



**LUCA MINING CORP.**  
(Formerly Altaley Mining Corporation)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Three and Nine Months Ended September 30, 2023 and 2022**

**UNAUDITED**  
**Prepared by Management**

**(Expressed in thousands of Canadian dollars)**

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# **Luca Mining Corp**

(Formerly Altaley Mining Corporation)

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2023 and 2022

### NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim consolidated financial statements of Luca Mining Corp (the "Company") have been prepared by and are the responsibility of Company's management and approved by the

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by CPA Canada for a review of interim financial

November 28, 2023

**Luca Mining Corp. (Formerly Altaley Mining Corporation)**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Expressed in thousands of Canadian dollars)  
Unaudited - Prepared by Management

	Notes	As at September 30, 2023	As at December 31, 2022
<b>Assets</b>			
Cash		\$ 5,675	\$ 1,152
Accounts receivable	5	12,927	13,503
Prepaid expenses and deposits		4,689	3,842
Inventories	6	8,945	9,397
<b>Total current assets</b>		<b>32,236</b>	<b>27,894</b>
Mineral properties, plant and equipment	7	106,674	92,696
Right of use assets	8	9,410	9,983
Taxes receivable long-term	5	18	1,671
Other assets	10	83	959
<b>Total non-current assets</b>		<b>116,185</b>	<b>105,309</b>
<b>Total assets</b>		<b>\$ 148,421</b>	<b>\$ 133,203</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	9	\$ 33,454	\$ 29,223
Current portion of lease liabilities	8	1,604	1,527
Short-term debt	10	16,144	34,205
Empress Royalty stream	11	368	333
Share subscriptions received in advance	13	-	8,881
<b>Total current liabilities</b>		<b>51,570</b>	<b>74,169</b>
Lease liabilities	8	8,660	8,535
Long-term debt	10	15,574	8,024
Long-term Empress royalty stream	11	9,189	8,295
Provision for site reclamation and closure		6,909	5,817
<b>Total non-current liabilities</b>		<b>40,332</b>	<b>30,671</b>
<b>Total liabilities</b>		<b>\$ 91,902</b>	<b>\$ 104,840</b>
<b>Equity</b>			
Share capital	12	\$ 131,229	\$ 93,891
Equity reserves	13	11,262	9,573
Accumulated other comprehensive income		1,373	993
Deficit		(87,345)	(76,094)
<b>Total equity</b>		<b>56,519</b>	<b>28,363</b>
<b>Total liabilities and equity</b>		<b>\$ 148,421</b>	<b>\$ 133,203</b>

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

Approved by the Board of Directors on November 28, 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 Loss and Comprehensive Loss**

(Expressed in thousands of Canadian dollars, except shares and per share amounts)

Unaudited - Prepared by Management

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
<b>Revenues</b>					
Gross sales		\$ 22,615	\$ 23,472	\$ 76,895	\$ 64,216
Treatment and selling costs		(7,500)	(8,632)	(26,873)	(22,739)
Net revenue		15,115	14,840	50,022	41,477
<b>Cost of Sales</b>					
Production cost		\$ 14,181	\$ 12,808	\$ 45,277	\$ 34,725
Royalties		631	532	1,583	1,475
Depletion, depreciation, and amortization	7, 8	1,038	339	3,141	968
Total cost of sales		15,850	13,679	50,001	37,168
<b>Mine operating (loss) profit</b>		<b>(735)</b>	<b>1,161</b>	<b>21</b>	<b>4,309</b>
<b>General Expenses:</b>					
Consulting fees, wages and benefits	17	\$ 754	\$ 1,262	\$ 2,873	\$ 2,485
Legal and professional fees		332	296	901	707
Office, rent and administration		403	235	1,046	784
Amortization of right-of-use assets	8	119	29	328	90
Regulatory, transfer agent and shareholder information		34	19	109	84
Travel, promotion and investor relations		498	164	1,241	724
Share-based compensation	7, 13, 17	344	6	1,325	206
Total general expenses		2,484	2,011	7,823	5,080
<b>Other expenses (income):</b>					
Interest income		\$ 12	\$ (4)	\$ (5)	\$ (226)
Change in fair value of financial instruments	4, 10	-	2,637	(823)	2,716
Finance costs	14	739	1,130	3,321	3,243
Other income and expenses, net		120	65	114	153
Foreign exchange loss (gain)		526	918	842	1,145
Total other expenses		1,397	4,746	3,449	7,031
<b>Net loss for the period</b>		<b>\$ (4,616)</b>	<b>\$ (5,596)</b>	<b>\$ (11,251)</b>	<b>\$ (7,802)</b>
<b>Other comprehensive income</b>					
Items that will be reclassified subsequently to profit or (loss)					
Foreign currency translation adjustment		730	2,036	380	2,735
<b>Total items that will be reclassified subsequently to profit or (loss)</b>		<b>730</b>	<b>2,036</b>	<b>380</b>	<b>2,735</b>
<b>Total net comprehensive loss for the period</b>		<b>\$ (3,886)</b>	<b>\$ (3,560)</b>	<b>\$ (10,871)</b>	<b>\$ (5,067)</b>
Weighted average number of common shares outstanding					
Basic		141,712,507	34,777,210	90,393,714	33,918,024
Diluted		141,712,507	34,777,210	90,393,714	33,918,024
Loss per share ("EPS")					
Basic EPS		\$ (0.03)	\$ (0.16)	\$ (0.12)	\$ (0.23)
Diluted EPS		\$ (0.03)	\$ (0.16)	\$ (0.12)	\$ (0.23)

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)

Unaudited - Prepared by Management

	Notes	Number of common shares	Share capital	Equity reserves	Accumulated other comprehensive (loss) income	Deficit	Total
<b>Balance as at December 31, 2021</b>		<b>32,195,069</b>	<b>\$ 84,757</b>	<b>\$ 11,803</b>	<b>\$ (1,402)</b>	<b>\$ (64,487)</b>	<b>\$ 30,671</b>
Shares issued on private placement, net of issuance cost	12	1,790,965	4,871				4,871
Warrants exercised	12, 13	750,773	1,502	–	–	–	1,502
Fair value of equity instruments allocated to share capital issued on exercise		–	6	(6)			–
Fair value of equity instruments allocated to share capital issued on expiry or cancellation		–	4	(4)	–	–	–
Share-based compensation	13	–	–	249	–	–	249
Loss and comprehensive loss for the period		–	–	–	699	(2,206)	(1,507)
<b>Balance as at September 30, 2022</b>		<b>34,736,807</b>	<b>\$ 91,140</b>	<b>\$ 12,042</b>	<b>\$ (703)</b>	<b>\$ (66,693)</b>	<b>\$ 35,786</b>
<b>Balance as at December 31, 2022</b>		<b>34,868,057</b>	<b>\$ 93,891</b>	<b>\$ 9,573</b>	<b>\$ 993</b>	<b>\$ (76,094)</b>	<b>\$ 28,363</b>
Shares issued on private placement, net of issuance cost	12	71,133,000	22,568	680	–	–	23,248
Shares and warrants issued upon settlement of obligations	12	35,711,450	13,862	–	–	–	13,862
Fair value of equity instruments allocated to share capital issued on expiry or cancellation	13	–	908	(908)	–	–	–
Share-based compensation	13	–	–	1,917	–	–	1,917
Loss and comprehensive loss for the period		–	–	–	380	(11,251)	(10,871)
<b>Balance as at September 30, 2023</b>		<b>141,712,507</b>	<b>\$ 131,229</b>	<b>\$ 11,262</b>	<b>\$ 1,373</b>	<b>\$ (87,345)</b>	<b>\$ 56,519</b>

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)

Unaudited - Prepared by Management

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
<b>Cash provided by (used in):</b>					
<b>Operating activities:</b>					
Loss for the period		\$ (4,616)	\$ (5,596)	\$ (11,251)	\$ (7,802)
Items not involving cash:					
Accretion for site reclamation and closure		35	142	397	416
Depletion, depreciation, and amortization	7	1,038	339	3,141	968
Amortization of right-of-use assets	8	119	29	328	90
Share-based compensation	13	462	12	1,650	255
Amortization of deferred financing costs	10	12	266	876	803
Accretion and change in estimate on					
Empress Royalty stream	11	439	246	1,556	1,021
Amortization of deferred revenue	11	(413)	(264)	(413)	(264)
Revaluation of financial instruments	4, 12	–	2,637	–	2,716
Accrued interest on debt	10	127	359	629	993
Loss on modification of loans	10	14	10	256	197
Fair value of equity instruments issued in financing		(59)	–	5,102	–
Changes in non-cash working capital:		–			
Accounts receivable and other assets		(501)	162	3,356	(1,607)
Prepaid expenses and deposits		(516)	734	(412)	(37)
Inventories		(114)	(60)	1,517	269
Accounts payable and accrued liabilities		2,647	404	1,706	3,830
<b>Cash (used in) provided by operating activities</b>		<b>(1,326)</b>	<b>(580)</b>	<b>8,438</b>	<b>1,848</b>
<b>Investing activities:</b>					
Plant and equipment, net	7, 8	(4,521)	(2,819)	(11,309)	(8,779)
Development assets	7	(153)	(494)	(1,112)	(3,767)
Redeemed marketable securities	4	–	1,293	–	1,293
<b>Cash used in investing activities</b>		<b>(4,674)</b>	<b>(2,020)</b>	<b>(12,421)</b>	<b>(11,253)</b>
<b>Financing activities:</b>					
Shares issued on financing, net of issuance costs	12	–	(35)	13,688	4,836
Share subscriptions received in advance	12	–	6,579	–	6,579
Interest paid	8, 10	(1,085)	(1,189)	(2,938)	(2,576)
Proceeds from debt	10	–	211	–	3,130
Proceeds in connection to warrants and/or stock options exercised		–	157	–	1,659
Proceeds from Empress Royalty stream, net of transaction costs	11	–	–	(202)	–
Repayment of lease liabilities	8	(114)	(156)	(318)	(465)
Repayment of debt	10	(1,458)	(2,588)	(2,154)	(4,993)
<b>Cash provided by financing activities</b>		<b>(2,657)</b>	<b>2,979</b>	<b>8,076</b>	<b>8,170</b>
<b>Effect of foreign exchange rate changes on cash</b>		<b>(499)</b>	<b>507</b>	<b>430</b>	<b>607</b>
<b>(Decrease) Increase in cash</b>		<b>(9,156)</b>	<b>886</b>	<b>4,523</b>	<b>(628)</b>
<b>Cash, beginning of period</b>		<b>14,831</b>	<b>1,535</b>	<b>1,152</b>	<b>3,049</b>
<b>Cash, end of period</b>		<b>\$ 5,675</b>	<b>\$ 2,421</b>	<b>\$ 5,675</b>	<b>\$ 2,421</b>

Supplemental cash flow information (Note 15)

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

# Luca Mining Corp. (Formerly Altaley Mining Corporation)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in thousands of Canadian dollars, unless otherwise stated)  
Unaudited – Prepared by Management  
For the three and nine months ended September 30, 2023, and 2022

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## 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 410 - 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 2023 to improve its financial position. These actions include raising capital in the amount of \$13,688 net of share issue costs by issuing 69,600,000 common shares and a series of debt settlement agreements settling \$14,655 through the issuance of 35,711,450 common shares which 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 September 30, 2023 of \$19,333 (December 31, 2022 - \$46,275) and an accumulated deficit of \$87,345 (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.

# Luca Mining Corp. (Formerly Altaley Mining Corporation)

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## 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 November 28, 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 and nine months ended September 30, 2023, are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

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

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### 4. MARKETABLE SECURITIES

		<b>Amount</b>
Balance, December 31, 2021	\$	<b>3,909</b>
Change in fair value of marketable securities		(2,716)
Redemption of marketable securities		(1,293)
Foreign currency movement		100
<b>Balance, December 31, 2022</b>	<b>\$</b>	<b>-</b>
<b>Balance, September 30, 2023</b>	<b>\$</b>	<b>-</b>

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

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
Trade receivables	\$	384	\$	4,088
Value added taxes and other taxes receivable		12,130		9,125
Other receivables		413		290
<b>Total accounts receivable</b>	<b>\$</b>	<b>12,927</b>	<b>\$</b>	<b>13,503</b>

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 September 30, 2023, the Company disclosed as a long-term receivable, value added taxes generated in Mexico based on the expected timing of realization. As at September 30, 2023 the Company has \$18 (December 31, 2022 – \$1,671) in value added taxes receivable included in non-current assets.

### 6. INVENTORIES

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
Materials and supplies	\$	6,272	\$	6,470
Concentrates		1,185		2,575
Stockpile ore		1,488		352
<b>Total inventories</b>	<b>\$</b>	<b>8,945</b>	<b>\$</b>	<b>9,397</b>

During the three and nine months ended September 30, 2023, the Company recognized \$3,699 and \$12,958, respectively (September 30, 2022 – \$4,950 and \$14,685) of inventory as an expense through cost of sales.

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

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### 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 \$264 (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 and nine months ended September 30, 2023 is \$1,196 and \$3,780, respectively, (September 30, 2022 – \$525 and \$2,751) of capitalized borrowing costs based on a capitalization rate of 100%. Borrowing costs capitalized to development project assets include \$117 and \$220 of non-cash accretion for the three and nine months ended September 30, 2023, respectively (September 30, 2022 – (\$204) and \$58).

#### 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\$2.5 million remains outstanding as at September 30, 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”).

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

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### 7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

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

During the year, the Company exercised a purchase option for two of its right of use machinery and equipment assets, resulting in a transfer of the assets from right of use to MPP&E.

	Development project	Mineral properties	Land	Mine plant, machinery & equipment	Construction in progress	Total MPP&E
<b>Cost</b>						
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	6,452	-	-	836	10,474	17,762
Transfers	-	-	-	2,615	(1,843)	772
Foreign currency movement	466	(31)	(6)	(37)	33	425
<b>Balance September 30, 2023</b>	<b>\$ 45,357</b>	<b>\$ 17,555</b>	<b>\$ 3,380</b>	<b>\$ 24,133</b>	<b>\$ 30,177</b>	<b>\$ 120,602</b>
<b>Accumulated depletion and amortization</b>						
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	-	490	-	3,709	-	4,199
Transfers	-	-	-	772	-	772
Foreign currency movement	-	1	-	9	-	10
<b>Balance September 30, 2023</b>	<b>\$ -</b>	<b>\$ 1,184</b>	<b>\$ -</b>	<b>\$ 12,744</b>	<b>\$ -</b>	<b>\$ 13,928</b>
<b>Net book value</b>						
Balance, December 31, 2022	\$ 38,439	\$ 16,893	\$ 3,386	\$ 12,465	\$ 21,513	\$ 92,696
Balance September 30, 2023	\$ 45,357	\$ 16,371	\$ 3,380	\$ 11,389	\$ 30,177	\$ 106,674

### 8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

	Machinery & equipment	Offices	Vehicles	Total ROU Assets
<b>Cost</b>				
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
Additions	-	491	-	491
Dispositions	(772)	(252)	-	(1,024)
Foreign currency movement	(24)	-	-	(24)
<b>Balance, September 30, 2023</b>	<b>\$ 10,884</b>	<b>\$ 798</b>	<b>\$ -</b>	<b>\$ 11,682</b>

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### 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		936		106		-		1,042
Dispositions		(772)		(252)		-		(1,024)
Foreign currency movement		(2)		-		-		(2)
<b>Balance, September 30, 2023</b>	<b>\$</b>	<b>2,041</b>	<b>\$</b>	<b>231</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>2,272</b>

#### Net book value

Balance, December 31, 2022	\$	9,801	\$	182	\$	-	\$	9,983
Balance, September 30, 2023	\$	8,843	\$	567	\$	-	\$	9,410

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 September 30, 2023, the Company recorded \$10,264 (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 nine months ended September 30, 2023 and year ended December 31, 2022 is as follows:

		<b>Amount</b>
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 additions		489
Lease payments		(318)
Interest expense		784
Interest paid		(736)
Foreign currency movement		(17)
<b>Balance, September 30, 2023</b>	<b>\$</b>	<b>10,264</b>

		<b>September 30, 2023</b>		<b>December 31, 2022</b>
Current portion	\$	1,604	\$	1,527
Long-term portion		8,660		8,535
<b>Balance</b>	<b>\$</b>	<b>10,264</b>	<b>\$</b>	<b>10,062</b>

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

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

		<b>Amount</b>
2023	\$	785
2024		3,113
2025		2,162
2026		1,679
Thereafter		9,379
Total minimum lease payments		17,118
Present value of minimum lease payments		(6,854)
<b>Lease obligations, September 30, 2023</b>	<b>\$</b>	<b>10,264</b>

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 September 30, 2023, and December 31, 2022, the Company recorded the following amounts as accounts payable and accrued liabilities:

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
Trade payables	\$	14,225	\$	12,190
Accrued liabilities, payroll, and tax withholdings		6,865		7,143
Contingent liabilities		8,322		6,606
Royalties and other		4,042		3,284
<b>Total accounts payable and accrued liabilities</b>	<b>\$</b>	<b>33,454</b>	<b>\$</b>	<b>29,223</b>

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## 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)
(Gain)/loss on modification	(3)	(133)	(10)	37	-	23	(86)
Foreign currency movement	289	334	221	1,144	583	138	2,709
<b>Balance, December 31, 2022</b>	<b>\$ 3,682</b>	<b>\$ 5,419</b>	<b>\$ 2,970</b>	<b>\$ 17,202</b>	<b>\$ 9,395</b>	<b>\$ 3,561</b>	<b>\$ 42,229</b>
Interest accrued	258	284	187	1,368	934	122	3,153
Principal paid	(1,113)	-	(1,041)	-	-	-	(2,154)
Interest paid	(303)	-	(248)	(1,651)	-	-	(2,202)
Fair value of shares issued in settlement of debt obligations	-	(5,725)	-	-	-	(3,715)	(9,440)
Loss/(gain) on modification or extinguishment	-	58	-	143	-	55	256
Foreign currency movement	(11)	(36)	(11)	(30)	(13)	(23)	(124)
<b>Balance, September 30, 2023</b>	<b>\$ 2,513</b>	<b>\$ -</b>	<b>\$ 1,857</b>	<b>\$ 17,032</b>	<b>\$ 10,316</b>	<b>\$ -</b>	<b>\$ 31,718</b>
Less: short-term obligation	\$ 2,513	\$ -	\$ 1,857	\$ 3,739	\$ 8,035	\$ -	\$ 16,144
Long-term debt	-	-	-	13,293	2,281	-	15,574
<b>Balance, September 30, 2023</b>	<b>\$ 2,513</b>	<b>\$ -</b>	<b>\$ 1,857</b>	<b>\$ 17,032</b>	<b>\$ 10,316</b>	<b>\$ -</b>	<b>\$ 31,718</b>
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
<b>Balance, December 31, 2022</b>	<b>\$ 3,682</b>	<b>\$ 5,419</b>	<b>\$ 2,970</b>	<b>\$ 17,202</b>	<b>\$ 9,395</b>	<b>\$ 3,561</b>	<b>\$ 42,229</b>

### 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.

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### 10. SHORT AND LONG-TERM DEBT (continued)

#### a) Campo Morado Loan Agreement (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.

Effective June 30, 2023, the Company and Breakwater agreed to further 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 May 2024, with a six-month grace period between December 2022 and May 2023. All other terms remain unchanged from the amending agreement entered on July 14, 2023.

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 September 30, 2023, the unamortized balance of the collective fair value discount resulting from amendments is \$3 (December 31, 2022 – \$7).

#### 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 September 30, 2023, is \$nil (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.

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### 10. SHORT AND LONG-TERM DEBT (continued)

#### b) Line of Credit (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 year, the Company recognized a loss in other income and expenses totaling \$127 (September 30, 2022 – \$nil).

#### 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.

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### 10. SHORT AND LONG-TERM DEBT (continued)

#### c) Trafigura Loans (continued)

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 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 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.

The Company successfully negotiated a subsequent amendment of terms intended to alleviate debt servicing obligations to allow the allocation of available funds to be used for completion of the Tahuehueto mining project. Effective June 30, 2023, the maturities of the Loan Agreement Campo and Loan Agreement Real have been extended to June 2024 and December 2024, respectively with 14 equal instalments beginning May 2023 for the Loan Agreement Campo and November for the Loan Agreement Real. As a result of the amendment of terms, effective interest rates have been changed from LIBOR (3M) plus 5% to SOFR plus 5.26% per annum for the Loan Agreement Campo and from LIBOR (1 year) plus 6% to SOFR plus 6.72% for the Loan Agreement Real.

As a result of these amendments, the Company assessed the overall impact of the changes and have recognized a \$nil fair value change on the non-substantial modification in other income and expenses impacting the fair value of the Loan Agreement Campo and capitalized a loss on the non-substantial modification to development project assets of \$144 impacting the fair value of the Loan Agreement Real.

As at September 30, 2023, the unamortized balance of the collective fair value discount on the Loan Agreement Campo and Loan Agreement Real is \$22 and \$6, respectively (December 31, 2022 – \$53 and \$257).

#### 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

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### 10. SHORT AND LONG-TERM DEBT (continued)

#### d) Accendo Loan (continued)

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 had a balance of US\$5.8 million available from the MTLF for drawdown. However, due to the ongoing liquidation process, the Company's ability to access this remaining balance 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.

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 September 30, 2023, the unamortized balance of the fair value discount on the loan and the deferred financing cost is \$nil and \$83, 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, the Company recognized a loss in other income and expenses totaling \$49, 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 10(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.

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### 11. EMPRESS ROYALTY STREAM (continued)

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 paid June 30, 2023.

The continuity of the stream is as follows:

	<b>Amount</b>
Balance, December 31, 2021	\$ 6,988
Amortization of deferred revenue	(305)
Accretion on streaming arrangements	1,423
Foreign currency movement	522
<b>Balance, December 31, 2022</b>	<b>8,628</b>
Amortization of deferred revenue	(413)
Cash disbursements, net of transaction fees	(202)
Change in estimate	278
Accretion on streaming arrangements	1,278
Foreign currency movement	(12)
<b>Balance, September 30, 2023</b>	<b>\$ 9,557</b>

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Current portion	\$ 368	\$ 333
Long-term portion	9,189	8,295
<b>Balance</b>	<b>\$ 9,557</b>	<b>\$ 8,628</b>

### 12. SHARE CAPITAL

Common share transactions:

For the nine months ended September 30, 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 issued an aggregate of 20,976,264 shares at a deemed price of \$0.45 per share. In connection with the Debt Settlements, the Company incurred \$309 of transaction fees and the fair value of the shares, net of transaction fees of \$9,132 has been allocated to share capital.

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### 12. SHARE CAPITAL (continued)

- iii. On April 25, 2023, the Company closed the first tranche of its non-brokered private placement (the “Private Placement”). 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.

On June 2, 2023, the Company closed the second tranche of the Private Placement under the same terms and sold 6,889,462 Units at a price of \$0.35 per Unit for gross proceeds of \$2,411. Warrants issued in the second tranche entitle the holder to purchase an additional common share at a price of \$0.50 per common share until June 2, 2025.

On June 25, 2023, the Company closed the third and final tranche of the Private Placement under the same terms and sold 11,831,474 Units at a price of \$0.35 per Unit for gross proceeds of \$4,141. Warrants issued in the second tranche entitle the holder to purchase an additional common share at a price of \$0.50 per common share until June 25, 2025.

In connection with the Private Placement, related parties to the Company acquired 14,937,830 Units for an aggregate purchase price of \$5,228. Additionally, the Company incurred \$2,329 of share issue costs consisting of finders’ fees of \$1,340, issuance of 3,423,556 finders’ warrants with a fair value of \$680, and legal fees and other transaction costs of \$309. The entirety of the fair value net of share issuance costs have been allocated to share capital with \$680 for the finders’ warrants being allocated to equity reserves.

- iv. On June 2, 2023, the Company agreed to settle an amount of \$4,900 advanced in relation to a standby guarantee under the Company’s proposed but no longer proceeding Rights Offering. Pursuant to the debt settlement, the Company agreed to issue 14,000,000 Units, having the identical terms as the Private Placement Units as consideration. In connection with the settlement, the Company incurred \$421 of transaction fees.
- v. During the nine months ended September 30, 2023, the Company recognized the expiry of 275,000 stock options and 3,276,572 warrants. The fair value of the remaining reserves from the expired securities of \$908 was transferred from equity reserves and recorded against share capital.

For the nine months ended September 30, 2022

- i. On April 20, 2022, the Company closed the first tranche of a non-brokered private placement for gross proceeds of \$4,241. The Company issued 1,514,537 units (each, a “Unit”) of the Company at a price of \$0.35 per Unit. Each Unit is comprised of one common share (a “Common Share”) and one-half of one common share purchase warrant (each whole such warrant, a “Warrant”). Each Warrant entitles the holder thereof to purchase one additional Common Share of the Company at a price of \$4.40 per Common Share within twenty-four months from April 20, 2022 (the “Closing Date”). All securities issued under the private placement were subject to a hold period expiring four months and one day after the Closing Date.

On May 12, 2022, the Company closed the second and final tranche of a non-brokered private placement, whereby gross proceeds of \$759 were raised through the issuance of 271,178 Units.

In connection with the above private placement, the Company incurred \$143 of share issue costs consisting of finders’ fees of \$68, issuance of 5,200 finders’ Units with a fair value of \$15, and legal fees of \$60.

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### 12. SHARE CAPITAL (continued)

- ii. During the period ended September 30, 2022, the Company issued 7,056,171 common shares for gross proceeds of \$1,659 in connection with share purchase warrants exercised. The fair value of the warrants exercised was \$6 and was transferred from equity reserves and recorded against share capital. As a result of the share purchase warrants exercised, Escorfin, a related party to the Company, was issued 3,633,098 common shares.

### 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
<b>Outstanding, December 31, 2022</b>	<b>1,226,042</b>	<b>\$ 0.57</b>
Granted	5,762,778	0.45
Cancelled	(305,000)	0.46
Expired	(275,000)	0.76
<b>Outstanding, September 30, 2023</b>	<b>6,408,820</b>	<b>\$ 0.46</b>

As at September 30, 2023, and December 31, 2022, the number of stock options outstanding and exercisable were:

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### 13. EQUITY RESERVES (continued)

Expiry date	Outstanding		Exercisable	
	Number of options	Exercise price	Remaining contractual life (years)	Number of options
December 3, 2023	37,500	0.50	0.2	37,500
January 29, 2025	25,000	0.50	1.3	25,000
February 8, 2025	31,250	0.50	1.4	31,250
February 10, 2025	100,000	0.40	1.4	50,000
August 6, 2025	12,500	0.50	1.9	12,500
December 5, 2025	112,500	0.72	2.2	75,000
February 25, 2026	635,417	0.50	2.4	635,417
May 11, 2026	9,375	0.50	2.6	9,375
May 19, 2026	62,500	0.50	2.6	62,500
August 9, 2026	12,500	0.50	2.9	12,500
April 25, 2028	527,778	0.45	4.6	175,926
June 7, 2028	4,707,500	0.46	4.7	1,569,167
September 17, 2028	135,000	0.35	5.0	135,000
<b>Outstanding, September 30, 2023</b>	<b>6,408,820</b>			<b>2,831,135</b>

Expiry date	Outstanding		Exercisable	
	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
<b>Outstanding, December 31, 2022</b>	<b>1,226,042</b>			<b>1,151,042</b>

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### 13. EQUITY RESERVES (continued)

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 and nine months ended September 30, 2023, an amount of \$757 and \$1,917 and was expensed as share-based payments, respectively (September 30, 2022 – \$13 and \$255). Included in share-based payments are amounts expensed through mine operations of \$55 and \$156 (September 30, 2022 – \$nil and \$8) and business promotion of \$59 and \$168 (September 30, 2022 – \$6 and \$41), for the three and nine months ended September 30, 2023, respectively. Additionally, during the three and nine months ended September 30, 2023, \$118 and \$267, respectively (September 30, 2022 – \$nil and \$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 and nine months ended September 30, 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 and nine months ended September 30, 2023, the Company granted a total of 5,762,778 options, (September 30, 2022 – \$nil) with a weighted average fair value of \$0.45 (September 30, 2022 – \$nil). The fair value of the stock options granted during the nine months ended September 30, 2023 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	3.72%	3.77%
Expected forfeiture rate	Nil	Nil
Stock price volatility	110%	124%
Expected life (in years)	4.95	3.00
Weighted average fair value	\$ 0.36	\$ 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.

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### 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
Issued	46,240,048	0.50
Expired	(3,276,572)	2.48
<b>Outstanding, September 30, 2023</b>	<b>49,132,806</b>	<b>\$ 0.63</b>

Outstanding			
Expiry date	Granted	Exercise price	Remaining contractual life (years)
October 16, 2023	1,375,000	1.40	0.0
April 20, 2024	757,273	4.40	0.6
May 12, 2024	43,750	4.40	0.6
May 30, 2024	94,463	4.40	0.7
April 25, 2025	28,905,717	0.50	1.6
June 2, 2025	10,832,896	0.50	1.7
June 23, 2025	250,000	0.50	1.7
June 26, 2025	6,001,435	0.50	1.7
June 30, 2025	622,272	2.80	1.8
June 5, 2026	250,000	0.50	2.7
<b>Outstanding, September 30, 2023</b>	<b>49,132,806</b>		

### 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 and nine months ended September 30, 2023 and 2022 are summarized as follows:

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Interest on debt*	10	\$ 103	\$ 352	\$ 567	\$ 972
Amortization of deferred finance costs	10	12	266	876	803
Accretion on streaming arrangements	11	439	358	1,278	1,021
Accretion of provision for site reclamation and closure		158	142	520	416
Interest on lease liabilities	8	24	7	62	21
Bank fees, penalties, and other		3	5	18	10
<b>Total finance costs</b>		<b>\$ 739</b>	<b>\$ 1,130</b>	<b>\$ 3,321</b>	<b>\$ 3,243</b>

\*Finance costs for interest on debt include \$63 gain and \$32 loss of non-cash accretion for the three and nine months ended September 30, 2023, respectively (September 30, 2022 – \$61 and \$144).

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### 15. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Accounts payable and accrued liabilities included in:				
i) exploration and evaluation assets	\$ -	\$ 1,275	\$ -	\$ 2,683
ii) plant and equipment, net	-	(963)	-	760
Interest on long-term debt capitalized as exploration and evaluation assets	867	644	2,586	2,374
Depreciation capitalized as exploration and evaluation assets	370	305	1,050	901
Right of use of assets amortization capitalized	232	247	714	786

### 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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
(Loss) income attributable to common shareholders	\$ (4,616)	\$ (5,596)	\$ (11,251)	\$ (7,802)
Weighted average number of shares basic	141,712,507	34,777,210	90,393,714	33,918,024
Weighted average number of shares diluted	141,712,507	34,777,210	90,393,714	33,918,024
Basic (loss) earnings per share	\$ (0.03)	\$ (0.16)	\$ (0.12)	\$ (0.23)
Diluted (loss) earnings per share	\$ (0.03)	\$ (0.16)	\$ (0.12)	\$ (0.23)

For the three and nine months ended September 30, 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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Short-term benefits	\$ 536	\$ 863	\$ 1,900	\$ 1,370
Share-based compensation	344	-	920	162
	\$ 880	\$ 863	\$ 2,820	\$ 1,532

#### b) Related party balances

As at September 30, 2023, directors and officers or their related companies were owed \$318 (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.

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### 17. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

#### c) Estrategica 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 September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Debt current portion	\$ -	\$ 1,274
Debt long term portion	-	4,145
<b>Balance</b>	<b>\$ -</b>	<b>\$ 5,419</b>

During the three and nine months ended September 30, 2023, the Company incurred interest in the amount of \$nil and \$78, respectively (September 30, 2022 – \$149 and \$398). The principal and interest owing of \$5,725 was settled with the issuance of 12,721,310 common shares of the Company on February 28, 2023.

#### 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 and nine months ended September 30, 2023, the amount exchanged for currency denominated in the Mexican Peso at exchange rates at the time of the conversion was \$3,689 (US\$2.75 million) and \$16,783 (US\$12.47 million), respectively (September 30, 2022 – \$6,588 (US\$5.16 million) and \$22,193 (US\$17.29 million)). As at September 30, 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.

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### 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.

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### 18. FINANCIAL INSTRUMENTS (continued)

		Amounts		Amounts
		US Dollars		Mexican Peso
Financial assets denominated in foreign currencies	US\$	1,292,945	MXN\$	202,463,943
Financial liabilities denominated in foreign currencies		(41,682,950)		(429,851,194)
<b>Net exposure</b>	US\$	(40,390,005)	MXN\$	(227,387,251)

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$505.

A 10% change in the Mexican peso relative to the Canadian dollar would change the Company's profit or loss by \$517.

#### 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 September 30, 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 \$188 (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 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 September 30, 2023, a 10% change in zinc, copper, lead, silver, or gold prices would result in an increase/decrease of approximately \$1,272, \$207, \$48, \$621, and \$882, 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.

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### 19. SEGMENTED INFORMATION (continued)

Information by geographical areas is as follows:

	Canada		Mexico		Total
Current assets	\$	5,521	\$	26,715	\$ 32,236
Non-current assets					
Mineral properties, plant, and equipment, net		-		106,674	106,674
Right of use assets		371		9,039	9,410
Other assets and long term accounts receivable		83		18	101
<b>Total assets, September 30, 2023</b>	<b>\$</b>	<b>5,975</b>	<b>\$</b>	<b>142,446</b>	<b>\$ 148,421</b>
Current liabilities	\$	4,006	\$	47,564	\$ 51,570
Non-current liabilities		311		40,021	40,332
<b>Total liabilities, September 30, 2023</b>	<b>\$</b>	<b>4,317</b>	<b>\$</b>	<b>87,585</b>	<b>\$ 91,902</b>

	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
<b>Total assets, December 31, 2022</b>	<b>\$</b>	<b>1,736</b>	<b>\$</b>	<b>131,467</b>	<b>\$ 133,203</b>
Current liabilities	\$	18,101	\$	56,068	\$ 74,169
Non-current liabilities		-		30,671	30,671
<b>Total liabilities, December 31, 2022</b>	<b>\$</b>	<b>18,101</b>	<b>\$</b>	<b>86,739</b>	<b>\$ 104,840</b>

During the three and nine months ended September 30, 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 September 30, 2023, trade receivables of \$474 (December 31, 2022 – \$4,088) were receivable entirely from this one customer. Revenues and pre-commercial sales if any, all were earned within Mexico.

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### 19. SEGMENTED INFORMATION (continued)

Operating segments are as follows:

September 30, 2023	Campo	Real de la	Other	Luca	Total
	Morado	Bufo			
	Mexico	Mexico	Mexico	Canada	
Revenue, net	\$ 33,378	\$ 16,644	\$ -	\$ -	50,022
Production costs and royalties	(33,759)	(13,101)	-	-	(46,860)
Depletion and amortization	(3,141)	-	-	-	(3,141)
Mine operating earnings	\$ (3,522)	\$ 3,543	\$ -	\$ -	21
General expenses	(817)	(228)	(1,123)	(5,655)	(7,823)
Other (expenses) income	(2,420)	132	600	(1,761)	(3,449)
<b>Net (loss) income for the period</b>	<b>\$ (6,759)</b>	<b>\$ 3,447</b>	<b>\$ (523)</b>	<b>\$ (7,416)</b>	<b>\$ (11,251)</b>

September 30, 2022	Campo	Real de la	Other	Luca	Total
	Morado	Bufo			
	Mexico	Mexico	Mexico	Canada	
Revenue, net	\$ 40,593	\$ 884	\$ -	\$ -	41,477
Production costs and royalties	(34,211)	(1,989)	-	-	(36,200)
Depletion and amortization	(968)	-	-	-	(968)
Mine operating earnings	\$ 5,414	\$ (1,105)	\$ -	\$ -	4,309
General expenses	(987)	(651)	-	(3,442)	(5,080)
Other income (expenses)	(94)	(3,155)	(588)	(3,194)	(7,031)
<b>Net income (loss) for the period</b>	<b>\$ 4,333</b>	<b>\$ (4,911)</b>	<b>\$ (588)</b>	<b>\$ (6,636)</b>	<b>\$ (7,802)</b>

### 20. SUBSEQUENT EVENTS

After September 30, 2023, Trafigura agreed to extend waivers for principal debt repayments to the amount of US\$362,000 under both the Campo Morado Loan Agreement and the Loan Agreement Campo. This is part of a larger refinancing plan to support the strategic initiatives being taken at the Campo Morado Mine. As a condition of the waiver extension, on November 7, 2023, the Company did not deliver silver credits to Empress in connection with the Stream Agreement. The Company is currently in discussions with Empress concerning this. The outcome of these negotiations remains uncertain, and there is no guarantee that a resolution will be reached.