LUCA MINING CORP.

(Formerly Altaley Mining Corporation)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2023 and 2022

UNAUDITED
Prepared by Management

(Expressed in thousands of Canadian dollars)

Luca Mining Corp. (Formerly Altaley Mining Corporation)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	Notes	As at March 31, 2023	As at December 31, 2022
Assets			
Cash		$ 3,616	$ 1,152
Accounts receivable	5	13,465	13,503
Prepaid expenses and deposits		4,487	3,842
Inventories	6	9,196	9,397
Total current assets		30,764	27,894
Mineral properties, plant and equipment	7	95,258	92,696
Right of use assets	8	9,622	9,983
Taxes receivable long-term	5	18	1,671
Other assets	10	219	959
Total non-current assets		105,117	105,309
Total assets		**$ 135,881**	**$ 133,203**
Liabilities			
Accounts payable and accrued liabilities	9	$ 28,261	$ 29,223
Current portion of lease liabilities	8	1,474	1,527
Short-term debt	10	30,394	34,205
Empress royalty stream	11	320	333
Share subscriptions received in advance	13	-	8,881
Total current liabilities		60,449	74,169
Lease liabilities	8	8,701	8,535
Long-term debt	10	3,214	8,024
Long-term Empress royalty stream	11	8,990	8,295
Provision for site reclamation and closure		6,387	5,817
Total non-current liabilities		27,292	30,671
Total liabilities		**$ 87,741**	**$ 104,840**
Equity			
Share capital	12	$ 94,281	$ 93,891
Shares to be issued	10, 12	19,768	-
Equity reserves	13	9,988	9,573
Accumulated other comprehensive income (loss)		1,461	993
Deficit		(77,358)	(76,094)
Total equity		48,140	28,363
Total liabilities and equity		**$ 135,881**	**$ 133,203**

Going concern (Note 1)
Subsequent events (Note 20)

Approved by the Board of Directors on May 29, 2023, and signed on the Company's behalf by:

"David Rhodes"
Director

"Mike Struthers"
Director

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

Luca Mining Corp. (Formerly Altaley Mining Corporation)
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of Canadian dollars, except shares and per share amounts)

	Notes		Three months ended March 31, 2023		2022
Revenues					
Gross sales		$	28,253	$	21,534
Treatment and selling costs			(9,667)		(8,806)
Net revenue			18,586		12,728
Cost of Sales					
Production cost		$	15,959	$	10,676
Royalties			528		533
Depletion, depreciation, and amortization	7, 8		871		304
Total cost of sales			17,358		11,513
Mine operating profit			1,228		1,215
General Expenses:					
Consulting fees, wages and benefits	17	$	984	$	594
Legal and professional fees			228		128
Office, rent and administration			274		261
Amortization of right-of-use assets	8		103		30
Regulatory, transfer agent and shareholder information			28		38
Travel, promotion and investor relations			224		232
Share-based compensation	7, 13, 17		485		151
Total general expenses			2,326		1,434
Other (income) expenses:					
Interest income		$	(4)	$	(213)
Change in fair value of financial instruments	4, 10		(823)		155
Finance costs	14		1,712		1,023
Other income and expenses, net			58		9
Foreign exchange loss (gain)			(777)		(1,038)
Total other (income) expenses			166		(64)
Net loss for the period		**$**	**(1,264)**	**$**	**(155)**
Other comprehensive (loss) income					
Items that will be reclassified subsequently to profit or (loss)					
Foreign currency translation adjustment			468		(505)
Total items that will be reclassified subsequently to profit or (loss)			468		(505)
Total net comprehensive loss for the period		**$**	**(796)**	**$**	**(660)**
Weighted average number of common shares outstanding					
Basic			35,456,206		32,690,295
Diluted			35,456,206		32,690,295
Loss per share ("EPS")					
Basic EPS		$	(0.04)	$	0.00
Diluted EPS		$	(0.04)	$	0.00

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

Luca Mining Corp. **(Formerly Altaley Mining Corporation)**

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars, except for number of common shares)

	Notes	Number of common shares	Share capital	Share subscriptions received in advance	Equity reserves	Accumulated other comprehensive (loss) income	Deficit	Total
Balance as at December 31, 2021		**32,195,069**	**$ 84,757**	**$ –**	**$ 11,803**	**$ (1,402)**	**$ (64,487)**	**$ 30,671**
Subscriptions received in advance		–	–	1,264	–	–	–	1,264
Warrants exercised	12, 13	660,247	1,320	–	–	–	–	1,320
Share-based compensation	13	–	–	–	185	–	–	185
Loss and comprehensive loss for the period		–	–	–	–	(505)	(155)	(660)
Balance as at March 31, 2022		**32,855,316**	**$ 86,077**	**$ 1,264**	**$ 11,988**	**$ (1,907)**	**$ (64,642)**	**$ 32,780**
Balance as at December 31, 2022		**34,868,057**	**$ 93,891**	**$ –**	**$ 9,573**	**$ 993**	**$ (76,094)**	**$ 28,363**
Shares issued on private placement, net of issuance cost	12	–	–	10,329	–	–	–	10,329
Shares issued upon settlement of obligations	12	735,186	309	9,439	–	–	–	9,748
Fair value of equity instruments allocated to share capital issued on expiry or cancellation	13	–	81	–	(81)	–	–	–
Share-based compensation	13	–	–	–	496	–	–	496
Loss and comprehensive loss for the period		–	–	–	–	468	(1,264)	(796)
Balance as at March 31, 2023		**35,603,243**	**$ 94,281**	**$ 19,768**	**$ 9,988**	**$ 1,461**	**$ (77,358)**	**$ 48,140**

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

Luca Mining Corporation (Formerly Altaley Mining Corporation)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

	Notes	Three months ended March 31, 2023	2022
Cash provided by (used in):			
Operating activities:			
Loss for the period		$ (1,264)	$ (155)
Items not involving cash:			
Accretion for site reclamation and closure		166	135
Depletion, depreciation, and amortization	7	871	304
Amortization of right-of-use assets	8	103	30
Share-based compensation	13	496	178
Amortization of deferred financing costs	10	740	266
Accretion and change in estimate on Empress Royalty stream	11	689	321
Revaluation of financial instruments	4, 12	–	155
Accrued interest on debt	10	388	301
Gain on modification of loans	10	146	–
Fair value of equity instuments issued in financing		308	–
Changes in non-cash working capital:			
Accounts receivable and other assets		2,474	(61)
Prepaid expenses and deposits		(332)	(1,378)
Inventories		918	1,276
Accounts payable and accrued liabilities		(2,611)	2,360
Cash provided by operating activities		3,092	3,732
Investing activities:			
Plant and equipment, net	7, 8	(1,124)	(3,740)
Development assets	7	(167)	(3,400)
Cash used in investing activities		(1,291)	(7,140)
Financing activities:			
Shares issued on financing, net of issuance costs	12	–	1,264
Share subscriptions received in advance	12	1,456	–
Interest paid	8, 10	(1,136)	(748)
Proceeds from debt	10	–	2,906
Proceeds in connection to warrants and/or stock options exercised		–	1,320
Repayment of lease liabilities	8	122	(153)
Repayment of debt	10	–	(2,133)
Cash provided by financing activities		442	2,456
Effect of foreign exchange rate changes on cash		221	(275)
Increase (decrease) in cash		2,464	(1,227)
Cash, beginning of period		1,152	3,049
Cash, end of period		**$ 3,616**	**$ 1,822**

Supplemental cash flow information (Note 15)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Luca Mining Corp. (Formerly Altaley Mining Corporation), (the "Company" or "Luca") was incorporated on April 11, 1986, under the laws of British Columbia, Canada. The Company's head office address is Suite 1000 - 1111 Melville Street, Vancouver, British Columbia, V6E 3V6, Canada. The registered and records office address is Suite 1008 – 550 Burrard Street, Vancouver, BC V6C 2B5. The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "LUCA".

Going concern

The Company's principal business activity is the production of base metals and the acquisition, exploration and development of resource properties in Mexico, with a focus on the mine operation of Campo Morado and the development of Tahuehueto mine project. Effective May 16, 2018, the Company completed commissioning of Campo Morado mine and declared commercial production. The Company will require additional funds to complete the construction, commissioning and placement of Tahuehueto into commercial production, accordingly there can be no assurances that the Company will meet its production targets and that realized metal prices will be sufficient to cover the cost of operations. In addition, the business of mineral development involves a high degree of risk and there can be no assurance that the Company's current operations, including development programs, will result in profitable mining operations. The recoverability of the carrying value of development project assets or mineral properties, and the Company's continued ongoing existence is dependent upon the preservation of its interest in the underlying properties, the achievement of profitable operations, the ability of the Company to raise additional sources of funding, and/or, alternatively, upon the Company's ability to dispose of some or all of its interests on an advantageous basis. As a result of these risks, there are material uncertainties which may cast significant doubt as to the Company's ability to continue as a going concern. In response to these matters the Company has taken several actions during the second half of 2022 and first quarter of 2023 to improve its financial position (Note 20). These actions include a series of debt settlement agreements settling $10,615 through the issuance of 21,711,450 Common Shares in the Company, and capital raising initiatives intended to strengthen the Company's ability to complete development, construction and commissioning of the Tahuehueto mining project.

These condensed interim consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities nor the classifications that would be necessary if the going concern assumption were inappropriate, and such adjustments could be material. The Company has an excess of current liabilities over current assets as at March 31, 2023 of $29,685 (December 31, 2022 - $46,275) and an accumulated deficit of $77,358 (December 31, 2022 - $76,094). These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

2. BASIS OF PRESENTATION (continued)

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 29, 2023.

(b) Basis of presentation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2022. However, this interim financial report provides selected significant disclosures that are required in the annual audited consolidated financial statements under IFRS.

Except as described below, these condensed interim consolidated financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2022. The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2023.

(c) Functional and presentation currency

The presentation currency of the Company's financial statements is the Canadian dollar; therefore, references to $ means Canadian dollars, US$ are to United States dollars and MXN$ to Mexican pesos.

The functional currency of Luca Mining Corp., the parent entity, is the Canadian dollar. The US dollar was determined to be the functional currency of the primary economic environment in which the Mexican subsidiaries Real de la Bufa, S.A. de C.V. and Minas de Campo Morado, S.A. de C.V. operate, as most of the development, operational and sales activities are denominated or are influenced by the US dollar.

(d) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS, requires management to select accounting policies and make estimates and judgments that may have a significant impact on the condensed interim consolidated financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.
The accounting judgements and estimates which have the most significant effect on these condensed interim consolidated financial statements were the same as those applied to the audited consolidated financial statements as at the period ended December 31, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements and, therefore, should be read in conjunction with the annual financial statements for the year ended December 31, 2022. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three months ended March 31, 2023, are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

(Expressed in thousands of Canadian dollars, unless otherwise stated)

4. MARKETABLE SECURITIES

		Amount
Balance, December 31, 2021	$	**3,909**
Change in fair value of marketable securities		(2,716)
Redemption of marketable securities		(1,293)
Foreign currency movement		100
Balance, December 31, 2022	**$**	**-**
Balance, March 31, 2023	**$**	**-**

The Company previously held senior bond trusts which were classified as FVTPL and recorded at fair value using the quoted market prices until disposition and are therefore classified as level 1 within the fair value hierarchy. The bonds entitled the Company to a coupon at an interest rate of 11% per annum, payable every six months. The investments which were held in Mexico had maturity date of August 2023 and were disposed of in its entirety on August 9, 2022 for proceeds of $1,293.

5. ACCOUNTS RECEIVABLE

		March 31, 2023		December 31, 2022
Trade receivables	$	2,158	$	4,088
Value added taxes and other taxes receivable		10,872		9,125
Other receivables		435		290
Total accounts receivable	**$**	**13,465**	**$**	**13,503**

The Company has a concentrate off-take agreement where the customer will purchase 100% of the metals concentrate produced at the Campo Morado and Tahuehueto mining properties and does not have any significant balances that are past due nor any significant expected credit losses.

During the period ended March 31, 2023, the Company disclosed as a long-term receivable, value added taxes generated in Mexico based on the expected timing of realization. As at March 31, 2023 the Company has $18 (December 31, 2022 – $1,671) in value added taxes receivable included in non-current assets.

6. INVENTORIES

		March 31, 2023		December 31, 2022
Materials and supplies	$	6,853	$	6,470
Concentrates		1,466		2,575
Stockpile ore		877		352
Total inventories	**$**	**9,196**	**$**	**9,397**

During the three months ended March 31, 2023, the Company recognized $4,622 (March 31, 2022 – $4,703) of inventory as an expense through cost of sales.

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

a) Tahuehueto mining project

In 1997, the Company through a wholly owned subsidiary entered into a share purchase agreement (the "Real Agreement") to purchase 90% of the issued and outstanding shares of Real de la Bufa, which holds a 100% interest in the Tahuehueto mineral property, located in the state of Durango, Mexico. In 2007, the Company converted into equity a portion of its inter-company debt with Real de la Bufa, thereby increasing its ownership to 99%. A portion of the Tahuehueto mineral property is subject to a 1.6% net smelter return royalty ("NSR"). Pursuant to the Real Agreement, the Company is obligated to make final payments in the amount of $271 (US$200,000) (December 31, 2022 – $276 (US$200,000)) to some of the Real de la Bufa's shareholders. On April 26, 2016, the Company signed an agreement with the local community and extended the surface access rights for 30 years. Under the terms of the agreement, the Company is obligated to make equal recurring annual payments in the amount of US$46,540 which increase at a rate of 5% compounded annually.

Effective January 1, 2017, the Company commenced capitalization of all direct costs related to the development of the Tahuehueto project to mineral properties, plant and equipment under IAS 16, as management determined that the technical feasibility and commercial viability had been established through the positive results associated with the pre-feasibility study, access to financing and board approval to start developing the project, thereby making it a development stage asset under IFRS.

Included in development project assets for the three months ended March 31, 2023 is $1,459, (March 31, 2022 – $1,106) of capitalized borrowing costs based on a capitalization rate of 100%. Borrowing costs capitalized to development project assets include $360 of non-cash accretion for the three months ended March 31, 2023 (March 31, 2022 – $163).

b) Campo Morado mine

On June 13, 2017, the Company completed a definitive share purchase agreement (the "Campo Morado Agreement") with Nyrstar Mining Ltd., and Nyrstar Mexico Resources Corp. (collectively "Nyrstar") to purchase all the shares of Nyrstar's Mexican subsidiary companies that make up and own 100% of the Campo Morado mine ("Campo Morado"), located in Guerrero State, Mexico. The purchase price totalled US$20 million from which US$2.7 million remains outstanding as at March 31, 2023 (December 31, 2022 – US$2.7 million) (Note 10).

The Campo Morado project is subject to a royalty between 2% and 3% of the net value of sales over the minerals extracted during the term of existence of the mining concession to the Servicio Geológico Mexicano ("SGM").

(Expressed in thousands of Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

c) Mineral properties, plant and equipment (MPP&E)

	Development project	Mineral properties	Land	Mine plant, machinery & equipment	Construction in progress	Total MPP&E
Cost						
Balance, December 31, 2021	$ 24,237	$ 16,462	$ 3,170	$ 15,358	$ 13,959	$ 73,186
Additions	12,726	-	-	336	9,828	22,890
Transfers	-	-	-	3,601	(3,601)	-
Dispositions	(296)	-	-	-	-	(296)
Foreign currency movement	1,772	1,124	216	1,424	1,327	5,863
Balance, December 31, 2022	$ 38,439	$ 17,586	$ 3,386	$ 20,719	$ 21,513	$ 101,643
Additions	2,188	-	-	63	834	3,085
Transfers	-	-	-	2,497	(1,843)	654
Dispositions	-	-	-	-	-	-
Foreign currency movement	474	(14)	(3)	(15)	(17)	425
Balance March 31, 2023	**$ 41,101**	**$ 17,572**	**$ 3,383**	**$ 23,264**	**$ 20,487**	**$ 105,807**
Accumulated depletion and amortization						
Balance, December 31, 2021	$ -	$ -	$ -	$ 4,807	$ -	$ 4,807
Depletion and amortization	-	667	-	3,019	-	3,686
Foreign currency movement	-	26	-	428	-	454
Balance, December 31, 2022	$ -	$ 693	$ -	$ 8,254	$ -	$ 8,947
Depletion and amortization	-	177	-	1,004	-	1,181
Transfers	-	-	-	427	-	427
Foreign currency movement	-	(1)	-	(5)	-	(6)
Balance March 31, 2023	**$ -**	**$ 869**	**$ -**	**$ 9,680**	**$ -**	**$ 10,549**
Net book value						
Balance, December 31, 2022	**$ 38,439**	**$ 16,893**	**$ 3,386**	**$ 12,465**	**$ 21,513**	**$ 92,696**
Balance March 31, 2023	**$ 41,101**	**$ 16,703**	**$ 3,383**	**$ 13,584**	**$ 20,487**	**$ 95,258**

8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

	Machinery & equipment	Offices	Vehicles	Total ROU assets
Cost				
Balance, December 31, 2021	$ 10,375	$ 524	$ 77	$ 10,976
Additions	574	-	-	574
Change in estimate	-	15	-	15
Dispositions	-	-	(79)	(79)
Foreign currency movement	731	20	2	753
Balance, December 31, 2022	$ 11,680	$ 559	$ -	$ 12,239
Transfers	(776)	-	-	(776)
Foreign currency movement	(9)	(1)	-	(10)
Balance, March 31, 2023	**$ 10,895**	**$ 558**	**$ -**	**$ 11,453**

(Expressed in thousands of Canadian dollars, unless otherwise stated)

8. RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

Accumulated amortization								
Balance, December 31, 2021	$	681	$	252	$	68	$	1,001
Amortization		1,107		116		9		1,232
Dispositions		-		-		(79)		(79)
Foreign currency movement		91		9		2		102
Balance, December 31, 2022	$	1,879	$	377	$	-	$	2,256
Amortization		324		28		-		352
Dispositions		(776)		-		-		(776)
Foreign currency movement		(1)		-		-		(1)
Balance, March 31, 2023	**$**	**1,426**	**$**	**405**	**$**	**-**	**$**	**1,831**
Net book value								
Balance, December 31, 2022	**$**	**9,801**	**$**	**182**	**$**	**-**	**$**	**9,983**
Balance, March 31, 2023	**$**	**9,469**	**$**	**153**	**$**	**-**	**$**	**9,622**

Luca's leases consist of machinery and equipment used to support operations at the Campo Morado and Tahuehueto mines. The Company additionally leases office space for its corporate offices located in Vancouver, BC, Canada, and site headquarters located in Mexico City, Mexico. As at March 31, 2023, the Company recorded $10,175 (December 31, 2022 – $10,062) of lease liabilities. The incremental borrowing annual rate for lease liabilities initially recognized as of January 1, 2019, was 8% to 15%.

The continuity of lease liabilities for the three months ended March 31, 2023 and year ended December 31, 2022 is as follows:

		Amount
Balance, December 31, 2021	$	10,021
Lease additions		574
Lease amendments		15
Lease payments		(1,204)
Interest expense		1,025
Interest paid		(1,025)
Foreign currency movement		656
Balance, December 31, 2022	$	10,062
Lease payments		122
Interest expense		260
Interest paid		(260)
Foreign currency movement		(9)
Balance, March 31, 2023	**$**	**10,175**

		March 31, 2023		**December 31, 2022**
Current portion	$	1,474	$	1,527
Long-term portion		8,701		8,535
Balance	**$**	**10,175**	**$**	**10,062**

(Expressed in thousands of Canadian dollars, unless otherwise stated)

8. RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

Future minimum lease payments (principal and interest) on the leases are as follows:

		Amount
2023	$	1,384
2024		1,962
2025		1,626
2026		1,583
Thereafter		9,232
Total minimum lease payments		15,787
Present value of minimum lease payments		(5,612)
Lease obligations, March 31, 2023	**$**	**10,175**

The Company does not face a significant liquidity risk with regard to its lease liability. The lease liability is monitored within the Company treasury function and has maturity dates ranging from 2023 to 2032.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at March 31, 2023 and December 31, 2022, the Company recorded the following amounts as accounts payable and accrued liabilities:

		March 31, 2023		December 31, 2022
Trade payables	$	10,446	$	12,190
Accrued liabilities, payroll, and tax withholdings		7,313		7,143
Contingent liabilities		7,083		6,606
Royalties and other		3,419		3,284
Total accounts payable and accrued liabilities	**$**	**28,261**	**$**	**29,223**

(Expressed in thousands of Canadian dollars, unless otherwise stated)

10. SHORT AND LONG-TERM DEBT

The continuity of the short and long-term debt balances are as follows:

	Campo Morado Loan Agreement a)	LOC b)	Loan Agreement Campo c)	Loan Agreement Real c)	MTLF d)	Calu Loan e)	Total short and long-term debt
Balance, December 31, 2021	$ 5,488	$ 4,736	$ 3,937	$ 17,704	$ 8,169	$ -	$ 40,034
Disbursements, net of transaction fees	-	-	-	-	-	2,985	2,985
Interest accrued	483	482	451	2,624	643	415	5,098
Principal paid	(2,153)	-	(1,411)	(2,869)	-	-	(6,433)
Interest paid	(422)	-	(218)	(1,438)	-	-	(2,078)
Fair value (gain)/loss	(3)	(133)	(10)	37	-	23	(86)
Foreign currency movement	289	334	221	1,144	583	138	2,709
Balance, December 31, 2022	$ 3,682	$ 5,419	$ 2,970	$ 17,202	$ 9,395	$ 3,561	$ 42,229
Interest accrued	110	206	135	698	318	123	1,590
Interest paid	(134)	-	(95)	(648)	-	-	(877)
Fair value of shares issued in settlement of debt obligations	-	(5,725)	-	-	-	(3,715)	(9,440)
Fair value loss/(gain)	-	109	-	-	-	37	146
Foreign currency movement	(3)	(9)	(2)	(14)	(6)	(6)	(40)
Balance, March 31, 2023	**$ 3,655**	**$ -**	**$ 3,008**	**$ 17,238**	**$ 9,707**	**$ -**	**$ 33,608**

Less: short-term obligation	$ 3,655	$ -	$ 3,008	$ 17,238	$ 6,493	$ -	$ 30,394
Long-term debt	-	-	-	-	3,214	-	3,214
Balance, March 31, 2023	**$ 3,655**	**$ -**	**$ 3,008**	**$ 17,238**	**$ 9,707**	**$ -**	**$ 33,608**

Current portion of debt	$ 3,682	$ 1,274	$ 2,970	$ 17,202	$ 5,516	$ 3,561	$ 34,205
Long-term debt	-	4,145	-	-	3,879	-	8,024
Balance, December 31, 2022	**$ 3,682**	**$ 5,419**	**$ 2,970**	**$ 17,202**	**$ 9,395**	**$ 3,561**	**$ 42,229**

a) Campo Morado Loan Agreement

On June 12, 2018, the Company renegotiated the terms for the remaining balance on the Campo Morado Agreement (Note 7 (b)) and entered into a loan agreement ("Campo Morado Loan Agreement") with Nyrstar, a subsidiary of Trafigura.

On June 17, 2021, the Company and Nyrstar agreed to amend the Campo Morado Loan Agreement with the following terms: upon the execution and funding of the Accendo MTLF (Note 10(d)), the Company will repay the interest owing, a portion of the principal of the loan and the incurred variable purchase price for a total of US$3.2 million (paid). The remaining outstanding balance of the loan will be paid in twenty-six equal monthly instalments accruing interest at a rate of 10% per annum.

In addition to the aforementioned monthly principal repayments, Luca will pay at the end of each quarter succeeding the grace period, 70% of any excess cash above US$7 million generated by Luca on the Campo Morado mining project.

10. SHORT AND LONG-TERM DEBT (continued)

Effective September 30, 2021, Breakwater Resources Ltd., a subsidiary of Trafigura, acquired from Nyrstar the rights and obligations associated with the Campo Morado Loan Agreement. The Deed of Novation between the Company, Nyrstar, and Breakwater effectively releases and discharges the Company and Nyrstar from further obligations to each other with respect to the Campo Morado Loan Agreement and their respective rights against each other thereunder are cancelled. In respect to the Deed of Novation, the Company and Breakwater each undertake liabilities and obligations towards the other and acquire rights against each other effectively replacing Nyrstar with Breakwater as the lender in relation to the Campo Morado Loan Agreement.

Effective May 1, 2022, the Company and Breakwater agreed to amend the terms of the Campo Morado Loan Agreement. As a result of amendment of terms, the maturity date of the Campo Morado Loan Agreement was extended to December 2023, with a three-month grace period between May and July 2022. All other terms remain unchanged from the amending agreement entered on June 17, 2021.

As a result of the amendment of terms, the Company recognized a gain impacting the valuation in relation to the Campo Morado Loan Agreement. As at March 31, 2023, the unamortized balance of the collective fair value discount resulting from amendments is $5 (December 31, 2022 – $7).

As at March 31, 2023, principal payments with a carrying value of US$826,996 were overdue and Breakwater is contractually entitled to request for immediate payment of the loan. As such, the outstanding balance of the Campo Morado Loan is presented as a current liability as at March 31, 2023. The Company is actively engaged in negotiations with Breakwater to resolve the matter and is optimistic that a mutually acceptable resolution can be reached. The outcome of these negotiations is uncertain at this time, and there can be no assurance that a resolution will be achieved on terms favourable to the Company.

b) Line of Credit

On July 22, 2016, the Company entered into an agreement with Estrategica Corporativa en Finanzas, S.A.P.I. de C.V. ("Escorfin"), for a line of credit for up to $9.6 million (MXN$150 million) (the "LOC"), as amended from time to time, to fund the Company's investment plan established in its completed Internal Scoping Study.

Effective July 1, 2021, the Company and Escorfin agreed to amend the LOC agreement resulting in a substantial modification whereby the outstanding balance including interest was capitalized and converted to United States dollars at current exchange rates. To accommodate the amendment, Escorfin has been accepted into the Trust Agreement defined in Note 10(c). The remaining term was extended thirty-six months from the date of amendment with a grace period equal to twelve months on principal and interest. The amended interest rate was decreased to 10% per annum from 15% per annum and as consideration for LOC modification, the Company has agreed to issue Escorfin, 62,500 bonus shares and 187,500 bonus warrants. Each bonus warrant is exercisable within a period of two years at a price of $3.80. The shares issued were valued at the date of issuance, July 30, 2021, and the bonus warrants were fair valued using the Black-Scholes option pricing model, together totaling $1,197 which was recorded as deferred financing costs in other assets. The assumptions used for determining the fair value of these warrants were: risk-free interest rate 0.45%, expected dividend yield $nil, stock price volatility 125%, and expected life of 2 years. The unamortized balance as at March 31, 2023 is $112 (December 31, 2022 – $841).

Effective May 26, 2022, the Company and Escorfin agreed to an additional amendment of terms. As a result of amendment, the maturity dates of the LOC Agreement were extended to September 2025, with thirty-six equal instalments beginning October 2023 with outstanding principal accruing interest at a rate of 10% per annum.

10. SHORT AND LONG-TERM DEBT (continued)

Effective February 28, 2023, the Company and Escorfin agreed to settle outstanding principal and interest in the amount of $5,725 with 12,721,310 common shares of the Company. As a result of the amendments and settlement, during the period ended March 31, 2023, the Company recognized a loss in other income and expenses totaling $109 (March 31, 2022 – $nil), impacting the fair value in relation to the LOC Agreement. As at March 31, 2023, the unamortized balance of the collective fair value discount is $nil (December 31, 2022 – $128).

c) Trafigura Loans

On September 11, 2017, the Company entered into a loan agreement ("Loan Agreement Campo") with Trafigura in the amount of US$5 million for financing working capital to initiate the restart of continuous mining operations at the Campo Morado mining facility. The loan bears interest at an effective annual rate equivalent to LIBOR (3M) plus 5%, it has a three-year term with nine months grace period followed by thirty monthly repayments. In connection to the loan agreement the Company's subsidiary, Minas de Campo Morado, S.A. de C.V., also entered into an Offtake agreement with Trafigura, ("Offtake Agreement Campo") in which the Company will sell all its zinc and lead concentrates for a fifty-one-month term starting October 2017.

On December 7, 2017, the Company entered into an additional loan agreement ("Loan Agreement Real") with Trafigura Mexico, S.A. de C.V. in the amount of US$15 million for financing working capital, rehabilitation and operation of the Tahuehueto mining project. The Loan Facility was available in three tranches, the first tranche equivalent to US$7.5 million, which was received upon signing of the agreement. The second tranche equal to US$5 million, which was received on November 6, 2018. The third tranche for US$2.5 million was not received and is no longer available. The loan bears interest at an effective annual rate equivalent to LIBOR (1 year) plus 6%, it has a three-year term with a twelve-month grace period followed by twenty-four repayments. In connection to the loan agreement, the Company's subsidiary Real de la Bufa, S.A. de C.V., also entered into an Offtake agreement with Trafigura., ("Offtake Agreement Real") in which the Company will sell all its zinc and lead concentrates for a sixty-month term, starting January 2018.

On July 1, 2021, the Company and Trafigura agreed to amend the terms of the Loan Agreement Campo and Loan Agreement Real (collectively the "Trafigura Loans"). The loan amendments resulted in a substantial modification whereby the interest rates remain unchanged and unpaid interest was capitalized to the outstanding principal of the loans. The maturity dates of the Loan Agreement Campo and Loan Agreement Real were extended to September 30, 2023 and September 30, 2024, respectively, with twenty-six equal instalments beginning August 30, 2021 for the Loan Agreement Campo and thirty-two equal instalments beginning February 1, 2022 for the Loan Agreement Real. As a result of the substantial modification of terms, the Company recognized a gain on extinguishment in other income and expenses of $312 impacting the fair value of the Loan Agreement Campo and capitalized a gain on extinguishment to development project assets of $1,352 impacting the fair value of the Loan Agreement Real.

In connection to the restructure of the Trafigura Loans and the waiver received on March 26, 2020, to correct previous non-compliance of the Trafigura Loans terms and conditions, the Company agreed to transfer all of its assets in the Campo Morado and Tahuehueto mining projects to a trustee of the Trust Agreement (the "Trust") in order to secure the full repayment of the Loan Agreements. Should the total debt due to Trafigura under the Loan Agreements be fully repaid, the Trust will be terminated, and all assets held within the Trust will return to the Company. On November 12, 2020, the Company executed the Trust with Trafigura.

Effective April 1, 2022, the Company and Trafigura agreed to a subsequent amendment of terms. As a result, the maturity dates of the Loan Agreement Campo and Loan Agreement Real were extended to December 2023 and December 2024, respectively, with eighteen equal instalments due for the Loan Agreement Campo and thirty equal instalments due for the Loan Agreement Real, each beginning July 2022. As a result of the amendment of terms, during the year ended December 31, 2022, the Company

10. SHORT AND LONG-TERM DEBT (continued)

recognized a gain on the non-substantial modification in other income and expenses totaling $10 impacting the fair value of the Loan Agreement Campo and capitalized a loss on the non-substantial modification to development project assets of $37 impacting the fair value of the Loan Agreement Real. As at March 31, 2023, the unamortized balance of the collective fair value discount on the Loan Agreement Campo and Loan Agreement Real is $46 and $311, respectively (December 31, 2022 – $53 and $257).

Principal payments on the Trafigura Loans with a carrying value of US$773,976 for the Loan Agreement Campo and US$2.4 million for the Loan Agreement Real, were overdue as at March 31, 2023. As the Tahuehueto mining project nears commercial production, available funds had been allocated to its completion in lieu of debt servicing obligations. Due to the reallocation of funding, principal payments were temporarily suspended, and as a result, Trafigura is contractually entitled to request for immediate payment of the loans. As such, the outstanding balance of the Trafigura Loans are presented as a current liability as at March 31, 2023. Trafigura has not requested early repayment as of the date these consolidated financial statements were approved by the Board of Directors, and management is in the process of renegotiating terms of the Trafigura loans to align with expected completion of the Tahuehueto mining project.

d) Accendo Loan

On July 1, 2021, the Company and Accendo executed a US$12 million Medium Term Loan Facility ("MTLF") for the purpose of funding the construction of Luca's Tahuehueto mining project and working capital purposes. To accommodate the MTLF, Accendo has been accepted into the Trust Agreement defined in Note 10(c). First and second tranches of funding were received in the amount of US$3.2 million and US$2.5 million on July 19, 2021 and August 23, 2021, respectively. Additionally, an amount of US$500,000 was advanced during the year 2020.

The main terms and conditions of Accendo's MTLF are as follows:

- Loan facility amount – US$12 million
- Repayment term – 4 years including a one-year grace period on principal
- Repayable in 36 equal monthly payments starting 12 months after closing
- Interest rate of 13.5% per annum payable quarterly in arrears calculated on the drawn amount
- Secured by second ranking security interest over all assets of the Company
- An arrangement fee of 2.5% of the facility amount payable from the proceeds upon first draw down at the closing
- An origination fee of 2.5% of the facility amount payable from the proceeds upon first draw down at the closing

On September 29, 2021, the Mexican National Banking and Securities Commission revoked Accendo's operating license to organize and operate as a multiple banking institution and started a liquidation process to protect the savings of the bank's clients. The Company has a US$5.8 million balance to be drawn down from the MTLF, however due to recent events the Company anticipates that its ability to draw any future funds is impaired.

e) Calu Loan

On December 29, 2021, the Company executed a loan agreement ("Calu Loan") with Calu Opportunity Fund, LP ("Calu") whereby Calu will provide a US$5 million loan facility to Luca, with proceeds to be used to fund the final costs of construction and working capital at the Company's Tahuehueto project. The Company received US$1.7 million on January 7, 2022 and US$645,000 in February 2022 for a total amount drawn from the facility of US$2.345 million. The loan is unsecured, has a term of 4 years, bears interest at 13.5% per annum, and is payable in twelve quarterly instalments commencing March 10, 2023.

10. SHORT AND LONG-TERM DEBT (continued)

Effective August 31, 2022, the Company and Calu agreed to amend the terms of the Calu Loan whereby US$144,088 of interest accrued as of June 30, 2022 was capitalized to the loan principal. Interest thereafter shall continue to accrue interest at a rate of 13.5% per annum and payment terms the remaining balance is payable in thirty-seven blended principal and interest payments to be made monthly commencing December 21, 2022. As a result of the amendment of terms, during the year ended December 31, 2022, the Company recognized a loss on the non-substantial modification in other income and expenses totaling $23, impacting the valuation in relation to the Calu Loan. As consideration for the amendment, the Company has agreed to issue Calu, 622,272 bonus warrants. Each bonus warrant is exercisable within a period of two and a half years at a price of $2.80. The bonus warrants were fair valued using the Black-Scholes option pricing model, totaling $119 which was recorded as deferred financing costs in other assets. The assumptions used for determining the fair value of these warrants were: risk-free interest rate 3.95%, expected dividend yield $nil, stock price volatility 108%, and expected life of 2.5 years. As at March 31, 2022, the unamortized balance of the fair value discount on the loan and the deferred financing cost is $nil and $106, respectively (December 31, 2022 – $61 and $118).

In February of 2023, the Company and Calu entered into a second amending agreement to remedy the overdue amounts and subsequently settled the full balance of the Calu Loan through the issuance of 8,254,954 shares. As a result of the amendments and settlement, during the period ended March 31, 2023, the Company recognized a loss in other income and expenses totaling $37 (March 31, 2022 – $nil), impacting the fair value in relation to the Calu Loan.

11. EMPRESS ROYALTY STREAM

On April 14, 2021, the Company entered into a silver stream agreement (the “Stream Agreement”) with Empress Royalty Corp. (“Empress”) in which Luca will deliver to Empress silver credits purchased from a bullion bank in an amount equivalent to 100% of the first 1,250,000 ounces of payable silver contained within produced lead and zinc concentrates from the Tahuehueto mining project; thereafter, the stream percentage of silver credit delivery will step down to 20% of the payable silver from produced lead and zinc concentrates. All streaming obligations will fully terminate after 10 years. To accommodate the arrangement, Empress has been accepted into the Trust Agreement defined in Note 11(c). Empress, to secure the Stream Agreement advanced a total of US$5 million with a first initial payment of US$2 million received on April 29, 2021, and the remaining US$3 million advance payment received on July 22, 2021. The streaming arrangement is subject to variable consideration and contains a significant financing component. As such, the Company recognizes a financing charge at each reporting period and grosses up the deferred revenue balance to recognize the significant financing element that is part of the arrangement.

Effective January 5, 2023, the Company entered into an amended Stream Agreement with Empress. The terms of the amendment defer silver delivery obligations between October 1, 2022 and June 30, 2023 (the “Deferral Period”), and extend the maturity nine months, commensurate with the Deferral Period. To accommodate for amendment and the Deferral Period, the Company has agreed to provide Empress with cash consideration of US$150,000 due June 30, 2023.

(Expressed in thousands of Canadian dollars, unless otherwise stated)

11. EMPRESS ROYALTY STREAM (continued)

The continuity of the stream is as follows:

		Amount
Balance, December 31, 2021	$	6,988
Amortization of deferred revenue		(305)
Accretion on streaming arrangements		1,423
Foreign currency movement		522
Balance, December 31, 2022		8,628
Change in estimate		280
Accretion on streaming arrangements		409
Foreign currency movement		(7)
Balance, March 31, 2023	**$**	**9,310**

		March 31, 2023		December 31, 2022
Current portion	$	320	$	333
Long-term portion		8,990		8,295
Balance	**$**	**9,310**	**$**	**8,628**

12. SHARE CAPITAL

Common share transactions:

For the three months ended March 31, 2023

i. On January 3, 2023, the Company entered into a debt settlement agreement with an arms' length mining contractor (the "Creditor") to settle $1,176 which is owing to the Creditor as a result of underground mine development work. The Company and the Creditor have agreed that the issuance to the Creditor of 735,186 common shares of the Company at a deemed price of $1.60 per common share will extinguish and settle the debt and the fair value, net of share issue costs of $309 has been recorded as share capital.

ii. On February 28, 2023, the Company entered into a series of debt settlement agreements in respect of $9,439 of loan debts owed to various creditors (the "Debt Settlements"). Pursuant to the Debt Settlements, the Company will issue an aggregate of 20,976,264 Shares, at a deemed price of $0.45 per share. As at March 31, 2023, all shares to be issued remain subject to the acceptance of the TSX Venture Exchange and the fair value of $9,439 has been recorded as share capital.

iii. On March 31, 2023, the Company announced a non-brokered private placement (the "Private Placement"), whereby the Company intends to sell up to 58 million units from treasury (the "Units") at a price of $0.35 per Unit for gross proceeds of up to $20,300. As at March 31, 2023, the Company received proceeds of $10,329 for share subscriptions, net of share issue costs, in advance of closing the first tranche of the Private Placement.

For the three months ended March 31, 2022

i. During the three months ended March 31, 2022, the Company issued 660,247 common shares for gross proceeds of $1,320 in connection with share purchase warrants exercised. As a result of the share purchase warrants exercised, Escorfin, a related party to the Company, was issued 365,862 common shares.

(Expressed in thousands of Canadian dollars, unless otherwise stated)

13. EQUITY RESERVES

a) Share-based compensation

The Company has a stock option plan (the "Plan") providing for the issuance of stock options to directors, officers, employees and other service providers enabling them to acquire up to 10% of the issued and outstanding common shares of the Company, on a rolling basis. Options may be granted at an exercise price of not less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the Board of Directors. Stock options can be granted for a maximum term of 10 years. Vesting is not required but may be set on an individual basis as determined by the Board of Directors. The stock options granted vest as to one third on the date of the grant, one third after six months and one third on the first-year anniversary; this represents a total vesting period of 12 months.

The continuity of the number of stock options issued and outstanding is as follows:

	Number of stock options		Weighted average exercise price
Outstanding, December 31, 2021	1,319,791	$	0.85
Granted	112,500		0.72
Cancelled	(33,333)		2.94
Expired	(172,916)		2.40
Outstanding, December 31, 2022	**1,226,042**	$	0.57
Granted	100,000		0.40
Expired	(37,500)		2.40
Outstanding, March 31, 2023	**1,288,542**	**$**	**0.50**

As at March 31, 2023, and December 31, 2022, the number of stock options outstanding and exercisable were:

	Outstanding			Exercisable
Expiry date	**Number of options**	**Exercise price**	**Remaining contractual life (years)**	**Number of options**
April 16, 2023	50,000	0.50	0.0	50,000
December 3, 2023	37,500	0.50	0.7	37,500
January 29, 2025	25,000	0.50	1.8	25,000
February 8, 2025	31,250	0.50	1.9	31,250
February 10, 2025	100,000	0.40	1.9	25,000
August 6, 2025	12,500	0.50	2.4	12,500
December 5, 2025	112,500	0.72	2.7	37,500
February 25, 2026	635,417	0.50	2.9	635,417
May 11, 2026	9,375	0.50	3.1	9,375
May 19, 2026	250,000	0.50	3.1	250,000
August 9, 2026	12,500	0.50	3.4	12,500
August 23, 2026	12,500	0.50	3.4	12,500
Outstanding, March 31, 2023	**1,288,542**			**1,138,542**

(Expressed in thousands of Canadian dollars, unless otherwise stated)

13. EQUITY RESERVES (continued)

	Outstanding			Exercisable
Expiry date	**Number of options**	**Exercise price**	**Remaining contractual life (years)**	**Number of options**
March 16, 2023	37,500	2.40	0.2	37,500
April 16, 2023	50,000	2.40	0.3	50,000
December 3, 2023	37,500	3.04	0.9	37,500
January 29, 2025	25,000	1.60	2.1	25,000
February 8, 2025	31,250	1.60	2.1	31,250
August 6, 2025	12,500	1.28	2.6	12,500
December 5, 2025	112,500	0.72	2.9	37,500
February 25, 2026	635,417	2.40	3.2	635,417
May 11, 2026	9,375	3.64	3.4	9,375
May 19, 2026	250,000	3.81	3.4	250,000
August 9, 2026	12,500	4.24	3.6	12,500
August 23, 2026	12,500	4.40	3.6	12,500
Outstanding, December 31, 2022	**1,226,042**			**1,151,042**

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees, and others providing similar services. During the three months ended March 31, 2023, an amount of $496 was expensed as share-based payments (March 31, 2022 – $179). Included in share-based payments are amounts expensed through mine operations of $nil (March 31, 2022 – $8) and business promotion of $11 (March 31, 2022 – $19), for the three months ended March 31, 2023. Additionally, during the three months ended March 31, 2023, $nil (March 31, 2022 – $6) was capitalized to the Tahuehueto development project asset. The portion of share-based compensation recorded is commensurate with the vesting terms of the options. During the three months ended March 31, 2023, the Company also repriced 1,076,042 stock options originally granted and exercisable between $1.92 and $5.76, with expiry dates between April 16, 2023 and August 23, 2026. These stock options have been repriced to $0.50 per share and expiry dates remain unchanged. As a result, the Company recorded $470 as share-based compensation which relates to the acceleration of fair value changes to the repriced options.

During the three months ended March 31, 2023, the Company granted a total of 100,000 options (March 31, 2022 – nil) with a weighted average fair value of $0.21 (March 31, 2022 – $nil). The fair value of the stock options granted during the three months ended March 31, 2022 and year ended December 31, 2022, were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	2023	2022
Risk-free interest rate	4.17%	3.77%
Expected forfeiture rate	Nil	Nil
Stock price volatility	99%	124%
Expected life (in years)	2.00	3.00
Weighted average fair value	$ 0.21	$ 0.53

The expected volatility assumption is based on the historical and implied volatility of the Company's common share price on the TSX Venture Exchange. The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields and treasury bills with a remaining term that approximates the expected life of the stock options.

(Expressed in thousands of Canadian dollars, unless otherwise stated)

13. EQUITY RESERVES (continued)

b) Share purchase warrants

The continuity of the number of share purchase warrants outstanding is as follows:

	Warrants outstanding		Weighted average exercise price
Outstanding, December 31, 2021	8,162,969	$	1.72
Issued	1,517,758		3.74
Exercised	(882,023)		1.88
Cancelled	(1,875,000)		0.72
Expired	(754,374)		1.26
Outstanding, December 31, 2022	6,169,330	$	2.55
Expired	(3,089,072)		2.40
Outstanding, March 31, 2023	**3,080,258**	**$**	**2.70**

	Outstanding		
Expiry date	**Granted**	**Exercise price**	**Remaining contractual life (years)**
July 1, 2023	187,500	3.80	0.3
October 16, 2023	1,375,000	1.40	0.5
April 20, 2024	757,273	4.40	1.1
May 12, 2024	43,750	4.40	1.1
May 30, 2024	94,463	4.40	1.2
June 30, 2025	622,272	2.80	2.3
	3,080,258		

14. FINANCE COSTS

Finance costs are primarily related to interest and accretion on the Company's debt facilities, lease liabilities, and provisions for site reclamation and closure. The Company's finance costs during the three months ended March 31, 2023 and 2022 are summarized as follows:

		Three months ended March 31,			
	Notes		**2023**		**2022**
Interest on debt*	10	$	368	$	294
Amortization of deferred finance costs	10		740		266
Accretion on streaming arrangements	11		409		321
Accretion of provision for site reclamation and closure			166		78
Interest on lease liabilities	8		20		8
Bank fees, penalties, and other			9		56
Total finance costs		**$**	**1,712**	**$**	**1,023**

*Finance costs for interest on debt include $51 of non-cash accretion for the three months ended March 31, 2023 (March 31, 2022 – $55).

(Expressed in thousands of Canadian dollars, unless otherwise stated)

15. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31, 2023	2022
Accounts payable and accrued liabilities included in:		
i) exploration and evaluation assets	$ -	$ (1,029)
ii) plant and equipment, net	-	1,188
Interest on long-term debt capitalized as exploration and evaluation assets	1,222	861
Depreciation capitalized as exploration and evaluation assets	309	294
Right of use of assets amortization capitalized	250	269

16. EARNINGS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the period. Diluted loss per share adjusts basic net losses per share for the effects of potential dilutive common shares.

	Three months ended March 31, 2023	2022
(Loss) income attributable to common shareholders	$ (1,264)	$ (155)
Weighted average number of shares basic	35,456,206	32,690,295
Weighted average number of shares diluted	35,456,206	32,690,295
Basic (loss) earnings per share	$ (0.04)	$ 0.00
Diluted (loss) earnings per share	$ (0.04)	$ 0.00

For the three months ended March 31, 2023 and 2022, the Company incurred a net loss, therefore all outstanding stock options and share purchase warrants have been excluded from the diluted weighted average number of shares since the effect would be anti-dilutive.

17. RELATED PARTY BALANCES AND TRANSACTIONS

a) Compensation of key management personnel

Key management personnel include members of the Board of Directors and officers of the Company. The net aggregate compensation paid, or payable and related party transactions are shown as follows:

	Three months ended March 31, 2023	2022
Short-term benefits	$ 380	$ 248
Share-based compensation	15	123
	$ 395	$ 371

b) Related party balances

As at March 31, 2023, directors and officers or their related companies were owed $871 (December 31, 2022 – $732) included in accounts payable and accrued liabilities mainly in respect to directors' fees payable and reimbursement of expenses and labour obligations. These amounts are unsecured, non-interest bearing and have no specific terms of settlement.

(Expressed in thousands of Canadian dollars, unless otherwise stated)

17. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

c) Estratégica Corporativa en Finanzas, S.A.P.I. DE C.V. ("Escorfin")

Effective November 6, 2018, the Company appointed Roberto Guzman to the Board of Directors. Roberto is also the president, director and shareholder of Escorfin (Note 10(a)). Escorfin is a private equity fund that specializes in real estate development, energy innovations, and tourism investment in Mexico.

The following summarizes the transactions and balances owing to Escorfin as at March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Debt current portion	$ -	$ 1,274
Debt long term portion	-	4,145
Balance	**$ -**	**$ 5,419**

During the three months ended March 31, 2023, the Company incurred interest in the amount of $206 (March 31, 2022 –$113) and principal and interest owing of $5,725 was settled (March 31, 2022 – $nil) with the issuance of 12,721,310 common shares of the Company (March 31, 2022 – $nil).

d) Bursametrica Casa de Bolsa, S.A. de C.V. ("Bursametrica")

On April 4, 2021, the Company entered into a service agreement with Bursametrica whereby the financial institution would provide foreign exchange services primarily for the exchange of funds denominated in US dollars for funds denominated in the Mexican Peso. A director of the Company was deemed to have economic influence in the financial institution. During the three months ended March 31, 2023, the amount exchanged for currency denominated in the Mexican Peso at exchange rates at the time of the conversion was $7,718 (US$5.71 million) (March 31, 2022 - $9,593 (US$7.5 million)). As at March 31, 2023, the amount owed to Bursametrica was $nil (December 31, 2022 - $nil).

18. FINANCIAL INSTRUMENTS

Fair value of financial instruments:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Marketable securities are classified as Level 1 and recorded at fair value using quoted market prices. The carrying value of cash, accounts receivable, accounts payable and accrued liabilities, and short-term debt approximated their fair value because of the short-term nature of these instruments. The fair values of the Company's long-term debt approximated their carrying value as their interest rates are comparable to market interest rates.

18. FINANCIAL INSTRUMENTS (continued)

Trade receivables from provisional sales of metals concentrates include provisional pricing, and final price and assay adjustments. Derivative instruments are forward arrangements that were valued using pricing models, which require a variety of inputs, such as expected zinc and lead prices, and foreign exchange rates. The trade receivables from sales of concentrate are derivative instruments and are valued using observable market commodity prices and thereby classified within Level 2 of the fair value hierarchy.

The Company's activities expose it to financial risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are credit risk, liquidity risk, currency risk, interest rate risk and commodity price risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and marketable securities are held through large Canadian, international, and foreign national financial institutions. The Company's accounts receivable consists of trade receivables from concentrate sales and taxes receivable from federal government agencies. Trade receivables are held with one large international metals trading company. The Company mitigates this risk by transacting only with reputable financial institutions and requiring provisional payments of 90% of the value of the concentrate shipped to a single well-known buyer. For other receivables, the Company recognizes expected credit losses when there has been a significant increase in credit risk since initial recognition, which is determined by a review of overdue amounts, comparing the risk of default at the reporting date and at the date of initial recognition, and an assessment of relevant historical and forward-looking quantitative and qualitative information. For those balances that are beyond 90 days overdue it is presumed to be an indicator of a significant increase in credit risk. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from equity offerings or debt financings to meet its operating requirements, after taking into account existing cash and expected exercise of stock options and share purchase warrants. See Note 1 for further discussion.

c) Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Significant market risks to which the Company is exposed are as follows:

i) Foreign currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. The Company operates in foreign jurisdictions, which use both the Mexican peso (MXN$) and United States dollar (US$). The Company does not use derivative instruments to reduce upward, and downward risk associated with foreign currency fluctuations.

(Expressed in thousands of Canadian dollars, unless otherwise stated)

18. FINANCIAL INSTRUMENTS (continued)

		Amounts US Dollars		Amounts Mexican Peso
Financial assets denominated in foreign currencies	US$	5,243,239	MXN$	185,608,927
Financial liabilities denominated in foreign currencies		(42,552,656)		(373,142,085)
Net exposure	US$	(37,309,417)	MXN$	(187,533,158)

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by $388.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by $652.

ii) Interest rate risk

Interest rate risk is the risk arising from the effect of changes in floating interest rates applicable to the Company's financial instruments. At March 31, 2023 and December 31, 2022, the Company's long-term debts are at fixed and floating rates and the Company has not entered into any financial derivatives or other financial instruments to hedge against this risk. The Company's loan agreements bear interest at variable and fixed rates. Interest risk exposure is in relation to variable interest rates such as LIBOR (3M) and (1 year) rates and a variation of 1% on the interest rate would change net income by approximately $199 (December 31, 2022 – $199). Also, the Company is exposed to interest rate fluctuations on the interest rate offered on cash balances held at chartered financial institutions, however this risk is considered to be minimal.

d) Commodity price risk

The Company is exposed to commodity and equity price risk given its revenue is derived from the sale of metal concentrates, the prices for which have been historically volatile. Consequently, the economic viability of the Company's development project assets or mineral properties may be adversely affected by fluctuations in metals prices. For concentrate shipped and provisionally invoiced as at the three months ended March 31, 2023, a 10% change in zinc, copper, lead, silver, or gold prices would result in an increase/decrease of approximately $511, $224, $19, $330, and $449, respectively in revenues (December 31, 2022 – $357, $129, $98, $nil, and $nil).

19. SEGMENTED INFORMATION

The Company is engaged in mining, exploration, and development of mineral properties in Mexico. The Company operates in one industry and has four operating segments. The operating segments are managed separately based on the nature of operations. Mining operations consists of the Campo Morado mine, which is currently operational and producing, and development stage asset for the Tahuehueto mining project.

(Expressed in thousands of Canadian dollars, unless otherwise stated)

19. SEGMENTED INFORMATION (continued)

Information by geographical areas is as follows:

		Canada		Mexico		Total
Current assets	$	1,197	$	29,567	$	30,764
Non-current assets						
Mineral properties, plant, and equipment, net		-		95,258		95,258
Right of use assets		18		9,604		9,622
Other assets and long term accounts receivable		219		18		237
Total assets, March 31, 2023	**$**	**1,434**	**$**	**134,447**	**$**	**135,881**
Current liabilities	$	5,648	$	54,801	$	60,449
Non-current liabilities		-		27,292		27,292
Total liabilities, March 31, 2023	**$**	**5,648**	**$**	**82,093**	**$**	**87,741**

		Canada		Mexico		Total
Current assets	$	745	$	27,149	$	27,894
Non-current assets						
Mineral properties, plant, and equipment, net		-		92,696		92,696
Right of use assets		32		9,951		9,983
Other assets and long term accounts receivable		959		1,671		2,630
Total assets, December 31, 2022	**$**	**1,736**	**$**	**131,467**	**$**	**133,203**
Current liabilities	$	18,101	$	56,068	$	74,169
Non-current liabilities		-		30,671		30,671
Total liabilities, December 31, 2022	**$**	**18,101**	**$**	**86,739**	**$**	**104,840**

During the three months ended March 31, 2023, and 2022, the Company sold its commercial and pre-commercial production to one customer accounting for 100% of revenues and pre-commercial sales. As at March 31, 2023 trade receivables of $2,158 (December 31, 2022 – $4,088) were receivable entirely from this one customer. Revenues and pre-commercial sales if any, all were earned within Mexico.

Operating segments are as follows:

March 31, 2023		**Campo Morado**		**Real de la Bufa**		**Other**		**Luca**		**Total**
		Mexico		**Mexico**		**Mexico**		**Canada**		
Revenue, net	$	12,026	$	6,560	$	-	$	-	$	18,586
Production costs and royalties		(12,120)		(4,367)		-		-		(16,487)
Depletion and amortization		(871)		-		-		-		(871)
Mine operating earnings	$	(965)	$	2,193	$	-	$	-	$	1,228
General expenses		(234)		(58)		(284)		(1,750)		(2,326)
Other income (expenses)		(619)		542		475		(564)		(166)
Net income (loss) for the year	**$**	**(1,818)**	**$**	**2,677**	**$**	**191**	**$**	**(2,314)**	**$**	**(1,264)**

(Expressed in thousands of Canadian dollars, unless otherwise stated)

19. SEGMENTED INFORMATION (continued)

March 31, 2022	Campo Morado	Real de la Bufa	Other	Luca	Total
	Mexico	Mexico	Mexico	Canada	
Revenue, net	$ 12,728	$ -	$ -	$ -	$ 12,728
Production costs and royalties	(11,201)	-	-	(8)	(11,209)
Depletion and amortization	(304)	-	-	-	(304)
Mine operating earnings	$ 1,223	$ -	$ -	$ (8)	$ 1,215
General expenses	(323)	(161)	-	(950)	(1,434)
Other income (expenses)	32	393	266	(627)	64
Net income (loss) for the year	**$ 932**	**$ 232**	**$ 266**	**$ (1,585)**	**$ (155)**

20. SUBSEQUENT EVENTS

Between April 1, 2023 and the date these consolidated financial statements were approved by the Board of Directors, the Company granted stock options to certain directors, officers, and insiders of up to an aggregate 527,778 shares in the capital stock of the Company. The options are exercisable on or before April 25, 2028 at a price of $0.45 per share. During this period, 50,000 stock options expired without being exercised.

On April 27, 2023, the Company closed the first tranche of its non-brokered private placement (the “Private Placement”) previously announced. The Company has sold 52,412,064 units of the Company (each, a “Unit”) at a price of $0.35 per Unit for gross proceeds of $18,344. Each Unit consists of one common share in the Company and one half of one share purchase warrant (each whole, a “Warrant”) entitling the holder to purchase an additional common share at a price of $0.50 per common share until April 25, 2025. Finder’s fees are to be paid in cash and securities (6% cash and 6% in warrants) in connection with the Private Placement to various finders. A Director and a related party to a Director of the Company acquired 1,728,500 Units under the first tranche for an aggregate purchase price of $605.