Guanajuato Silver CO LTD

Consolidated Financial Statements

For the years ended

December 31, 2024 and 2023

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Guanajuato Silver Company Ltd.

Opinion

We have audited the consolidated financial statements of Guanajuato Silver Company Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2024 and December 31, 2023
- the consolidated statements loss and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024 and December 31, 2023, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes that the Entity has incurred an operating loss, net loss and generated negative cash flows from operating activities for the year ended December 31, 2024 and has an accumulated deficit and a working capital deficiency as at December 31, 2024.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the "***Material Uncertainty Related to Going Concern***" section of the auditor's report, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, KPMG

we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Michael D. Woeller.

Vancouver, Canada
April 25, 2025

Guanajuato Silver CO LTD

Consolidated statements of financial position
(Expressed in US dollars)

	Notes	December 31 2024	December 31 2023 (As adjusted - note 13)
ASSETS			
Current assets			
Cash and cash equivalents		**$ 2,937,172**	$ 1,956,616
Amounts receivable	5	**10,898,646**	13,329,558
Inventories	6	**5,335,981**	3,998,992
Prepaid expenses and deposits		**1,082,194**	1,023,869
Other current assets		**434,236**	349,062
		20,688,229	20,658,097
Non-current assets			
Property, plant and equipment	7	**29,820,423**	34,363,629
Mineral properties	8	**16,246,714**	17,370,305
Exploration and evaluation assets	8	**3,422,165**	3,375,771
Other assets	5	**1,000,420**	972,374
		$ 71,177,951	$ 76,740,176
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	**$ 20,238,222**	$ 23,783,235
Advance payment	10	**484,692**	-
Income tax payable	21	**2,850,157**	1,021,369
Current portion of loan payable	11	**10,186,005**	10,273,131
Current portion of lease liabilities	12	**255,242**	1,792,708
Other current liabilities		**2,063,090**	2,228,667
		36,077,408	39,099,110
Non-current liabilities			
Loan payable	11	**4,329,725**	4,929,111
Lease liabilities	12	**304,124**	586,697
Provision for reclamation and rehabilitation	13	**17,621,567**	21,330,674
		58,332,824	65,945,592
SHAREHOLDERS' EQUITY			
Share capital	14	**105,629,725**	90,474,848
Reserves		**31,016,014**	26,735,450
Accumulated other comprehensive income		**1,778,579**	1,754,864
Deficit		**(125,579,191)**	(108,170,578)
		12,845,127	10,794,584
		$ 71,177,951	$ 76,740,176

Going Concern (note 1)

Commitments and contingencies (note 27)

Subsequent events (28)

"James Anderson"
Director

"Miranda Werstiuk"
Director

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

Guanajuato Silver CO LTD

Consolidated statements of loss and comprehensive loss

(Expressed in US dollars, except share amounts)

	Notes	For the year ended December 31 2024	December 31 2023
Revenues	17	**$ 75,663,538**	$ 66,167,081
Cost of sales	18	**73,193,450**	77,966,369
Mine operating income (loss)		**2,470,088**	(11,799,288)
General and administration	19	**8,445,426**	9,334,199
Share based compensation	14(b,c)	**1,132,610**	1,300,179
Exploration expenses		**1,116,411**	1,760,577
Foreign exchange (gain) loss		**(3,863,912)**	2,654,532
Other operating (income) loss, net		**634,834**	(433,895)
Operating loss		**(4,995,281)**	(26,414,880)
Interest and finance (costs), net	20	**(6,334,081)**	(4,658,627)
Gain (loss) on derivatives, net		**(4,662,581)**	337,052
Other finance (expense) income, net		**494,671**	(185,623)
Loss before income taxes		**$ (15,497,272)**	$ (30,922,078)
Current income tax expense	21	**1,911,341**	1,021,369
Net loss for the period		**$ (17,408,613)**	$ (31,943,447)
Other comprehensive income (loss), net of tax			
Foreign currency translation differences		**23,715**	(39,986)
Total comprehensive loss for the period		**$ (17,384,898)**	$ (31,983,433)
Basic and diluted loss per common share	16	**$ (0.04)**	$ (0.10)
Weighted average number of common shares outstanding (000's)		**404,037**	335,854

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

Guanajuato Silver CO LTD

Consolidated statements of changes in equity

(Expressed in US dollars, except share amounts)

	Notes	Number of common shares	Common shares	Equity settled share-based payments	Warrants	Reserves total	Accumulated deficit	Accumulated OCI	Total shareholders' equity
Balance, December 31, 2022		**318,628,147**	**$82,370,710**	**$11,220,844**	**$13,352,514**	**$24,573,358**	**$(76,227,131)**	**$1,794,850**	**$32,511,787**
Private placement	14(b)	26,330,486	5,912,748	-	1,337,913	1,337,913	-	-	**7,250,661**
Warrants issued for finder's fee	14(b)	-	(86,130)	-	86,130	86,130	-	-	**-**
Share issue cost	14(b)	-	(476,014)	-	-	-	-	-	**(476,014)**
Shares issued on settlement of debt	14(b)	3,009,795	721,942	-	-	-	-	-	**721,942**
Options exercise for cash	14(b)	2,433,000	282,601	(102,331)	-	(102,331)	-	-	**180,270**
Warrant exercise for cash	14(b)	3,512,050	1,748,991	-	(459,799)	(459,799)	-	-	**1,289,192**
Share-based compensation		-	-	1,300,179	-	1,300,179	-	-	**1,300,179**
Comprehensive loss for the period		-	-	-	-	-	(31,943,447)	(39,986)	**(31,983,433)**
Balance, December 31, 2023		**353,913,478**	**$90,474,848**	**$12,418,692**	**$14,316,758**	**$26,735,450**	**$(108,170,578)**	**$1,754,864**	**$10,794,584**
Private placement	14(b)	93,087,300	11,579,208	-	2,982,581	2,982,581	-	-	**14,561,789**
Warrants issued for finder's fee	14(b)	-	(387,421)	-	387,421	387,421	-	-	**-**
Share issue cost	14(b)	1,840,020	(625,342)	-	-	-	-	-	**(625,342)**
Shares issued on settlement of debt	14(b)	19,930,330	3,673,673	-	-	-	-	-	**3,673,673**
Options exercise for cash	14(b)	133,333	29,068	(9,539)	-	(9,539)	-	-	**19,529**
Warrant exercise for cash	14(b)	3,100,000	814,278	-	(141,096)	(141,096)	-	-	**673,182**
Settlement of restricted share units	14(b)	172,500	71,413	(71,413)		(71,413)	-	-	**-**
Share-based compensation		-	-	1,132,610	-	1,132,610	-	-	**1,132,610**
Comprehensive loss for the period		-	-	-	-	-	(17,408,613)	23,715	**(17,384,898)**
Balance, December 31, 2024		**472,176,961**	**$105,629,725**	**$13,470,350**	**$17,545,664**	**$31,016,014**	**$(125,579,191)**	**$1,778,579**	**$12,845,127**

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

Guanajuato Silver CO LTD

Consolidated statements of cash flows

(Expressed in US dollars)

	Notes	For the year ended December 31 2024	December 31 2023
Operating activities			
Net loss for the period		**$ (17,408,613)**	$ (31,943,447)
Items not involving cash and cash equivalents:			
Depreciation and amortization		**10,185,889**	12,031,054
Accretion		**2,075,646**	2,357,130
Loss (gain) on extinguishment of debt		**(440,750)**	453,563
Loss on derivatives		**3,280,905**	50,875
Change in fair value of contingent payments		**-**	(261,037)
Loss (gain) on financial assets carried at fair value		**8,630**	(6,903)
Interest expense (net)		**4,421,664**	2,303,727
Income tax expense (net)		**1,911,341**	1,021,369
Share-based compensation		**1,132,610**	1,300,179
Unrealized foreign exchange loss (gain)		**(4,130,337)**	2,805,227
Contingent payment settled in shares		**1,000,000**	-
Changes in non-cash operating working capital:			
Amounts receivable		**4,381,352**	(1,280,936)
Inventories		**(1,357,550)**	1,155,906
Prepaid expenses and deposits		**(58,325)**	243,320
Accounts payable and accrued liabilities		**(4,099,097)**	8,204,530
Purchases of gold and silver bullion		**(4,810,554)**	(4,520,173)
Advance Payment		**476,701**	-
Reclamation expenditures		**-**	(62,111)
Net cash and cash equivalents used in operating activities		**(3,430,488)**	(6,147,728)
Investing activities			
Acquisition of mineral properties and property, plant and equipment		**(5,416,580)**	(5,222,158)
Purchases of investments		**(1,452,659)**	(317,636)
Proceeds from sale of investments		**1,351,545**	-
Payments to acquire royalties		**-**	(70,000)
Net cash and cash equivalents provided by investing activities		**(5,517,694)**	(5,609,794)
Financing activities			
Proceeds from issuance of units	14	**14,561,789**	7,250,661
Share issuance costs	14	**(625,342)**	(476,014)
Net proceeds from new Ocean Partners Loans		**4,129,366**	2,879,128
Proceeds from the exercise of options and warrants		**692,711**	1,469,462
Repayment of loan payable		**(3,701,433)**	(1,933,752)
Payments of lease obligations		**(1,482,153)**	(3,306,186)
Interest paid		**(3,669,915)**	(962,108)
Net cash and cash equivalents provided by financing activities		**9,905,023**	4,921,191
Effect on cash and cash equivalents of foreign exchange		**23,715**	(39,989)
Change in cash and cash equivalents		**980,556**	(6,876,320)
Cash and cash equivalents, beginning of period		**1,956,616**	8,832,936
Cash and cash equivalents, end of period		**$ 2,937,172**	1,956,616
Cash and cash equivalents are consisted of:			
Cash		**$ 2,880,937**	$ 1,917,173
Redeemable guaranteed investment certificate ("GIC")		**56,235**	39,443
Total cash and cash equivalents, end of period		**$ 2,937,172**	$ 1,956,616

Supplemental cash flow information (Note 26)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

Going concern

These consolidated 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 year ended December 31, 2024, the Company generated an operating loss of $4,995,281, a net loss of $17,408,613 and negative cash flows from operating activities of $3,430,488. As at December 31, 2024, the Company has an accumulated deficit of $125,579,191 and current liabilities that exceed its current assets by $15,389,179, including accounts payable and accrued liabilities of $20,238,222. These factors give rise to material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Management has taken steps to manage the Company's liquidity, including extending payment terms with suppliers and settling certain liabilities through the issuance of the Company's common shares. Management will be required to raise additional capital and is considering new debt financing and is also considering raising additional equity financing. The Company has an active At-The-Market ("ATM") equity offering program. Under this program, the Company may, from time to time, issue and sell common shares in accordance with the terms of the ATM Prospectus. The continuing operations of the Company are dependent in the near-term on its ability to obtain additional financing and in the longer-term on a combination of additional financing and the generation of cash flows from operations. Management is of the opinion that sufficient funds will be obtained from external financing and cash flows from operations to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing or cash flows from operations will not be available on a timely basis or on terms acceptable to the Company.

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Company's Board of Directors on April 25, 2025.

(Expressed in US dollars, unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICY INFORMATION

a) Basis of consolidation

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

Subsidiary	Location	Ownership Interest	Accounting	Principal Activity
1352168 B.C. Ltd.	Canada	100%	Consolidated	Holding Company
1424579 B.C. Ltd..	Canada	100%	Consolidated	Holding Company
Gato Chico Investments Ltd.	Canada	100%	Consolidated	Holding Company
CanMex Silver S.A. de C.V.	Mexico	98%	Consolidated	Exploration Company
Obras Mineras El Pinguico S.A. de C.V.	Mexico	100%	Consolidated	Mining Company
Minera Mexicana El Rosario, S.A. de C.V.	Mexico	100%	Consolidated	Mining Company
Compañía Minera Nivel Siete S.A. de C.V.	Mexico	100%	Consolidated	Inactive

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

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

b) Basis of measurement

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Presentation and functional currency

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

For entities where the functional currency differs from the presentation currency, the translation of foreign currency transactions and balances is 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.

d) Business combinations

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Company has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

d) Business combinations (continued)

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

e) Inventories

Inventories include silver coins and bars, mineral concentrates, stockpiled ore, materials and supplies, and are valued at the lower of average production cost and estimated net realizable value. Production costs allocated to mineral concentrates and stockpiled ore, or metal inventories include direct mining costs, direct labor and material costs, mine site overhead, depletion and amortization. Costs allocated to silver coins, materials and supplies are based on weighted average costs and include all costs of purchase and other costs in bringing these inventories to their existing location and condition.

If the carrying amount exceeds the net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exist to the extent that the related inventory has not been sold. Net realizable value is calculated as the estimated price at the time of sale based on prevailing metal prices less estimated future costs to convert the inventories into saleable form and estimated costs to sell.

f) Exploration and evaluation costs

The Company capitalizes acquisition costs of exploration and evaluation properties, including any cash consideration and the fair market value of shares issued, if any. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded when the payments are made. The recorded amounts of property claim acquisition and option payments represent actual expenditures incurred and are not intended to reflect present or future values. Option payments received on properties are offset against those properties.

Exploration and evaluation costs are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of (i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve; (ii) determining the optimal methods of extraction and metallurgical and treatment processes; (iii) studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Exploration and evaluation expenditures, other than acquisition costs and estimated closure and decommissioning costs, are expensed as incurred. Once the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and development has been approved by the Board of Directors, exploration and evaluation assets are tested for impairment, and any impairment loss is recognized. Exploration and evaluation assets are then reclassified as mineral properties in property, plant and equipment, with further development costs capitalized.

When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of production, or written off if the property is sold, allowed to lapse or abandoned. Exploration and evaluation assets are tested for impairment when an indicator of impairment is identified and upon reclassification to mining properties.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

g) Underground mine development costs

Underground mine development costs are costs incurred to build new shafts, drifts and ramps that will enable the Company to physically access ore underground. The time over which the Company will continue to incur these costs depends on the mine life. These underground development costs for operating mines are capitalized as incurred. Capitalized underground development costs are depreciated on a unit of production basis, based on the estimated proven and probable reserves and the portion of resources expected to be extracted.

h) Mineral properties, land, plant and equipment

Mineral properties, land, plant and equipment are initially recognized at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. When provisions for closure and decommissioning are recognized, the corresponding cost is capitalized as part of the cost of the related assets.

Buildings, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Land is stated at cost less accumulated impairment in value and is not depreciated.

Construction expenditures and development are capitalized and classified as construction in progress. Once completed, the costs associated with all applicable assets related to the development and construction are reclassified to the appropriate category within mineral properties or plant and equipment.

Each asset or part's estimated useful life which range from 3 to 6 years, has due regard to both its own physical life limitations and the present assessment of economically recoverable resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

Mineral properties, plant and equipment are depreciated using either the straight-line or units-of-production method over the shorter of the estimated useful life of the asset or the expected life of mine. Where an item of property, plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

i) Impairment of long-lived assets

At each reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets may be impaired. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows or cash generating units ("CGUs"). These are typically individual mines or development projects. If any such indication of impairment exists, the recoverable amount of the asset or CGU is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposals and value in use, which is the present value of future cash flows expected to be derived from the asset or CGU. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized into profit or loss immediately.

j) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset ("RoU asset") and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The RoU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The RoU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The RoU asset is subject to testing for impairment if there is an indicator of impairment.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

j) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate.

The incremental borrowing rate is the rate which the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statement of income in the period in which they are incurred.

The ROU assets are presented within "Plant and equipment" and the lease liabilities are presented in "Lease liabilities" on the statement of financial position.

k) Provisions

Reclamation, rehabilitation and similar provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of property, plant and equipment, and exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs, or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset.

Following the initial recognition of a reclamation and rehabilitation liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset, unless there is no future benefit, in which case they are expensed.

Other provisions

Provisions are recognized when a present legal or constructive obligation exists as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect of the time value of money is material the provision is discounted using an appropriate current market based pre-tax discount rate.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

l) Income taxes

Income tax expense consists of current and deferred tax expense.

Current tax expense is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at period end adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits, and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis ("temporary differences"). Deferred taxes are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability is settled.

On an asset acquisition, the Company applies initial recognition exemption and deferred tax assets, and liabilities are not recognized if the tax base is different from the accounting base.

On a business combination, the Company applies recognizes the deferred tax assets and liabilities at the acquisition date.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

m) Revenue recognition

The Company generates revenue from the sale of metal concentrate. The Company sells gold and silver concentrate, zinc concentrate, and lead concentrate. The Company satisfies its performance obligation and sales revenue is recognized at the point in time when the product is delivered as specified by the customer, which is typically upon delivery of the product to the customer's defined warehouse. The Company considers that control has passed when there is a present obligation to pay from the customer's perspective; physical possession, control and the risks and rewards of ownership have all passed to the customer; and the customer has accepted the concentrate. The Company recognizes deferred revenue in the event it receives payment from a customer before a sales transaction meets all the criteria for revenue recognition.

Metal concentrate is provisionally priced whereby the selling price is subject to final adjustment at the end of a 30-day period after delivery to the customer as defined in the sales contract. The final price is based on the market price at the relevant quotation point stipulated in the contract. At each reporting date, the receivable is marked to fair value based on the forward selling price for the quotation period stipulated in the contract. The change in fair value of the receivable subsequent to the date of revenue recognition is recognized within 'Revenue' on the face of the statements of loss and comprehensive loss and is shown separately in the notes to the consolidated financial statements.

Advance payments arose from up-front payments received by the Company or obligations acquired in consideration for future commitments as specified in the corresponding arrangement. Revenue from advance payment is recognized when the customer obtains control of the silver-gold concentrate, and the Company has satisfied its performance obligation.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

n) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recognized in profit or loss.

An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments.

For the Company's trade receivables, it determines the lifetime expected losses for all of its trade receivables. The expected lifetime credit loss provision for the Company's trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, when required.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss.

Financial assets and financial liabilities are offset, and the net amount reported in the Consolidated Statements of Financial Position, only if there is an enforceable legal right to offset the recognized amounts and the intention is to settle on a net basis or to realize the assets and settle the liabilities simultaneously

o) New and amended IFRS standards that are effective for the current year

The following amendments to existing standards have been adopted by the Company commencing January 1, 2024:

Classification of Liabilities as Current or Non-Current with Covenants (Amendments to IAS 1)

In January 2020, the IASB published narrow scope amendments to IAS 1 Presentation of Financial Statements. The narrow scope amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. In October 2022, the IASB published an additional narrow scope amendment to IAS 1 Presentation of Financial Statements and reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the Company must comply after the reporting date do not affect a liability's classification at that date. The amendments were applied effective January 1, 2024 and did not have a material impact on the Company's consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

p) New accounting standards issued but not yet effective

Below are new standards, amendments to existing standards and interpretations that have been issued and are not yet effective. The Company plans to apply the new standards or interpretations in the annual period for which they are effective.

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued *IFRS 18 Presentation and Disclosure in Financial Statements*, which replaces *IAS 1 Presentation of Financial Statements* while retaining many of its existing requirements. IFRS 18 introduces new provisions to:

- Present specified categories and defined subtotals in the statement of earnings;
- Disclose management-defined performance measures (MPMs) in the notes to the financial statements; and
- Enhance aggregation and disaggregation.

The amendments are effective for annual reporting periods beginning on or after January 1, 2027, and are applied retrospectively. The Company is currently assessing the impact of IFRS 18 on its consolidated financial statements.

Amendments to the Classification and Measurement of Financial Instruments: Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures

In May 2024, the IASB issued 'Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)'. The amendments clarify the date of recognition and derecognition of some financial assets and financial liabilities, with a new exception that permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date. It also clarifies guidance on assessing whether a financial asset meets the solely payments of principal and interest criterion, it adds new disclosures for certain instruments with contractual terms that can change cash flows and updates the disclosures for equity instruments designated at fair value through other comprehensive income. The amendments apply for annual reporting periods beginning on or after January 1, 2026, and are applied retrospectively. The Company is currently evaluating the impact of the new standard on its consolidated financial statements

4. ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of these consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Judgements, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in future years.

The areas that require management to make significant estimates and assumptions in applying the Company's accounting policies in determining carrying values include, but are not limited to:

a) Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

4. ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

b) Decommissioning, restoration, and similar provisions

The Company has obligations for decommissioning, restoring and other similar activities related to its mining properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations.

Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of the obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions, including the future costs, the period over which they will be incurred, and the appropriate discount rate to be used.

c) Revenue recognition

The Company's sales of metal in concentrates allow for price adjustments based on the market price at the end of the relevant quotational period ("QP") stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on the prevailing spot price on a specified future date. At each balance sheet date, the Company estimates the fair value of the trade receivable using forward metal prices.

Adjustments to the sale price occurs based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP is generally between one and three months. Any future changes over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. As such, any provisionally priced trade receivables are accounted for as derivatives with any provisional price adjustments being presented separately in Note 17 of these financial statements.

d) Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

e) Value-added tax ("VAT") receivable

Timing of collection of VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The Company assesses the recoverability of the VAT receivable and its classification as current or non-current at each reporting date. This is impacted by several factors, including the status of discussions with the tax authorities, and current interpretation of relevant tax legislation. Changes in these estimates can materially affect the amount recognized as VAT receivable and the classification and could result in an increase in other expenses recognized.

4. ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

Information about significant areas of judgment considered by management in preparing the consolidated financial statements is as follows:

a) Going Concern

The assessment of going concern involves judgement regarding the results of operations at the Company's mines and the availability of future financing. In concluding on whether material uncertainties exist with respect to the Company's ability to continue as a going concern, the Company considers funds on hand at each reporting date and planned expenditures for at least 12 months from the reporting date. 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.

b) Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

A liability is recognized in the consolidated financial statements when the outcome of the legal proceedings is probable, and the estimated settlement amount can be estimated reliably. Contingent assets are not recognized in the consolidated financial statements until virtually certain.

The amount of contingent consideration payable recognized on the El Cubo and MMR acquisitions are subject to judgment on the probability that specific closing price criteria on the price of gold will be achieved within the time periods specified in the acquisition agreement. This judgment affects the amount recognized for the contingent consideration payable. Future closing prices will affect amounts recognized in the future and any amounts ultimately payable, if any.

c) Assessment of indicators of impairment

Management applies judgement in assessing whether indicators of impairment exist for an asset or a group of assets. Internal and external factors such as significant changes in the use of the asset, commodity prices, life of mines, regulatory environment in Mexico and interest rates are considered by management in determining whether there are any indicators of impairment or reversal of previous impairments. As of December 31, 2024, the Company determined there were no indicators of impairment. However, adverse changes in any of these assumptions in future periods may result in the need to perform an impairment test to determine whether the carrying amount of an asset or group of assets exceeds its recoverable amount.

Judgment is required in estimating the life of mine of the El Cubo Complex, Valenciana Mines Complex, San Ignacio and Topia, including the expected tonnes to be mined economically in the future. The total expected tonnes to be produced is the denominator in determining units of production depreciation in any period. The life of mine is also used in the determination of the reclamation and rehabilitation liability recognized.

There have been no mineral reserves identified at the El Cubo complex. Consequently, the life of mine has been estimated using mineral resources including a portion of identified inferred resources.

(Expressed in US dollars, unless otherwise indicated)

5. AMOUNTS RECEIVABLE

		December 31 2024		December 31 2023
Trade receivables	**$**	**3,219,330**	$	3,350,036
VAT recoverable		**7,784,427**		10,066,458
Other receivables		**895,309**		885,438
	$	**11,899,066**	$	14,301,932
Less: non-current portion of VAT recoverable		**(1,000,420)**		(972,374)
	$	**10,898,646**	$	13,329,558

At December 31, 2024, the Company assessed the timing of collection of the total VAT recoverable of $7,784,427 (December 31, 2023 – $10,066,458) and concluded that $1,000,420 (December 31, 2023 – $972,374) of the VAT recoverable is not expected to be collected within the next 12 months, therefore it was classified as non-current Other assets. During the year, the Company collected $806,776 of VAT.

6. INVENTORIES

		December 31 2024		December 31 2023
Concentrate	**$**	**2,081,714**	$	1,512,316
Ore stockpiles		**438,347**		145,428
Coins and bullion for sale		**29,562**		38,345
Materials and supplies		**2,786,358**		2,302,903
Total inventories	**$**	**5,335,981**	$	3,998,992

During the year ended December 31, 2024, the Company expensed $71,794,197 of inventories to cost of sales (year ended December 31, 2023 – $62,729,865). During the year ended December 31, 2024, the Company recognized a write-down of $218,938 of inventory to net realizable value (year ended December 31, 2023 – $384,406).

(Expressed in US dollars, unless otherwise indicated)

7. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment				
	Machinery and equipment	Land and buildings	Furniture and other equipment	Construction in progress	**Total PP&E**
COST	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2023	36,511,239	8,372,994	3,446,849	1,632,304	49,963,386
Additions	1,640,373	880,023	21,189	1,460,030	4,001,615
Disposals	(4,779,159)	-	(102,078)	(14,016)	(4,895,253)
Transfers	961,474	-	-	(961,474)	-
Balance, December 31, 2024	**34,333,927**	**9,253,017**	**3,365,960**	**2,116,844**	**49,069,748**
ACCUMULATED DEPRECIATION					
Balance, December 31, 2023	13,400,053	733,250	1,466,454	-	15,599,757
Depreciation and depletion	6,622,213	739,262	608,125	-	7,969,600
Disposals	(4,230,756)	-	(89,276)	-	(4,320,032)
Balance, December 31, 2024	**15,791,510**	**1,472,512**	**1,985,303**	**-**	**19,249,325**
Net book value, December 31, 2024	**18,542,417**	**7,780,505**	**1,380,657**	**2,116,844**	**29,820,423**

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

As at December 31, 2024 $857,015 of RoU assets are included in Property, plant and equipment (December 31, 2023 - $4,060,728).

(Expressed in US dollars, unless otherwise indicated)

8. MINERAL PROPERTIES, AND EXPLORATION AND EVALUATION ASSETS

	Mineral properties (As adjusted - note 13)	Exploration and evaluation assets	Total
COST	**$**	**$**	**$**
Balance, December 31, 2023	24,461,197	3,375,771	27,836,968
Additions	2,798,190	46,394	2,844,584
Changes in closure and reclamation	(1,726,053)	-	(1,726,053)
Balance, December 31, 2024	**25,533,334**	**3,422,165**	**28,955,499**
ACCUMULATED DEPRECIATION			
Balance, December 31, 2023	7,090,892	-	7,090,892
Depreciation and depletion	2,195,728	-	2,195,728
Balance, December 31, 2024	**9,286,620**	**-**	**9,286,620**
Net book value, December 31, 2024	**16,246,714**	**3,422,165**	**19,668,879**

	Mineral properties (As adjusted - note 13)	Exploration and evaluation assets	Total
COST	**$**	**$**	**$**
Balance, December 31, 2022	19,429,875	3,195,938	22,625,813
Additions	4,551,489	179,833	4,731,322
Disposals	(4,628)	-	(4,628)
Changes in closure and reclamation	484,461	-	484,461
Balance, December 31, 2023	24,461,197	3,375,771	27,836,968
ACCUMULATED DEPRECIATION			
Balance, December 31, 2022	4,583,837	-	4,583,837
Depreciation and depletion	2,507,055	-	2,507,055
Balance, December 31, 2023	7,090,892	-	7,090,892
Net book value, December 31, 2023	17,370,305	3,375,771	20,746,076

Exploration and evaluation assets

	El Pinguico	Other claims	Total
Acquisition Cost:			
Balance, December 31, 2022	$ 2,930,681	$ 265,257	$ 3,195,938
Additions	179,833	-	179,833
Balance, December 31, 2023	$ 3,110,514	$ 265,257	$ 3,375,771
Additions	46,394	-	46,394
Balance, December 31, 2024	**$ 3,156,908**	**$ 265,257**	**$ 3,422,165**

El Pinguico Mine Project

The El 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.

(Expressed in US dollars, unless otherwise indicated)

8. 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 Bajio S.A. de C.V. ("EMBSA"), a company controlled by a former 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. As at December 31, 2024, $425,000 remains outstanding, of which $187,500 was due on June 30, 2024 and $237,500 was due on October 30, 2024. The terms of the remaining payments are under negotiation. The payments made to date are as follows:

- CAD$200,000 cash (paid) and 3,750,000 units on or before November 30, 2020 (issued);
- CAD$325,000 cash on or before February 22, 2021 (paid);
- CAD$262,500 on or before April 10, 2022 (paid);
- CAD$262,500 on or before October 10, 2022 (paid);
- CAD$150,000 on or before October 16, 2023 (paid through the issuance of 468,750 common shares); and
- CAD$50,000 on or before May 7, 2024 (paid).

On March 16, 2023, the Company purchased all of EMBSA's interest in its 15% NPI, on minerals recovered from the surface stockpile of historically mined (but unprocessed) mineralized material at El Pinguico for a purchase price of US$70,000. Accordingly, upon payment of the final option payment of CAD$425,000 payment to EMBSA, the only royalty that will remain over the El Pinguico project will be a 15% net profits royalty on the underground stockpile of previously mined material in favour of EMBSA.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31 2024		December 31 2023
Accounts payable	**$**	**14,593,586**	$	19,440,101
Other taxes payable		**3,067,530**		1,828,391
Payroll and benefits accrual		**2,416,319**		2,260,487
Other payables		**160,787**		254,256
	$	**20,238,222**	$	23,783,235

Of the $14,593,586 in accounts payable, $7,767,593 (53.2%) is outstanding greater than 90 days (December 31, 2023 – $8,517,494 (43.8%) of $19,440,101).

(Expressed in US dollars, unless otherwise indicated)

10. ADVANCE PAYMENT

In October 2024, the Company received $476,701 (plus $23,371 of VAT) from Trafigura Mexico, S.A. DE C.V. which was recognized as deferred revenue (the "Advance Payment"). The Advance Payment bears interest at 12-month SOFRA + 5% and is to be repaid against the proceeds from the silver-gold concentrate delivered. The balance of the Advance Payment inclusive of accrued interest is $484,692 as at December 31, 2024.

The Advance Payment will be 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.

11. LOANS PAYABLE

		OCIM		OP		Vehicles		Total
Balance, December 31, 2023	$	3,845,322	$	11,171,116	$	185,804	$	15,202,242
Additions		-		5,800,000		-		5,800,000
Interest expense		395,835		3,883,166		-		4,279,001
Accretion expense		-		90,321		-		90,321
Loan payments		(4,826,493)		(10,662,178)		(176,060)		(15,664,731)
Effect of change in foreign exchange rates		-		-		(9,744)		(9,744)
Gain on extinguishment of debt		-		(440,750)		-		(440,750)
Changes in fair value of derivative		585,336		4,674,055		-		5,259,391
Balance, December 31,2024	**$**	**-**	**$**	**14,515,730**	**$**	**-**	**$**	**14,515,730**
Which consist of:								
Current portion of loans		-		10,186,005		-		10,186,005
Non-current portion of loans		-		4,329,725		-		4,329,725
Balance, December 31,2024	**$**	**-**	**$**	**14,515,730**	**$**	**-**	**$**	**14,515,730**

		OCIM		OP		Vehicles		Total
Balance, December 31, 2022	$	7,263,703	$	9,106,182	$	118,219	$	16,488,104
Additions		5,000,000		7,500,000		238,674		12,738,674
Interest expense		1,109,228		1,184,055		-		2,293,283
Accretion expense		2,632		173,586		-		176,218
Loan payments		(10,049,289)		(6,771,129)		(200,548)		(17,020,966)
Effect of change in foreign exchange rates		-		-		29,459		29,459
Loss on settlement of debt		453,563		-		-		453,563
Changes in fair value of derivative		65,485		(21,578)		-		43,907
Balance, December 31, 2023	$	3,845,322	$	11,171,116	$	185,804	$	15,202,242
Which consist of:								
Current portion of loans		3,845,322		6,242,005		185,804		10,273,131
Non-current portion of loans		-		4,929,111		-		4,929,111
Balance, December 31, 2023	$	3,845,322	$	11,171,116	$	185,804	$	15,202,242

a) Ocean Partners Facilities

On December 8, 2022, the Company entered into a new $5,000,000 credit facility (the "New Facility") with Ocean Partners (UK). The New Facility had an initial payment free period until March 31, 2023 and thereafter was revolving in nature whereby it is re-payable and re-drawable in 4-month intervals over a term of 24 months. Interest was calculated at 12-month SOFR + 7.5%.

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

11. LOANS PAYABLE (continued)

a) Ocean Partners Facilities (continued)

On February 28, 2024, the Company increased its Gold Facility with Ocean Partners to $13,300,000 (the "Expanded Facility"). The Expanded Facility is for a term of 36 months from the date of the initial draw on December 5, 2023. It is repayable in equal fixed monthly installments of gold totalling approximately 338 troy ounces per month for a period of 30 months following a six-month grace period from the date of the initial draw. The number of ounces to be delivered per month is based on a discount to the LBMA gold closing price of $2,046.95 on November 29, 2023. The Company drew the additional $5,800,000 from the Expanded Facility and received net proceeds of $4,129,366 with $1,670,634 of the Expanded Facility used to pay the existing debt. The Expanded Facility has been accounted for as a loan extinguishment resulting in a gain of $489,875 recognized in other finance income. The remaining balance of the Expanded Facility inclusive of accrued interest is $11,257,218 as at December 31, 2024.

On December 3, 2024, delivery terms of the Expanded Facility were amended. The Company paid two payments early and deferred another payment to December 2026. The amendment was accounted for as a loan modification resulting in a loss of $49,124 recognized in other finance income for the year ended December 31, 2024.

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

b) OCIM Loan

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

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

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

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

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

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

c) Embedded Derivatives

During the year ended December 31, 2024, the Company recognized a loss of $5,259,391 on revaluation of the derivative in profit or loss (December 31, 2023 - loss of $43,907) and the value of the derivative liability as at December 31, 2024 is $3,258,512 (December 31, 2023 – liability of $213,654).

(Expressed in US dollars, unless otherwise indicated)

12. LEASE LIABILITIES

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

The following table presents the lease obligations of the Company for the years ended December 31, 2024 and December 31, 2023.

	December 31 2024	December 31 2023
Balance, at beginning of period	**$ 2,379,405**	$ 3,940,724
Additions	**42,666**	1,342,595
Terminations	**(485,098)**	(118,080)
Accretion	**167,111**	502,434
Payments	**(1,482,153)**	(3,306,186)
Foreign exchange	**(62,565)**	17,918
Balance, end of period	**$559,366**	**$ 2,379,405**
Which consist of:		
Current portion of lease liabilities	**255,242**	1,792,708
Non-current portion of lease liabilities	**304,124**	586,697
Balance, end of period	**$ 559,366**	**$ 2,379,405**

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

	December 31 2024	December 31 2023
Less than one year	**$ 288,679**	$ 1,907,662
Between one and two years	**251,058**	517,222
Between two and three years	**47,378**	160,996
Between three and four years	**23,930**	36,336
Between four and five years	**8,776**	25,809
Greater than five years	**38,761**	39,956
	$ 658,582	**$ 2,687,981**
Less future finance charges	**(99,216)**	(308,576)
Present value of minimum lease payments	**$ 559,366**	**$ 2,379,405**

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, the Topia Mine, the Valenciana Mine and the San Ignacio Mine. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs.

	San Ignacio Mine	**Valenciana Mine**	**Topia Mine**	**El Cubo Mines Complex**	**Total**
Balance, December 31, 2022	$ 422,814	$ 6,023,093	$ 5,848,718	$ 4,477,249	$ 16,771,874
Accretion	42,827	606,260	589,450	439,940	1,678,477
Reclamation expenditures	-	-	(62,111)	-	(62,111)
Changes in estimate	9,566	91,906	157,469	225,523	484,464
Effect of changes in foreign exchange rates	62,613	888,900	859,719	646,739	2,457,971
Balance, December 31, 2023 *– as adjusted*	537,820	7,610,159	7,393,245	5,789,451	21,330,675
Accretion	46,097	650,086	631,708	490,322	1,818,213
Changes in estimate	(40,772)	(607,789)	(613,799)	(463,693)	(1,726,053)
Effect of changes in foreign exchange rates	(96,082)	(1,353,779)	(1,315,970)	(1,035,437)	(3,801,268)
Balance, December 31, 2024	**$ 447,063**	**$ 6,298,677**	**$ 6,095,184**	**$ 4,780,643**	**$ 17,621,567**

(Expressed in US dollars, unless otherwise indicated)

13. PROVISION FOR RECLAMATION AND REHABILITATION (continued)

During the period ended June 30, 2024, the Company identified a non-material error in the provision for reclamation and rehabilitation previously reported as at December 31, 2023. As a result, the statement of financial position as at December 31, 2023 has been recast, with the provision for reclamation and rehabilitation increasing by $1,536,919 as compared to the amount previously reported, with an equal and offsetting increase to mineral properties. There was no impact on the statement of loss and comprehensive loss, changes in equity or cash flows for the period ended December 31, 2023.

	San Ignacio Mine	Valenciana Mine	Topia Mine	El Cubo Mines Complex
Anticipated settlement date	2028-2041	2028-2041	2028-2041	2029-2041
Undiscounted uninflated estimated cash flow	$ 630,855	$ 8,905,752	$ 9,214,423	$ 7,091,049
Estimated life of mine (years)	4.2	3.0	5.0	4.8
Inflation rate (%)	3.0	3.0	3.0	3.0
Discount rate (%)	10.4	10.4	10.4	10.4

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; and
ii. unlimited preferred shares without par value

b) Equity offerings

During the year ended December 31, 2024, the Company issued common shares as follows:

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

ii. On May 9, 2024, the Company completed a brokered Listed Issuer Financing Exemption private placement and issued 43,125,000 units at $0.146 (CAD$0.20) per unit for gross proceeds of $6,299,351. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at CAD$0.30 per share for a period of two years. The proceeds from the private placement were allocated to the shares ($4,818,950) and warrants ($1,480,401) based on their relative fair values.

Concurrently on May 9, 2024, the Company completed a best-efforts private placement offering and issued 13,627,300 units at $0.146 (CAD$0.20) per unit for gross proceeds of $1,990,566. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at CAD$0.30 per share for a period of two years. The proceeds from the best-efforts private placement were allocated to the shares ($1,522,766) and warrants ($467,800) based on their relative fair values.

In connection with both the Listed Issuer Financing Exemption private placement and best-efforts private placement offering, the Company incurred issuance costs of $547,746 paid in cash and issued 2,889,388 finder's warrants with an exercise price of CAD$0.20 exercisable for two years and a fair value of $179,871 as finders fees.

iii. On June 20, 2024, the Company issued a total of 2,683,333 common shares at a deemed price of CAD$0.30 ($0.22) per share in settlement of CAD$805,000 ($587,591) of debt.

iv. On October 29, 2024, the Company completed a non-brokered private placement offering and issued 36,335,000 units at CAD$0.24 ($0.17) per unit for gross proceeds of $6,271,872 (CAD$8,720,400). Each unit consisted of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at CAD$0.35 per share for a period of two years. The proceeds from the private placement were allocated to the shares ($5,237,492) and warrants ($1,034,380) based on their relative fair values. In connection with the private placement, the Company incurred issuance costs of $77,596 paid in cash, issued 1,840,020 common shares and 1,840,020 finder's warrants with an exercise price of CAD$0.24 exercisable for two years and a fair value of $207,551 (CAD$288,724) as finders fees.

(Expressed in US dollars, unless otherwise indicated)

14. SHARE CAPITAL (continued)

b) Equity offerings (continued)

v. On October 30, 2024, the Company issued a total of 15,588,085 common shares at an average deemed price of CAD$0.248 ($0.178) per share in settlement of $2,780,804 of debt.

vi. The Company issued 133,333 common shares on the exercise of 133,333 stock options for proceeds of $19,529 (CAD$26,667).

vii. The Company issued 3,100,000 common shares on the exercise of 3,100,000 warrants for proceeds of $673,182 (CAD$930,000).

viii. The Company paid out 172,500 RSU's in shares.

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

i. On January 11, 2023, the Company completed the second and final tranche of a non-brokered Listed Issuer Financing Exemption private placement and issued 4,080,486 units at $0.313 (CAD$0.425) per unit for gross proceeds of $1,277,061. Each unit consisted of one common share and one-half common share purchase warrant. The warrants have an exercise price of CAD$0.60 and expire on January 10, 2025. The proceeds from the private placement were allocated to the shares ($1,087,722) and warrants ($189,339) based on their relative fair values. In connection with the private placement, the Company incurred issuance costs of $12,069 paid in cash and issued 36,000 finder's warrants with an exercise price of CAD$0.60 exercisable for two years and a fair value of $3,683 as finders fees.

ii. On June 23, 2023, the Company issued a total of 81,465 common shares at a deemed price of CAD$0.58 ($0.44) per share in settlement of CAD$47,250 ($35,799) of debt.

iii. On August 10, 2023, the Company completed a bought-deal private placement and issued 22,250,000 Units at CAD$0.36, ($0.27) per unit for gross proceeds of CAD$8,010,000 ($5,973,600). Each Unit consisted of one common share and one common share purchase warrant. The proceeds from the private placement were allocated to the shares ($4,825,026) and warrants ($1,148,574) based on their relative fair values. Each warrant entitles the holder to purchase one additional common share at CAD$0.55 per share and expires on February 10, 2025. The Company paid the underwriters a cash commission of CAD$480,600 ($358,416) and issued 1,335,000 Broker's warrants. Each Broker's warrant entitles the holder to purchase one common share of the Company at CAD$0.55 per share and expires on February 10, 2025. The Broker's warrants had a fair value of $3,683.

iv. On October 12, 2023, the Company issued a total of 2,928,330 common shares at a deemed price of CAD$0.32 ($0.234) per share in settlement of CAD$937,066 ($686,143) of debt.

v. The Company issued 2,433,000 common shares on the exercise of 2,433,000 stock options for proceeds of $180,269 (CAD$242,765).

vi. The Company issued 3,512,050 common shares on the exercise of 3,512,050 warrants for proceeds of $1,289,194 (CAD$1,735,423).

15. RESERVES

a) Warrants

The following summarizes the continuity of common share purchase warrants:

	December 31, 2024		December 31, 2023	
	Number outstanding	**Weighted average exercise price CAD$**	Number outstanding	Weighted average exercise price CAD$
Outstanding, beginning of the period	**109,790,606**	**0.49**	96,470,019	0.50
Issued	**79,649,208**	**0.31**	25,661,243	0.55
Exercised	**(3,100,000)**	**0.30**	(3,512,050)	0.49
Expired and forfeited	**(37,569,455)**	**0.48**	(8,828,606)	0.75
Outstanding, end of the period	**148,770,359**	**0.40**	109,790,606	0.49

(Expressed in US dollars, unless otherwise indicated)

15. RESERVES (continued)

a) Warrants (continued)

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

Expiry date	Exercise price CAD$	Warrants outstanding	Remaining life (years)
January 10, 2025	0.60	2,076,243	0.03
February 10, 2025	0.55	23,585,000	0.11
July 21, 2025	0.33	1,524,520	0.55
August 4, 2025	0.50	41,285,388	0.59
November 30, 2025	0.175	3,750,000	0.92
May 9, 2026	0.30	53,652,300	1.35
May 9, 2026	0.20	2,889,388	1.35
October 29, 2026	0.35	18,167,500	1.83
October 29, 2026	0.24	1,840,020	1.83
	0.40	**148,770,359**	**0.97**

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:

	December 31 2024	December 31 2023
Risk-free interest rate	**3.09%-4.31%**	4.02-5.00%
Expected life of options (years)	**2 years**	2 years
Expected annualized volatility	**74.27%-76.78%**	74.58%-82.00%
Expected dividend yield	**Nil**	Nil

b) Stock options

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

	Number of options	Weighted average exercise price CAD$
Outstanding at December 31, 2022	20,187,500	0.38
Granted	4,240,000	0.54
Exercised	(2,433,000)	0.09
Expired and forfeited	(5,305,000)	0.39
Outstanding at December 31, 2023	**16,689,500**	**0.46**
Granted	10,460,000	0.21
Exercised	(133,333)	0.20
Expired and forfeited	(6,696,167)	0.35
Outstanding at December 31, 2024	**20,320,000**	**0.37**

The weighted-average share price at the date of exercise for share options exercised in 2024 was CAD$0.27 (year ended December 31, 2023 CAD$0.47)"

(Expressed in US dollars, unless otherwise indicated)

15. RESERVES (continued)

b) Stock options (continued)

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

Expiry date	Options outstanding	Weighted average exercise price CAD$	Options exercisable	Weighted average exercise price CAD$
March 24, 2026	5,995,000	0.20	5,995,000	0.20
September 8, 2026	300,000	0.22	300,000	0.22
October 12, 2026	500,000	0.26	500,000	0.26
March 22, 2027	4,750,000	0.51	4,750,000	0.51
April 4, 2027	400,000	0.49	400,000	0.49
July 18, 2027	150,000	0.41	150,000	0.41
April 19, 2028	25,000	0.53	16,667	0.53
November 29, 2028	500,000	0.64	333,333	0.64
January 3, 2029	200,000	0.61	66,667	0.61
February 15, 2029	3,660,000	0.33	1,220,000	0.33
March 15, 2029	2,290,000	0.58	763,333	0.58
April 25, 2029	750,000	0.35	250,000	0.35
September 3, 2029	800,000	0.25	266,667	0.25
	20,320,000	**0.37**	**15,011,667**	**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:

	December 31 2024	December 31 2023
Risk-free interest rate	**2.88%-4.16%**	3.48-4.00%
Expected life of options (years)	**3 years**	3 years
Expected annualized volatility	**97.46%-115.96%**	115.28%-128.67%
Expected dividend yield	**Nil**	Nil
Weighted average fair value on grant date	**CAD$0.21**	CAD$0.54

c) Restricted share units

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

	Number of RSUs
Outstanding at December 31, 2022	-
Granted	577,500
Forfeited	(17,500)
Outstanding at December 31, 2023	**560,000**
Granted	1,080,000
Vested and paid out in shares	(172,500)
Forfeited	(155,000)
Outstanding at December 31, 2024	**1,312,500**

The fair value of the RSU's granted during the year ended December 31, 2024 was CAD$212,600 (2023 - CAD$280,900) with such RSU's vesting over 1 year (2023 - 1 year). During the year ended December 31, 2024, the weighted average fair value of the RSU's paid out in shares was CAD$0.31.

16. LOSS PER SHARE

	Year ended			
		December 31 2024		December 31 2023
Net loss for the period	**$**	**(17,408,613)**	$	(31,943,447)
Weighted average number of shares (000's)		**404,037**		335,854
Loss per share - basic and diluted	**$**	**(0.04)**	$	(0.10)

All the outstanding warrants, options and RSU's are anti-dilutive for the year ended December 31, 2024 (year ended December 31, 2023 – all).

17. 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 years ended December 31, 2024 and 2023, is as follows:

	Year ended			
		December 31 2024		December 31 2023
Gold-silver concentrate	**$**	**50,013,031**	$	44,279,515
Lead concentrate		**21,334,407**		19,048,655
Zinc concentrate		**3,691,120**		2,667,815
Provisional pricing adjustments		**624,980**		171,096
	$	**75,663,538**	$	66,167,081

The Company sells 100% of its gold-silver, lead and zinc concentrates to two customers in Mexico, one of which is an affiliate of Ocean Partners. As at December 31, 2024, the majority of the Company's trade receivable is due from an affiliate of Ocean Partners.

Bullion sales of $45,369 year ended December 31, 2024 are included in gold-silver concentrate (year ended December 31, 2023 – $85,113). Sales of bullion are in Canada.

18. COST OF SALES

	Year ended			
		December 31 2024		December 31 2023
Production costs	**$**	**61,589,135**	$	63,104,443
Transportation and other selling costs		**2,446,459**		3,190,722
Inventory changes		**(862,318)**		28,570
Depreciation		**10,020,174**		11,642,634
	$	**73,193,450**	$	77,966,369

19. GENERAL AND ADMINISTRATION

	Year ended			
		December 31 2024		December 31 2023
Salaries and employee benefits	**$**	**3,454,280**	$	3,019,837
Professional fees		**1,989,664**		3,081,520
Corporate and administration		**2,835,767**		2,844,422
Depreciation		**165,715**		388,420
	$	**8,445,426**	$	9,334,199

(Expressed in US dollars, unless otherwise indicated)

20. INTEREST AND FINANCE (COSTS) INCOME, NET

	Year ended			
		December 31 2024		December 31 2023
Interest income	$	163,229	$	2,230
Interest expense		(4,421,664)		(2,303,727)
Accretion expense		(2,075,646)		(2,357,130)
	$	(6,334,081)	$	(4,658,627)

21. INCOME TAX

a) Reconciliation of effective tax rate

Income tax expense differs from the amount that would be computed by applying the applicable Canadian statutory income tax rate to income before income taxes. The significant reasons for the differences are as follows:

	Year ended			
		December 31 2024		December 31 2023
Net income before tax	$	(15,497,272)	$	(30,922,078)
Statutory tax rate		27.00%		27.00%
Anticipated income tax at statutory rates		(4,184,263)		(8,348,961)
Non-deductible expenditures		2,901,465		3,558,229
Differences between Canadian and foreign tax rates		138,701		(1,080,940)
7.5% mining royalty in Mexico		1,267,764		-
Inflation adjustment		(3,061,896)		6,214
Impact of foreign exchange		(6,044,348)		3,622,341
Changes in deferred tax assets not recognized		5,065,512		2,704,737
Withholding tax		643,577		1,021,369
Other items		5,184,829		(461,620)
	$	1,911,341	$	1,021,369

b) Deferred income tax assets and liabilities

The significant components of the recognized deferred tax assets and liabilities are:

	Year ended			
		December 31 2024		December 31 2023
Deferred income tax assets				
Non-capital losses	$	362,702	$	1,404,108
Property and equipment		86,284		-
	$	448,986	$	1,404,108
Deferred income tax liabilities				
Mineral property interest		362,702		362,702
Other		86,284		1,041,406
	$	448,986	$	1,404,108
Net deferred income tax liability	$	-	$	-

(Expressed in US dollars, unless otherwise indicated)

21. INCOME TAX (continued)

c) Unrecognized deferred tax assets and liabilities

The Company recognizes tax benefits on losses or other deductible amounts where it is more likely than not that the deferred tax asset will be realized. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

	Year ended			
		December 31 2024		December 31 2023
Equipment and buildings	**$**	**15,000,159**	$	20,417,542
Accounts payable and accrued liabilities		**6,660,398**		6,045,437
Share issuance cost		**1,356,119**		905,051
7.5% mining royalty in Mexico		**1,267,764**		-
Provision for reclamation and rehabilitation		**8,006,388**		15,207,775
Non-capital losses		**40,258,782**		29,991,375
Capital loses		**826,616**		665,709
Restricted interest		**2,836,014**		-
	$	**76,212,240**	$	73,232,889

d) Tax loss carry forwards

Tax losses have the following expiry dates:

	Year of expiry		**December 31, 2024**	**Year of expiry**		**December 31, 2023**
Canada - non-capital losses	**2027-2044**	**$**	**19,370,736**	2027-2043	$	15,830,024
Mexico - operating losses	**2025-2033**	**$**	**22,011,010**	2024-2032	$	19,350,113

22. RELATED PARTIES

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

	Year ended			
		December 31 2024		December 31 2023
Salaries, bonus and benefits	**$**	**379,749**	$	639,999
Consulting fees(1)		**257,685**		442,757
Share-based compensation		**493,365**		1,048,710
	$	**1,130,799**	$	2,131,466

(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 former President of the Company.

(Expressed in US dollars, unless otherwise indicated)

23. SEGMENTED INFORMATION

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

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

December 31, 2024	**Total assets**	**Total liabilities**	**Capital expenditures**
El Cubo Mines Complex	$ 32,576,976	$ (13,352,536)	$ 2,960,503
Valenciana Mines Complex	9,707,253	(14,555,906)	1,374,745
San Ignacio Mine	2,850,679	(2,139,048)	1,891,053
Topia	21,978,816	(11,060,980)	619,898
Corporate	4,064,227	(17,224,354)	-
Consolidated	**$ 71,177,951**	**$ (58,332,824)**	**$ 6,846,199**

December 31, 2023 (As adjusted - note 13)	Total Assets	Total liabilities	Capital expenditures
El Cubo Mines Complex	$ 36,905,821	$ (14,693,294)	$ 2,944,778
Valenciana Mines Complex	9,566,836	(7,671,751)	951,582
San Ignacio Mine	4,133,185	(476,227)	2,986,153
Topia	22,586,654	(25,907,249)	2,668,746
Corporate	3,547,680	(17,197,071)	77,251
Consolidated	**$ 76,740,176**	**$ (65,945,592)**	**$ 9,628,510**

(Expressed in US dollars, unless otherwise indicated)

23. SEGMENTED INFORMATION (continued)

The following segmented income statements consider San Ignacio as a separate segment.

For the year ended December 31, 2024	Corporate	El Cubo Mines Complex	Valenciana Mines Complex	San Ignacio Mine	Topia Mines	Total
Revenues	$ 45,369	$ 28,363,156	$ 12,450,186	$ 9,975,509	$ 24,829,318	$ 75,663,538
Cost of sales	43,131	24,671,000	16,756,061	9,585,447	22,137,811	73,193,450
Mine operating profit (loss)	**2,238**	**3,692,156**	**(4,305,875)**	**390,062**	**2,691,507**	**2,470,088**
General and administration	3,772,630	2,697,902	520,321	416,900	1,037,673	8,445,426
Share based compensation	1,132,610	-	-	-	-	1,132,610
Exploration expenses	-	703,829	177,825	106,672	128,085	1,116,411
Foreign exchange loss (gain)	70,832	(448,458)	(2,074,233)	(96,083)	(1,315,970)	(3,863,912)
Other operating expense (income)	939,804	(74,394)	(230,576)	-	-	634,834
Operating profit (loss)	**(5,913,638)**	**813,277**	**(2,699,212)**	**(37,427)**	**2,841,719**	**(4,995,281)**
Interest and finance costs, net	(4,364,757)	(525,765)	(765,754)	(46,097)	(631,708)	(6,334,081)
Gain (loss) on derivative	(5,190,081)	-	527,500	-	-	(4,662,581)
Other finance income, net	494,671	-	-	-	-	494,671
Segmented profit (loss) before income taxes	**$ (14,973,805)**	**$ 287,512**	**$ (2,937,466)**	**$ (83,524)**	**$ 2,210,011**	**$ (15,497,272)**

(Expressed in US dollars, unless otherwise indicated)

23. SEGMENTED INFORMATION (continued)

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

For the year ended December 31, 2024		Corporate	El Cubo Mines Complex	Valenciana Mines Complex	Topia Mines	Total
Revenues	$	45,369	$ 28,363,156	$ 22,425,695	$ 24,829,318	$ 75,663,538
Cost of sales		43,131	24,671,000	26,341,508	22,137,811	73,193,450
Mine operating profit (loss)		**2,238**	**3,692,156**	**(3,915,813)**	**2,691,507**	**2,470,088**
General and administration		3,772,630	2,697,902	937,221	1,037,673	8,445,426
Share based compensation		1,132,610	-	-	-	1,132,610
Exploration expenses		-	703,829	284,497	128,085	1,116,411
Foreign exchange loss (gain)		70,832	(448,458)	(2,170,316)	(1,315,970)	(3,863,912)
Other operating expense (income)		939,804	(74,394)	(230,576)	-	634,834
Operating loss	**$**	**(5,913,638)**	**813,277**	**(2,736,639)**	**2,841,719**	**(4,995,281)**
Interest and finance costs, net		(4,364,757)	(525,765)	(811,851)	(631,708)	(6,334,081)
Gain (loss) on derivative		(5,190,081)	-	527,500	-	(4,662,581)
Other finance income, net		494,671	-	-	-	494,671
Segmented loss before income taxes	**$**	**(14,973,805)**	**$ 287,512**	**$ (3,020,990)**	**$ 2,210,011**	**$ (15,497,272)**

For the year ended December 31, 2023		Corporate	El Cubo Mines Complex	Valenciana Mines Complex	Topia Mines	Total
Revenues	$	88,714	$ 20,099,334	$ 23,969,847	$ 22,009,186	$ 66,167,081
Cost of sales		89,108	30,030,471	23,087,433	24,759,358	77,966,369
Mine operating profit (loss)		**(394)**	**(9,931,137)**	**882,414**	**(2,750,172)**	**(11,799,288)**
General and administration		4,807,129	2,983,196	920,840	623,034	9,334,199
Share based compensation		1,300,179	-	-	-	1,300,179
Exploration expenses		4,869	745,200	546,666	463,842	1,760,577
Foreign exchange loss (gain)		(322,146)	414,787	1,702,172	859,719	2,654,532
Other operating expense (income)		(198,665)	76,040	(311,270)	-	(433,895)
Operating loss	**$**	**(5,591,760)**	**(14,150,360)**	**(1,975,994)**	**(4,696,767)**	**(26,414,880)**
Interest and finance costs, net		(2,500,844)	(619,022)	(949,311)	(589,450)	(4,658,627)
Loss on derivative		337,052	-	-	-	337,052
Other finance (expense) income, net		(424,173)	238,550	-	-	(185,623)
Segmented loss before income taxes	**$**	**(8,179,725)**	**$(14,530,832)**	**$ (2,925,305)**	**$ (5,286,217)**	**$ (30,922,078)**

24. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

a) Fair value measurement and valuation techniques

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

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

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

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

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

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

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

(Expressed in US dollars, unless otherwise indicated)

24. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

a) Fair value measurement and valuation techniques (continued)

December 31, 2024		Fair value through profit or loss		Amortized cost		Total		Level 1		Level 2		Carrying value approximates fair value
Financial assets measured at fair value												
Trade receivables from sale of concentrate	$	3,219,330	$	-	$	3,219,330	$	-	$	3,219,330	$	-
Forward contracts		434,236		-		434,236		434,236		-		-
	$	**3,653,566**	**$**	**-**	**$**	**3,653,566**	**$**	**434,236**	**$**	**3,219,330**	**$**	**-**
Financial assets not measured at fair value												
Cash and cash equivalents	$	-	$	2,937,172	$	2,937,172	$	-	$	-	$	2,937,172
VAT and other receivables		-		8,679,736		8,679,736		-		-		8,679,736
	$	**-**	**$**	**11,616,908**	**$**	**11,616,908**	**$**	**-**	**$**	**-**	**$**	**11,616,908**
Financial liabilities measured at fair value												
Other current liabilities	$	(2,063,090)	$	-	$	(2,063,090)	$	-	$	(2,063,090)	$	-
Derivative		(3,258,511)		-		(3,258,511)		-		(3,258,511)		-
	$	**(5,321,601)**	**$**	**-**	**$**	**(5,321,601)**	**$**	**-**	**$**	**(5,321,601)**	**$**	**-**
Financial liabilities not measured at fair value												
Accounts payable and accrued liabilities	$	-	$	(20,238,222)	$	(20,238,222)	$	-	$	-	$	(20,238,222)
Ocean Partners loans		-		(11,257,219)		(11,257,219)		-		-		(11,257,219)
	$	**-**	**$**	**(31,495,441)**	**$**	**(31,495,441)**	**$**	**-**	**$**	**-**	**$**	**(31,495,441)**

(Expressed in US dollars, unless otherwise indicated)

24. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

a) Fair value measurement and valuation techniques (continued)

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

(Expressed in US dollars, unless otherwise indicated)

24. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

b) Financial risk management

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

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

Commodity price risk

Gold and silver prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production, short-term changes in supply and demand due to speculative hedging activities and certain other factors. The ability of the Company to develop its mineral properties and exploration and evaluation assets is highly correlated to the market price of gold and silver. If metal prices decline for a prolonged period below the anticipated cost of production of the Company's mines, it may not be economically feasible to continue production.

The following table summarizes the effect on provisionally priced sales and accounts receivables of a 10% change in metal prices from the realized prices used at December 31, 2024:

Metal	Change	Effect on Sales $
Silver	+/-10%	2,870,868
Gold	+/-10%	2,299,850
Lead	+/-10%	170,829
Zinc	+/-10%	163,684

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits its cash and cash equivalents with high credit quality major Canadian and Mexican financial institutions as determined by ratings agencies. Trade accounts receivables from concentrate sales are held with large international metals trading companies. The Company has no history of credit losses and at December 31, 2024 and 2023 has no allowance for credit loss.

As of	December 31 2024	December 31 2023
	$	$
Cash and cash equivalents	**2,937,172**	1,956,616
Trade receivables	**3,219,330**	3,350,036
VAT recoverable	**7,784,427**	10,066,458
Other receivables	**895,309**	885,438
Other current assets	**434,236**	349,062
	15,270,474	16,607,610

Other current assets consists of forward contracts and marketable securities which carry credit risk and currency risk.

24. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

b) Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company enters into contracts that give rise to commitments in the normal course of business. The following table summarizes the remaining contractual maturities of the Company's financial liabilities, shown in contractual undiscounted cash flows, including interest, at December 31, 2024:

	Expected payments by year as at December 31, 2024			
	Less than 1 year	**1 - 5 years**	**After 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	20,238,222	-	-	**20,238,222**
Loans	3,973,342	7,170,318	-	**11,143,660**
Interest on loans	2,954,151	1,142,674	-	**4,096,825**
Lease obligations	288,679	331,142	38,761	**658,582**
ARO	-	12,527,460	13,314,620	**25,842,080**
Other liabilities	2,063,090	-	-	**2,063,090**
	29,517,484	**21,171,594**	**13,353,381**	**64,042,459**

Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is mainly held in bank accounts at Canadian and Mexican chartered banks. The interest rate risks on cash and cash equivalents are not considered significant.

The Company's interest rate risk principally arises from the interest rate impact on interest charged on its loan payable and lease liability. The Company's lease liability is subject to fixed interest rates thus any changes in external interest rates would not result in a significant impact on the Company's net loss.

Currency risk

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

(Expressed in US dollars, unless otherwise indicated)

24. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

c) Financial risk management (continued)

Currency risk (continued)

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

As at December 31, 2024	Canadian dollars	Mexican pesos
Cash and cash equivalents	2,437,142	13,128,475
Amounts receivable	-	209,815,552
Other Assets	360,525	-
Accounts payable and accrued liabilities	(460,851)	(418,118,451)
Current portion of lease liabilities	(91,682)	(3,928,315)
Lease liabilities	-	(5,644,715)
Provision for reclamation and rehabilitation	-	(361,423,622)
Total foreign currency exposure	2,245,134	(566,171,076)
US$ equivalent of foreign currency exposure	1,560,313	(27,585,556)

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

Currency	Change	Effect $
Canadian dollars	+/- 10%	142,930
Mexican pesos	+/- 10%	2,502,663

25. MANAGEMENT OF CAPITAL

The Company's capital consists of share capital, equity reserves, and deficit as well as loans and leases. The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support operations, mine refurbishment, exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. The Board of Directors has not established quantitative capital structure criteria management, but reviews, on a regular basis, the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued operations, evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and
- To obtain the necessary financing to complete mine refurbishment and exploration and development of its properties, when it is required.

The properties in which the Company currently holds interests in are in the production and exploration stages and the Company is dependent on external financing to fund planned growth and working capital. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Management has taken steps to manage the Company's liquidity, including extending payment terms with suppliers and settling certain liabilities through the issuance of the Company's common shares. Management is also in discussions with existing and new lenders about amending existing debt arrangements or obtaining new debt financing and may also consider raising additional equity financing. The continuing operations of the Company are dependent in the near-term on its ability to obtain additional financing and in the longer-term on a combination of additional financing and the generation of cash flows from operations. In addition, the Company may issue new equity or incur additional debt, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality

(Expressed in US dollars, unless otherwise indicated)

25. MANAGEMENT OF CAPITAL (continued)

financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the year ended December 31, 2024, compared to the year ended December 31, 2023. The Company is not subject to externally imposed capital requirements.

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
As at December 31, 2022	16,488,104	3,940,724	3,403,491
Additions	12,738,674	1,342,595	803,768
Terminations or Disposals	-	(118,082)	-
Settlement of Great Panther receivable	-	-	(1,080,902)
Interest	2,293,283	-	-
Accretion	176,218	502,434	-
Payments in cash	(12,516,732)	(3,306,186)	-
Payments in gold and silver	(4,504,233)	-	-
Foreign exchange	29,458	17,920	-
Loss on settlement of debt	453,563	-	-
Changes in fair value of contingent payment	-	-	(492,589)
Changes in fair value of derivative	43,907	-	(405,101)
As at December 31, 2023	**15,202,242**	**2,379,405**	**2,228,667**
Additions	5,800,000	42,666	5,870,491
Terminations or Disposals	-	(485,098)	(6,036,882)
Interest	4,279,001	-	-
Accretion	90,321	167,111	-
Payments in cash	(10,603,005)	(1,482,153)	-
Payments in gold and silver	(4,826,494)	-	-
Foreign exchange	(9,744)	(62,565)	-
Gain on settlement of debt	(440,750)	-	-
Changes in fair value of derivative	5,024,159	-	814
As at December 31, 2024	**$ 14,515,730**	**$ 559,366**	**$ 2,063,090**

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

	Year ended	
	December 31 2024	December 31 2023
Payment for OCIM loan in gold and silver ounces	**$ 4,826,494**	$ 4,504,233
Closure and reclamation provision	**$ (1,726,053)**	$ (1,052,456)
Changes in contingent liability	**$ -**	$ (492,589)
Shares and warrants issued for finders' fees	**$ 387,421**	$ 86,130
Shares issued on settlement of debt	**$ 3,673,673**	$ 721,942
Leases/ROU assets recognized	**$ 42,666**	$ 1,342,595
Shares issued for contingent payment	**$ 1,000,000**	$ -

27. COMMITMENTS AND CONTINGENCIES

a) Commitments

As at December 31, 2024, the Company had commitments of $nil for other services which are expected to be expended within one year.

b) Contingencies – El Cubo

The Company had certain contingent payments in relation to the acquisition of the 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. During the year ended December 31, 2024, the Company reached this milestone for Contingent Payment #1. The Company settled Contingent Payment #1 through the issuance of 5,506,530 common shares and a corresponding expense was recognized in Other operating expense (income) for the year ended December 31, 2024.

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

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

As at December 31, 2024, the Company has accrued a total of $nil for contingent payment #3 in other current liabilities ($nil at December 31, 2023), with an amount of $nil recorded in other operating (income) expense for the year ended December 31, 2024 (year ended December 31, 2023 - gain of $231,552).

28. SUBSEQUENT EVENTS

Subsequent to December 31, 2024:

- 25,661,243 warrants expired unexercised.
- 67,500 RSU’s were paid out in shares.

In April 2025, the Company reached and agreement in principle (subject to final documentation) to amend its Expanded Facility with Ocean Partners (the "Enhanced Facility"). Under the terms of the Enhanced Facility, two-thirds of the outstanding balance, 4,741 gold ounces, will be amortized over 36 months starting April 2025, and repayable in equal fixed installments of 131.7 ounces of gold bullion. Payments will be made monthly in US dollars, with the price fixed at the LBMA AM price on the 15th of each month. The April 2025 payment was made on the basis of these revised terms. The remaining one-third of the outstanding balance, 2,369 gold ounces, will be paid on conclusion of the 36-month term and is secured by a guarantee of OMPSA and a pledge over the Company's shares of OMPSA. The Company is working with Ocean Partners to execute final documentation with respect to the arrangement. In connection with the terms of the Enhanced Facility, and subject to TSX Venture Exchange approval, 4,550,000 warrants with an exercise price of CAD$0.24 with a 36 month term will be issued to Ocean Partners.