-
Changes in fair value of contingent payment	-	-	(516,824)	-
Changes in fair value of derivative on settlement of debt	(263,826)	-	-	-
Changes in fair value of derivative	(1,467,994)	-	-	-
As at September 30, 2022	**$ 13,045,047**	**$ 2,313,093**	**$ 1,061,487**	**$ -**

The significant non-cash financing and investing transactions during the three and nine months ended September 30, 2022 and 2021, are as follows:

	Three months ended		Nine months ended	
	September 30 2022	September 30 2021 *Restated-Note 3*	**September 30 2022**	September 30 2021 *Restated-Note 3*
Payment for OCIM loan in gold and silver ounces	**$ -**	$ -	**$ 2,417,140**	$ -
Closure and reclamation provision	**$ (3,643,868)**	$ (76,701)	**$ (4,071,480)**	$ 4,523,299
Changes in contingent liability	**$ 437,042**	$ -	**$ 311,487**	$ 1,000,000
Shares and warrants issued for finders' fees	**$ -**	$ -	**$ -**	$ 977
Shares issued on acquisition of Minera Mexicana el Rosario	**$ 8,976,524**	$ -	**$ 8,976,524**	-
Shares issued on El Cubo Complex acquisition	**$ -**	$ -	**$ -**	$ 9,835,451
Promissory note on El Cubo Complex acquisition	**$ -**	$ -	**$ -**	$ 2,212,389

27. COMMITMENTS AND CONTINGENCIES

a) Commitments

As at September 30, 2022, the Company had commitments of $225,360 for equipment purchases and $604,339 of drilling services which are expected to be expended within one year.

b) Contingencies – El Cubo Complex

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").

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 $233,176 for contingent payment #2 and contingent payment #3 as other current liabilities on the statement of financial position with fair value gains of $516,824 recorded in Other operating expense (income).

c) Contingencies – Minera Mexicana el Rosario (note 4)

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 $828,311 for these contingent payments in other current liabilities on the statement of financial position.

28. SUBSEQUENT EVENTS

On October 7, 2022, the Company announced the settlement of outstanding accounts payable and accrued liabilities totalling approximately $719,800 (C$987,000) in exchange for the issuance of 2,468,750 Common Shares at a deemed price of C$0.40 per share. The shares will be issued in December 2022.

On November 17, 2022, the Company made an early repayment on the OCIM Loan of 683 ounces of gold and 76,278 ounces of silver which extinguishes all remaining payments due in 2022. In exchange for the early repayment, OCIM provided the Company with a discount of 2,354 ounces of silver as compared to the deliveries otherwise required to be made to OCIM. The Company has 10 remaining payments of gold and silver totalling 1,646 and 201,236, respectively to extinguish the outstanding OCIM Loan.