LUCA Mining Corp.

Condensed Consolidated Interim Financial Statements

For the three months ended
March 31, 2024 and 2023
(Unaudited)

Luca Mining Corp.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended March 31, 2024 and 2023

NOTICE OF NO REVIEW BY AUDITOR

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 Company's Audit Committee and Board of Directors.

In accordance with National Instrument 51 – 102 Continuous Disclosure Obligations of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the condensed consolidated interim financial statements which follow this notice have not been reviewed by an auditor.

Mining Corp.

Condensed consolidated interim statements of financial position

(Unaudited - Expressed in thousands of Canadian dollars)

	Notes		March 31 2024		December 31 2023
ASSETS					
Current assets					
Cash		**$**	3,485	$	2,722
Amounts receivable	4		12,475		10,233
Inventories	5		9,064		8,017
Prepaid expenses and deposits			5,611		3,253
Total current assets			30,635		24,225
Non-current assets					
Property, plant and equipment	6		53,267		54,983
Mineral properties	7		72,141		64,078
Other assets	8		1,634		3,770
Total assets		**$**	157,677	$	147,056
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	9	**$**	35,186	$	32,437
Current portion of lease liabilities	10		1,120		1,551
Current portion of loans payable	12		24,664		31,105
Empress royalty stream	11		10,310		9,848
Total current liabilities			71,280		74,941
Non-current liabilities					
Lease liabilities	10		8,826		8,232
Provision for reclamation and rehabilitation	13		9,570		9,006
Total liabilities			89,676		92,179
SHAREHOLDERS' EQUITY					
Share capital	14		137,255		132,453
Reserves	15		12,989		12,765
Accumulated other comprehensive income			1,534		749
Deficit			(83,777)		(91,090)
Total equity			68,001		54,877
		$	$157,677	$	147,056

Nature of operations and going concern (note 1)

Commitments and contingencies (note 25)

Subsequent events (note 26)

"David Rhodes"
Director

"Philip Brumit Sr."
Director

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

Mining Corp.

Condensed consolidated interim statements of earnings (loss) and comprehensive earnings (loss)

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

		For the three months ended	
	Notes	**March 31 2024**	March 31 2023
Revenues		**$** 29,515	$ 28,253
Treatment and selling costs		(7,474)	(9,667)
Net revenue	17	22,041	18,586
Cost of sales	18	17,177	17,358
Mine operating earnings		4,864	1,228
General and administration	19	2,795	1,841
Share based compensation	15(b)	138	485
Foreign exchange loss (gain)		375	(777)
Other operating expense		63	58
Operating earnings (loss)		1,493	(379)
Interest and finance costs, net	20	682	1,708
Gain on debt settlement	12	(6,502)	-
Change in fair value of financial instruments		-	(823)
Earnings (loss) before income taxes		$ 7,313	$ (1,264)
Current income tax expense		**-**	-
Deferred income tax expense		**-**	-
Net earnings (loss) for the period		**$ 7,313**	**$ (1,264)**
Other comprehensive earnings, net of tax			
Foreign currency translation differences		785	468
Total comprehensive earnings (loss) for the period		**$** 8,098	$ (796)
Basic and diluted earnings (loss) per common share	16	$ 0.05	$ (0.04)
Weighted average number of common shares outstanding (000's)		161,566,435	35,456,206

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

Mining Corp.

Condensed consolidated interim statements of changes in equity

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

	Notes	Number of common shares	Share capital	Share subscription received in advance	Equity settled share-based payments	Warrants	Reserves total	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, December 31, 2022		**34,868,057**	**93,891**	**-**	**7,827**	**1,746**	**9,573**	**(76,094)**	**993**	**28,363**
Private placement, net of issue cost		-	-	10,329	-	-	-	-	-	10,329
Shares issued upon settlement of debt	14	735,186	309	9,439	-	-	-	-	-	9,748
Fair value of equity instruments allocated to share capital on expiry or cancellation		-	81	-	(81)	-	(81)	-	-	-
Share-based compensation	15(b)	-	-	-	496	-	496	-	-	496
Comprehensive earnings (loss) for the period		-	-	-	-	-	-	(1,264)	468	(796)
Balance, March 31, 2023		**35,603,243**	**94,281**	**19,768**	**8,242**	**1,746**	**9,988**	**(77,358)**	**1,461**	**48,140**
Private placement, net of issue cost	14	77,528,137	25,324	(10,329)	-	-	-	-	-	14,995
Warrants issued for finder's fees		-	(851)	-	-	851	851	-	-	-
Fair value of equity instruments allocated to share capital on expiry or cancellation		-	(81)	-	81	-	81	-	-	-
Shares issued upon settlement of debt	14, 12	34,976,264	13,780	(9,439)	-	-	-	-	-	4,341
Share-based compensation		-	-	-	1,845	-	1,845	-	-	1,845
Comprehensive loss		-	-	-	-	-	-	(13,732)	(712)	(14,444)
Balance, December 31, 2023		**148,107,644**	**132,453**	**-**	**10,168**	**2,597**	**12,765**	**(91,090)**	**749**	**54,877**
Shares issued upon settlement of debt	14	17,750,000	4,802		-	-	-	-	-	4,802
Share-based compensation	15 (b)	-	-		224	-	224	-	-	224
Comprehensive earnings		-	-		-	-	-	7,313	785	8,098
Balance, March 31, 2024		**165,857,644**	**137,255**	**-**	**10,392**	**2,597**	**12,989**	**(83,777)**	**1,534**	**68,001**

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

Mining Corp.

Condensed consolidated interim statements of cash flows

(Unaudited - Expressed in thousands of Canadian dollars)

	Notes	For the three months ended March 31 2024	March 31 2023
Operating activities			
Net earnings (loss) for the year		$ 7,313	$ (1,264)
Items not involving cash:			
Accretion relating to reclamation and rehabilitation		219	166
Depreciation and amortization		629	871
Amortization of right of use assets		170	103
Share-based compensation	15 (b)	224	496
Amortization of deferred financing costs		9	740
Accretion and change in estimate relating to stream agreement	11	462	689
Amortization of deferred revenue	11	(246)	-
Accretion and interest on leases		249	-
Accrued interest on debt	12	1,362	388
Gain on settlement of debt	12	(6,126)	-
Loss (gain) on modification of loans	12	(165)	146
Loss on lease cancellation		95	-
Fair value of warrants issued in financing		(158)	308
Changes in non-cash operating working capital:			
Amounts receivable		(115)	2,474
Prepaid expenses and deposits		(2,358)	(332)
Inventories		(1,047)	918
Accounts payable and accrued liabilities		(1,190)	(2,611)
Net cash (used in) provided by operating activities		(673)	3,092
Investing activities			
Acquisition of property, plant and equipment		(430)	(1,124)
Investment in mineral properties		(220)	(167)
Net cash used in investing activities		(650)	(1,291)
Financing activities			
Share subscriptions received in advance		-	1,456
Interest paid on loans payable		-	(1,136)
Proceeds from debt		3,361	-
Repayment of lease liabilities		(525)	122
Repayment of debt		(661)	-
Net cash provided by financing activities		2,175	442
Effect on cash on foreign exchange		(89)	221
Change in cash		763	2,464
Cash, beginning of the period		2,722	1,152
Cash, end of the period		**$ 3,485**	**$ 3,616**

Supplemental cash flow information (Note 24)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Luca Mining Corp. is the parent company of its subsidiary group (collectively, the "Company" or "Luca") and is a publicly traded corporation incorporated in Canada, with its head office located at 410 – 1111 Melville Street, Vancouver, BC, V6E 3V6 and its registered and records office at 2501 – 550 Burrard Street, Vancouver, BC V6C 2B5. Luca's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "LUCA", quoted on the OTCQX over-the-counter market in the USA under the symbol "LUCMF" and quoted on the Frankfurt Stock Exchange under the symbol "Z68"

The Company is a producer of base and precious metals and is engaged in the acquisition, exploration and development of resource properties in Mexico. The Company is currently producing a zinc and a bulk concentrate, comprised mainly of copper and lead, at the Campo Morado mine and mill ("Campo Morado") located in Guerrero, Mexico. Additionally, the Company is producing zinc and lead concentrates at its Tahuehueto mine and mill ("Tahuehueto") in the state of Durango and is currently upgrading its plant to increase the production output from 500 tonnes per day to 1000 tons per day.

Going concern

These unaudited condensed consolidated Interim financial statements ("Interim Financial Statements") have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the three months ended March 31, 2024, the Company generated a mine operating profit of $4,864, a net earnings of $7,313 and negative cash flows from operating activities of $673 and has an accumulated deficit of $83,777 and current liabilities that exceed its current assets by $40,645. These factors give rise to material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Management has taken steps to manage the Company's liquidity, including extending payment terms with suppliers. Management is also in discussions with existing and new lenders about amending existing debt arrangements or obtaining new debt financing and may also consider raising additional equity financing. The continuing operations of the Company are dependent in the near-term on its ability to obtain additional financing and in the longer-term on a combination of additional financing and the generation of cash flows from operations. Management is of the opinion that sufficient funds will be obtained from external financing and cashflows from operations to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing or cash flows from operations will not be available on a timely basis or on terms acceptable to the Company.

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

2. BASIS OF PREPARATION

These Interim Financial Statements have been prepared in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting and do not include all of the information required for a full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023 (the "Annual Financial Statements").

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These Interim Financial Statements are presented in Canadian dollars and include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation of these subsidiaries.

These Interim Financial Statements were approved by the Company's Board of Directors on May 29, 2024.

3. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The material accounting policies applied in these Interim Financial Statements are the same as those applied in the Company's Annual Financial Statements as at and for the year ended December 31, 2023, except as described below.

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Annual Financial Statements for the year ended December 31, 2023, and should be read in conjunction with the Company's Annual Financial Statements for the year ended December 31, 2023.

The accounting policies below have been applied consistently to all years presented and by all subsidiaries in the group except for new accounting standards adopted during the year, which were adopted either on a prospective basis or on a modified retrospective basis, without restatement of comparative periods as described below.

a) Adoption of new accounting standards, interpretation or amendments

Classification of liabilities as current or non-current (amendments to IAS 1)

The amendments to IAS 1, clarifies the presentation of liabilities. The Classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refer to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendment issued in October 2022 also clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments were applied effective January 1, 2024 and did not have a material impact on the Company.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller- lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

The amendments were applied effective January 1, 2024 and did not have a material impact on the Company

b) New accounting standards issued but not yet effective.

At the date of authorization of these Interim Financial Statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

Lack of Exchangeability (Amendments to IAS 21)

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. In addition, the amendments require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, although earlier application is permitted. This amendment is not expected to have a material impact on the Company's consolidated financial statements.

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (continued)

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB released IFRS 18 Presentation and Disclosure in financial Statements. IFRS 18 replaces *IAS 1 Presentation of Financial Statements* while carrying forward many of the requirements in IAS 1. IFRS 18 introduces new requirements to: i) present specified categories and defined subtotals in the statement of earnings or loss, ii) provide disclosures on management-defined performance measures ("MPMs") in the nates to the financial statements, iii) improve aggregation and disaggregation. Some of the requirements in IAS 1 are moved to *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* and *IFRS 7 Financial Instruments: Disclosures*. The IASB also made minor amendments to *IAS 7 Statement of Cash Flows* and *IAS 33 Earnings per Share* in connection with the new standard. IFRS 18 requires retrospective application with specific transition provisions. The Company is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027 with early adoption permitted. The Company is currently evaluating the impact of IFRS 18 on its financial statements.

4. AMOUNTS RECEIVABLE

		March 31 2024		December 31 2023
Trade receivables	**$**	2,157	$	743
VAT recoverable		10,461		12,536
Other receivables		1,322		652
	$	13,940	$	13,931
Less: non-current portion of VAT recoverable		1,465		3,698
Total amounts receivable	**$**	**12,475**	**$**	**10,233**

At the reporting date, the Company assessed the timing of collection of the total VAT receivable of $10,461 (December 31, 2023 – $12,536) and concluded that $1,465 (December 31, 2023 – $3,698) of the VAT recoverable is not expected to be collected within the next 12 months, therefore it was classified as non-current Other assets.

5. INVENTORIES

		March 31 2024		December 31 2023
Concentrate	$	1,268	$	684
Ore stockpiles		1,015		951
Materials and supplies		6,781		6,382
Total inventories	**$**	**9,064**	**$**	**8,017**

During the three months ended March 31, 2024, the Company expensed $4,612 of inventories to cost of sales (March 31, 2023 – $4,622).

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

6. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Land and buildings	Construction in process	Total
COST	**$**	**$**	**$**	**$**
Balance December 31, 2023	23,658	14,638	32,830	71,126
Additions	367	114	1,992	2,473
Transfers	489	28,750	(32,597)	(3,358)
Dispositions	-	(290)	-	(290)
Foreign currency movement	644	478	666	1,788
Balance March 31, 2024	**25,158**	**43,690**	**2,891**	**71,739**
ACCUMULATED DEPRECIATION				
Balance December 31, 2023	(10,965)	(5,178)	-	(16,143)
Depletion and amortization	(888)	(1,237)	-	(2,125)
Dispositions	-	195	-	195
Foreign currency movement	(273)	(126)	-	(399)
Balance March 31, 2024	**(12,126)**	**(6,346)**	**-**	**(18,472)**
Net book value March 31, 2024	**13,032**	**37,344**	**2,891**	**53,267**

	Machinery and equipment	Land and buildings	Construction in process	Total
COST	**$**	**$**	**$**	**$**
Balance December 31, 2022	23,529	12,814	21,514	57,857
Additions	714	612	13,882	15,208
Transfers	41	1,802	(1,843)	-
Dispositions	-	(252)	-	(252)
Foreign currency movement	(626)	(338)	(723)	(1,687)
Balance December 31, 2023	**23,658**	**14,638**	**32,830**	**71,126**
ACCUMULATED DEPRECIATION				
Balance December 31, 2022	(7,965)	(2,546)	-	(10,511)
Depletion and amortization	(3,252)	(2,995)	-	(6,247)
Dispositions	-	252	-	252
Foreign currency movement	252	111	-	363
Balance December 31, 2023	**(10,965)**	**(5,178)**	**-**	**(16,143)**
Net book value December 31, 2023	**12,693**	**9,460**	**32,830**	**54,983**

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

7. MINERAL PROPERTIES

	Campo Morado Mine	Tauehueto Mining Project	Total
COST	**$**	**$**	**$**
Balance December 31, 2023	**18,622**	**46,726**	**65,348**
Additions	-	3,515	3,515
Transfers	1,805	1,553	3,358
Foreign currency movement	464	974	1,438
Balance March 31, 2024	**20,891**	**52,768**	**73,659**
ACCUMULATED DEPRECIATION			
Balance December 31, 2023	**(1,270)**	**-**	**(1,270)**
Depletion and amortization	(163)	(53)	(216)
Foreign currency movement	(32)	-	(32)
Balance March 31, 2024	**(1,465)**	**(53)**	**(1,518)**
Net book value March 31, 2024	**19,426**	**52,715**	**72,141**

	Campo Morado Mine	Tauehueto Mining Project	Total
COST	**$**	**$**	**$**
Balance December 31, 2022	17,587	38,438	56,025
Additions	-	8,357	8,357
Changes in closure and reclamation	1,448	330	1,778
Foreign currency movement	(413)	(399)	(812)
Balance December 31, 2023	**18,622**	**46,726**	**65,348**
ACCUMULATED DEPRECIATION			
Balance December 31, 2022	(693)	-	(693)
Depletion and amortization	(604)	-	(604)
Foreign currency movement	27	-	27
Balance December 31, 2023	**(1,270)**	**-**	**(1,270)**
Net book value December 31, 2023	**17,352**	**46,726**	**64,078**

Tahuehueto Mining Project

The Company owns 99% of the Tahuehueto mining project located in the State of Durango, Mexico. The Company has a 30 year surface access rights agreement with the local communities under which the Company is obligated to make annual payments of US$46,540, increasing 5% compounded annually. A portion of the Tahuehueto mine is subject to a 1.6% net smelter return royalty ("NSR"). Under IAS 16, the Company capitalizes all direct costs related to the development of the Tahuehueto project to mineral properties or property, plant and equipment, including borrowing costs. For the three months ended March 31, 2024, the Company capitalized $1,650 in borrowing costs (March 31, 2023 - $1,459) associated with the Tahuehueto mining project.

Campo Morado Mine

The Company owns 100% of the Campo Morado Mine located in the State of Guerrero, Mexico. The Campo Morado Mine is subject to a royalty between 2% - 3% of the net value of sales over the minerals extracted during the term of existence of the mining concession to the Servicio Geologico Mexicano ("SGM").

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

8. OTHER ASSETS

		March 31 2024		December 31 2023
Deferred financing costs	$	111	$	72
Non-current portion of VAT recoverable		1,465		3,698
Others		58		-
Total other assets	**$**	**1,634**	**$**	**3,770**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31 2024		December 31 2023
Accounts payable	$	12,946	$	12,226
Tax payable		2,297		1,830
Payroll and benefits accrual		2,325		2,466
Contingent liabilities		9,391		9,020
Royalties and other payables		8,227		6,895
Total accounts payable and accrued liabilities	**$**	**35,186**	**$**	**32,437**

As at March 31, 2024, the Company has recognized $9,391 of contingent liabilities (December 31, 2023 - $9,020) in relation to litigation, claims and assessments (see Note 25).

10. LEASE LIABILITIES

Leases consist of machinery and equipment used to support operations at the Campo Morado and Tahuehueto mines. The Company also leases office space for its corporate offices in Vancouver, Canada and site headquarters located in Mexico City, Mexico.

The following outlines the continuity of lease liabilities:

Balance, December 31, 2022	$	**10,062**
Additions		490
Payments		(545)
Interest expense		1,048
Interest paid		(1,048)
Foreign currency movement		(224)
Balance, December 31, 2023	**$**	**9,783**
Additions		210
Payments		(276)
Interest expense		249
Interest paid		(249)
Foreign currency movement		229
Balance, March 31, 2024	**$**	**9,946**

		March 31 2024		December 31 2023
Current	$	1,120	$	1,551
Non-current		8,826		8,232
Balance	**$**	**9,946**	**$**	**9,783**

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

10. LEASE LIABILITIES (continued)

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

		Amount
2025	$	1,737
2026		1,687
Thereafter		10,522
Total minimum lease payments		13,946
Present value of minimum lease payments		(4,000)
Lease obligations, March 31, 2024	**$**	**9,946**

11. EMPRESS ROYALTY STREAMING

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. Empress, to secure the Stream Agreement advanced a total of US$5,000 with a first initial payment of US$2,000 received on April 29, 2021, and the remaining US$3,000 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 whereby the silver delivery obligations between October 1, 2022 and June 30, 2023 were deferred (the "Deferral Period") and the maturity of the Stream Agreement was extended by nine months, commensurate with the Deferral Period for cash consideration of US$150 paid on June 30, 2023.

Balance, December 31, 2022	$	**8,628**
Amortization of deferred revenue		(349)
Cash disbursement, net of transaction fees		(202)
Change in estimate		267
Accretion on streaming arrangements		1,740
Foreign currency movement		(236)
Balance, December 31, 2023	**$**	9,848
Amortization of deferred revenue		(246)
Accretion on streaming arrangements		462
Foreign currency movement		246
Balance, March 31, 2024	**$**	**10,310**

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

12. LOANS PAYABLE

	Trafigura (Campo)	Trafigura (Tah)	Breakwater	Escorfin	Accendo	Calu	Total
	$	$	$	$	$	$	$
Balance, December 31, 2023	1,832	16,668	2,187	-	10,418	-	31,105
Additions, net of transaction fees	3,371	-	-	-	-	-	3,371
Interest expense	87	738	54	-	483	-	1,362
Loan payments	(95)	(510)	(56)	-	-	-	(661)
Fair value of shares issued in settlement of debt obligations	-	-	-	-	(4,970)	-	(4,970)
Effect of change in foreign exchange rates	62	301	-	-	195	-	558
(Gain)/loss on modification	(3)	(25)	53	-	(6,126)	-	(6,101)
Balance, March 31, 2024	**5,254**	**17,172**	**2,238**	**-**	**-**	**-**	**24,664**
Which cosists of:							
Current portion of loans	5,254	17,172	2,238	-	-	-	24,664
Non-current portion of loans	-	-	-	-	-	-	-
Balance, March 31, 2024	**5,254**	**17,172**	**2,238**	**-**	**-**	**-**	**24,664**

	Trafigura (Campo)	Trafigura (Tah)	Breakwater	Escorfin	Accendo	Calu	Total
	$	$	$	$	$	$	$
Balance, December 31, 2022	2,970	17,202	3,682	5,419	9,395	3,561	42,229
Additions	-	-	-	-	-	-	-
Interest expense	241	1,833	320	284	1,269	123	4,070
Loan payments	(1,334)	(2,173)	(1,758)	-	-	-	(5,265)
Fair value of shares issued in settlement of debt obligations	-	-	-	(5,725)	-	(3,715)	(9,440)
Effect of change in foreign exchange rates	(49)	(401)	(57)	(19)	(246)	(13)	(785)
(Gain)/loss on modification	4	207	-	41	-	44	296
Balance, December 31, 2023	**1,832**	**16,668**	**2,187**	**-**	**10,418**	**-**	**31,105**
Which consist of:							
Current portion of loans	1,832	16,668	2,187	-	8,571	-	29,258
Non-current portion of loans	-	-	-	-	1,847	-	1,847
Balance, December 31, 2023	**1,832**	**16,668**	**2,187**	**-**	**10,418**	**-**	**31,105**

a) Trafigura (Campo and Tahuehueto)

The Company has had loans outstanding to Trafigura since 2017. As a result of previous non-compliance with the terms and conditions of the Company's loans with Trafigura, on November 12, 2020, the Company agreed to transfer all of its assets in the Campo Morado and Tahuehueto mining projects into a trust, governed by a trustee and a trust agreement (the "Trust"), in order to secure the full repayment of the outstanding loans. When the total debt due to Trafigura is fully repaid, the Trust will be terminated, and all assets held within the Trust will return to the Company.

On January 1, 2022, the Company had two outstanding loans to Trafigura, the Trafigura Campo loan ("Trafi Campo") and the Trafigura Tahuehueto loan ("Trafi Tah") for $3,937 and $17,704 respectively (collectively the "Trafigura Loans"). The Trafi Campo loan bore interest at three-month LIBOR plus 5% and matured on September 30, 2023, and the Trafi Tah loan bore interest at one year LIBOR plus 6% and matured on September 30, 2024. On April 1, 2022, the Company and Trafigura amended the terms of the Trafigura Loans to extend the maturity dates to December 31, 2023, for the Trafi Campo loan and December 31, 2024, for the Trafi Tah loan each with equal loan repayments over eighteen and thirty months, respectively, beginning in July 2022. The Company recognized a gain of $10 through the statement of loss and comprehensive loss for the change in fair value due to the amendment to the terms on the Trafi Campo loan and capitalized a loss of $37 to the development project asset for the change in fair value due to the amended terms on the Trafi Tah loan.

12. LOANS PAYABLE (continued)

a) Trafigura (Campo and Tahuehueto) (continued)

On June 30, 2023, the Company and Trafigura further amended the outstanding Trafigura Loans to extend the maturities of the Trafi Campo loan to June 2024 and the Trafi Tah loan to December 31, 2024 and the effective interest rates were changed to SOFR plus 5.26% and SOFR plus 6.72%, respectively. Repayments were to be made in 14 equal installments commencing in May 31, 2023 for Trafi Campo and November 2023 for Trafi Tah. The Company assessed the overall impact of the changes and capitalized a loss of $207 to the development project asset for the change in fair value due to the amended terms on the Trafi Tah loan.

On January 11, 2024, the Company received an additional loan from Trafigura for $3,371 (US$2,500) under the Trafi Campo loan agreement, converted $7,777 (US$5,800) of the Trafi Tah loan into a non-interest bearing convertible debenture and concurrently amended the terms of the Trafigura Loans. The Trafi Campo loan's maturity date was extended to June 30, 2025 with repayments of $349 (US$260) plus interest commencing on April 30, 2024. The Trafi Tah loan's maturity date was extended to January 3, 2026 with repayments of $268 (US$200) plus interest commencing on March 31, 2024. After six months, the repayments on the Trafi Tah loan will increase to $463 ($US345) plus interest.

Trafigura has conditionally assigned the convertivle debenture to its affiliate Urion Holdings ("Malta") Limited ("Urion"), such assignment to be perfected upon Urion being included in the existing security arrangements between the Company and Trafigura (the "Condition"). The convertible debenture was signed and placed in escrow, to be released once the Condition is met. The convertible debenture will mature in three years from the date it is released from escrow and made effective, but may be repaid prior to that date upon providing 60 days written notice and that the Trafigura Loans and the Breakwater Loan have been repaid in full. Trafigura may elect to convert in whole or in part, the convertible debenture principal at any time prior to the maturity date at the conversion price of $0.35 per common share. Any Shares issued under the convertible debenture will be subject to a four month plus one day hold period under applicable Canadian securities laws. The convertible debenture is subject to the receipt of final approval from the TSXV.

b) Breakwater Loan Agreement

The Company has a loan outstanding to Breakwater Resources Ltd. ("Breakwater"), a subsidiary of Trafigura Mexico, S.A. de C.V. ("Trafigura") which bears interest at 10% per annum and is repayable in equal monthly installments of $279 (US$207). On May 1, 2022, the Company and Breakwater amended the terms of the loan agreement to extend the maturity date to December 31, 2023, with a three-month grace period between May and July 2022. Effective June 30, 2023, the Company and Breakwater further amended the agreement to extend the maturity date of the loan to May 2024, with a six-month grace period between December 2022 and May 2023. As a result of the amendment of terms, the Company recognized a gain of $6 on the revaluation of the loan.

On January 11, 2024, the Company and Breakwater agreed to a further extend the maturity date of the loan to June 2025 with repayment to commence in April 2024 with equal monthly principal repayments of $147 (US$110) plus interest.

c) Escorfin

The Company had a loan outstanding with Estrategica Corporativa en Finanzas, S.A.P.I. de C.V. ("Escorfin") which bore interest at 10% per annum. On May 26, 2022, the terms of the loan were amended to extend the maturity date to September 2025 with thirty-six equal principal repayments commencing on October 2023 and interest continuing to accrue at 10% per annum on the outstanding principal balance. On February 28, 2023, the Company settled the outstanding principal and interest of $5,725 by issuing 12,721,310 common shares of the Company. As a result of the amendment and settlement, the Company recognized a loss of $41 in the year ended December 31, 2023 through the statements of loss and comprehensive loss.

d) Accendo Loan Facility

The Company had a loan faciity agreement with Accendo Banco, S.A., Institucion de Banca Multiple ("Accendo") for US$12,000 (the "Loan Facility"), of which US$6,200 had been drawn down. The Loan Facility was for a four-year term with equal monthly principal repayments commencing after a twelve month grace period, bore interest at 13.5% per annum, payable quarterly on the drawn amount and was secured by a second ranking security interest over all the assets of the Company.

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

12. LOANS PAYABLE (continued)

d) Accendo Loan Facility (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 commenced a liquidation process to protect the savings of the bank's clients. The Company had a balance of US$5,800 available from the Loan Facility for drawdown. However, due to the ongoing liquidation process, the Company's ability to access this remaining balance was impaired.

e) Accendo Loan Facility (continued)

The Company's Loan Facility was assigned to Latapi Consultores, S.A. de C.V. ("Latapi") by Accendo and on December 6, 2023, the Company and Latapi agreed to settle the outstanding Loan Facility's principal and interest of $11,030 (US$7,993) by the Company issuing 17,750,000 common shares of the Company at $0.45 per share to Latapi and Latapi forgiving $3,042 (US$2,205) of the Loan Facility. The transaction closed on January 23, 2024 with the issuance of the common shares.

f) Calu Loan

The Company had a loan agreement with Calu Opportunity Fund, LP ("Calu") whereby Calu provided the Company with $2,891 (US$2,345). The loan was unsecured, had a term of 4 years, bore interest at 13.5% per annum, and was payable in twelve quarterly instalments commencing March 10, 2023.

On August 31, 2022, the Company and Calu agreed to amend the terms of the Calu Loan whereby $187 (US$144) 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 with the loan balance payable in thirty-seven monthly blended principal and interest payments 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 fair value of the Calu Loan of $23 in the statement of loss and comprehensive loss. As consideration for the amendment, the Company issued Calu, 622,272 bonus warrants. Each bonus warrant is exercisable into common shares of the Company within two and a half years at a price of $2.80 per common share. The bonus warrants had a fair value of $119, calculated using the Black- Scholes option pricing model, and were 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 December 31, 2023, the unamortized balance of the fair value discount on the loan and the deferred financing cost is $Nil and $70, respectively (December 31, 2022 – $61 and $118, respectively).

In February 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 on the fair value of the Calu Loan of $44 in the statement of loss and comprehensive loss in the year ended December 31, 2023.

13. PROVISION FOR RECLAMATION AND REHABILITATION

The Company recognized a provision for reclamation related to the environmental restoration and closure costs associated with the Campo Morado Mine and the Tahuehueto Mining Project. Significant reclamation and closure activities include land rehabilitation, decommissioning of buildings and mine facilities, ongoing care and maintenance and other costs.

		Campo Morado		Tahuehueto		Total
Balance, December 31, 2023	$	5,588	$	3,418	$	9,006
Accretion		136		83		219
Changes in estimate		-		-		-
Foreign currency movement		214		131		345
Balance, March 31, 2024	**$**	**5,938**	**$**	**3,632**	**$**	**9,570**

		Campo Morado		Tahuehueto
Anticipated settlement date		2044		2035
Undiscounted uninflated estimated cash flow	$	10,102,455	$	7,511,791
Estimated life of mine (years)		21		12
Discount rate (%)		9.6		9.6
Inflation rate (%)		5.2		5.2

14. SHARE CAPITAL

a) Authorized share capital

The authorized share capital of the Company is as follows:

i. unlimited voting common shares without par value
ii. unlimited preferred shares without par value

b) Equity offerings

During the three months ended March 31, 2024, the Company issued common shares as follows:

i. On December 6, 2023, the Company agreed to settle the outstanding Loan Facility's principal and interest of $11,030 in relation to Accendo's Loan Facility that was assigned to Latapi Consultores, S.A. de C.V. by the Company issuing 17,750,000 common shares of the Company at $0.45 per share to Latapi. The transaction closed on January 23, 2024 with the issuance of the common shares. A gain/loss of $6,126 was realized on settlement based on the closing bid price of the shares issued on settlement.

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

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 $7 has been recorded as share capital. A gain/loss of $860 was realized on settlement based on the closing bid price of the shares issued on settlement.

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 $208 of transaction fees and the fair value of the shares, net of transaction fees of $9,231 has been allocated to share capital.

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 $2,185 of share issue costs consisting of finders' fees of $1,198, issuance of 3,423,556 finders' warrants with a fair value of $680, and legal fees and other transaction costs of $307. 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 other 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 $352 of transaction fees.

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

14. SHARE CAPITAL (continued)

b) Equity offerings (continued)

v. On December 3, 2023, the Company completed a private placement and sold 5,714,286 Units at a price of $0.35 per Unit for gross proceeds of $2,000. Each Unit consists of one common share in the Company and one half of one share purchase warrant entitling the holder to purchase an additional common share at a price of $0.50 per common share until December 18, 2025. In connection with the private placement, the Company issued 680,851 finders' warrants with a fair value of $160 allocated to other reserves.

15. RESERVES

a) Warrants

The following summarizes the continuity of common share purchase warrants:

	March 31,2024		December 31,2023	
	Number outstanding	**Weighted average exercise price $**	Number outstanding	Weighted average exercise price $
Outstanding, beginning of the year	50,614,949	0.60	6,169,330	2.55
Issued	-	-	49,097,191	0.50
Expired	-	-	(4,651,572)	2.16
Outstanding, end of the period	**50,614,949**	**0.60**	**50,614,949**	**0.60**

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

Expiry date		**Exercise price CAD$**	**Warrants outstanding**	**Remaining life (years)**
April 20, 2024	$	4.40	757,273	0.1
May 12, 2024		4.40	43,750	0.1
May 30, 2024		4.40	94,463	0.2
April 25, 2025		0.50	28,905,717	1.1
June 2, 2025		0.50	10,832,896	1.2
June 23, 2025		0.50	250,000	1.2
June 26, 2025		0.50	6,001,435	1.2
June 30, 2025		2.80	622,272	1.2
December 18, 2025		0.50	2,857,143	1.7
June 5, 2026		0.50	250,000	2.2
	$	**0.60**	**50,614,949**	**1.1**

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

	March 31 2024	December 31 2023
Risk-free interest rate	-	3.86%
Expected life of options (years)	-	2.0 years
Expected annualized volatility	-	93%
Expected dividend yield	-	Nil

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

15. RESERVES (continued)

b) Stock Options

The Company has adopted an Omnibus equity compensation plan (the "Plan") under the rules of the TSXV pursuant to which the Company's Board of Directors is authorized, from time to time, to grant a varying range of incentive awards, including stock options, restricted share units ("RSU"), deferred share units ("DSU"), performance share units ("PSU") and other share-based awards (the "Awards") to employees, consultants, directors and officers. The Plan is a rolling Awards plan whereby the number of Awards issuable under the plan shall not exceed, on a rolling basis, 10% of the Company's issued and outstanding common shares at the time of grant.

Under the Plan, the exercise price of each stock option may be issued at a maximum of a 25% discount to the market price of the Company's common shares on the date of grant, or such higher price as determined by the Board of Directors. The stock options can be granted for a maximum term of 10 years with vesting terms determined by the Board of Directors. No individual may be granted options exceeding 5% and no consultant or individual employed to provide "investor relations activities" may be granted options exceeding 2% of the Company's common shares outstanding in any 12-month period. As at March 31, 2024 and December 31, 2023, the Company has not issued any RSUs, DSUs or PSUs under the Plan.

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

	March 31,2024		December 31,2023	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding, beginning of the period	6,661,320	0.46	1,226,042	0.57
Granted	400,000	0.35	6,052,778	0.45
Cancelled	-	-	(305,000)	0.46
Expired	-	-	(312,500)	0.73
Outstanding, end of the period	**7,061,320**	**0.45**	**6,661,320**	**0.46**

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

Expiry date	Options outstanding	Weighted average exercise price CAD$	Remaining contractual life (years)	Options exercisable
January 29, 2025	25,000	0.50	0.83	25,000
February 8, 2025	31,250	0.50	0.86	31,250
February 10, 2025	100,000	0.40	0.87	50,000
August 6, 2025	12,500	0.50	1.35	12,500
December 5, 2025	112,500	0.72	1.68	75,000
February 25, 2026	635,417	0.50	1.91	635,417
May 11, 2026	9,375	0.50	2.11	9,375
May 19, 2026	62,500	0.50	2.13	62,500
August 9, 2026	12,500	0.50	2.36	12,500
April 25, 2028	527,778	0.45	4.07	175,926
June 7, 2028	4,707,500	0.46	4.19	1,569,167
September 17, 2028	135,000	0.35	4.47	135,000
October 4, 2028	290,000	0.35	4.52	290,000
January 1, 2029	200,000	0.35	4.76	200,000
February 6, 2029	200,000	0.35	4.86	200,000
	7,061,320	**0.45**	**3.89**	**3,483,635**

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

15. RESERVES (continued)

b) Stock options (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 months ended March 31, 2024, an amount of $224 was expensed as share-based payments (March 31, 2023 - $496). Included in share-based payments are amounts expensed through administrative personnel of $138 (March 31, 2023 - $485), mine operations of $23 (March 31, 2023 - $nil) and business promotion of $36 (March 31, 2023 - $11). Additionally, during the three months ended March 31, 2024, $27 (March 31, 2023 - $nil) was capitalized to the Tahuehueto mineral property asset. The portion of share-based compensation recorded is commensurate with the vesting terms of the options. The fair value of options granted during the period carry an exercise price of $0.35.

During the three months ended March 31, 2024, the Company granted a total of 400,000 options (March 31, 2023 – 100,000) with a weighted average fair value of $0.21 (March 31, 2023 – $0.21).

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

	March 31 2024	December 31 2023
Risk-free interest rate	5.19%	3.75%
Expected life of options (years)	5.0 years	5.0 years
Expected annualized volatility	94.2%	110%
Expected dividend yield	Nil	Nil

16. EARNING (LOSS) PER SHARE

	Three months ended			
		March 31 2024		March 31 2023
Basic and diluted				
Net income (loss) for the year	$	7,313	$	(1,264)
Weighted average number of shares (000's)		161,566		35,456
Earnings (loss) per share – basic and diluted	**$**	**0.05**	**$**	**(0.04)**

All of the outstanding warrants and options are anti-dilutive for the three months ended March 31, 2024 and 2023.

17. NET REVENUE

The Company is principally engaged in the business of producing a bulk (copper and zinc), lead and zinc concentrates in Mexico. The disaggregated revenue information for the three months ended March 31, 2024 and 2023, is as follows:

	Three months ended			
		March 31 2024		March 31 2023
Bulk concentrate	$	12,043	$	8,213
Lead concentrate		7,601		6,271
Zinc concentrate		9,102		14,049
Provisional pricing adjustments		406		-
Income from stream		363		(280)
Treatment and selling costs		(7,474)		(9,667)
	$	**22,041**	**$**	**18,586**

The Company sells 100% of its concentrates to one customer.

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

18. COST OF SALES

	Three months ended			
		March 31 2024		March 31 2023
Production Costs	$	16,655	$	16,410
Royalties		1,149		528
Inventory changes		(1,210)		(451)
Depreciation		583		871
	$	**17,177**	**$**	**17,358**

19. GENERAL AND ADMINISTRATION

	Three months ended			
		March 31 2024		March 31 2023
Salaries and employee benefits	$	1,215	$	984
Professional fees		270		228
Corporate and administration		1,140		526
Depreciation and amortization		170		103
	$	**2,795**	**$**	**1,841**

20. INTEREST AND FINANCE (INCOME) COSTS

	Three months ended			
		March 31 2024		March 31 2023
Interest (income) expense	$	(17)	$	384
Amortization of deferred finance costs		9		740
Accretion on streaming arrangements		463		409
Accretion of provision for site reclamation and closure		219		166
Bank fees, penalties, and other		8		9
	$	**682**	**$**	**1,708**

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

21. RELATED PARTIES

In addition to related party transactions described elsewhere in the notes to the consolidated financial statements, the Company had the following related party transactions:

a) *Compensation of key management personnel*

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to key management personnel is as follows:

		Three months ended		
		March 31 2024		March 31 2023
Salaries, bonus and benefits	$	310	$	385
Consulting fees		271		312
Share-based compensation		149		15
	$	**730**	**$**	**712**

b) *Related party balances*

As at March 31, 2024, directors and officers or their related companies were owed $129 (December 31, 2023 - $393) included in accounts payable and accrued liabilities mainly in respect to directors' fees payable and reimbursement of labour obligations. These amounts are unsecured, non-interest bearing and have no specific terms of settlement.

c) *Estrategica Corporativa en Finanzas, S.A.P.I de C.V. ("Escorfin")*

Escorfin is a private equity fund to which the Company had a long-term loan obligation of $5,419 (US$4,001) at December 31, 2022 (note 12). The Company and Escorfin have directors in common. On February 28, 2023, the principal and interest owning of $5,725 (US$4,242) was settled with the issuance of 12,721,310 common shares of the Company. During the three months ended March 31, 2024, the Company incurred interest of $nil (March 31, 2023 - $206).

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

The Company has a service agreement with Bursametrica whereby the financial institution provides foreign exchange services primarly 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, 2024, the amount exchanged for currency denominated in the Mexican Peso at exchange rates at the time of the conversion was $nil (March 31, 2023 - $7,718 (US$5.71 million)).

e) *Cozen O'Connor LLP ("Cozen")*

Cozen O'Connor is an Amlaw 100 international law firm to which the Company has legal services. A director of the Company was deemed to have economic influence in the law firm. During the three months ended March 31, 2024, the Company incurred legal expenses of $86 (March 31, 2023 - $105).

(Unaudited - Expressed in thousands of Canadian dollars, unless otherwise indicated)

22. SEGMENTED INFORMATION

The Company is engaged in mining, exploration, and development of mineral properties in Mexico with a corporate head office based out of Canada and Mexico and two reportable operating segments. The Company's operating segments are based on internal management reports that are reviewed by the Company's executives in assessing performance. Mining operations consists of the Campo Morado mine, which is currently operational and producing, and Tahuehueto mining project currently in a ramp-up stage.

March 31, 2024	Total assets	Total liabilities	Capital expenditures
	$	$	$
Campo Morado	46,364	29,780	792
Tahuehueto	108,355	40,506	5,082
Corporate	2,958	19,390	114
Consolidated	**157,677**	**89,676**	**5,988**

December 31, 2023	Total assets	Total liabilities	Capital expenditures
	$	$	$
Campo Morado	44,146	25,451	3,136
Tahuehueto	102,028	58,684	9,652
Corporate	882	8,044	-
Consolidated	**147,056**	**92,179**	**12,788**

Three months ended March 31, 2024	Campo Morado	Tahuehueto	Corporate	Total
	$	$	$	$
Revenue, net	13,749	8,292	-	22,041
Cost of sales before depreciation and depletion	(11,009)	(5,585)	-	(16,594)
Depreciation and depletion in cost of sales	(583)	-	-	(583)
Mine operating earnings (loss)	2,157	2,707	-	4,864
G&A and other expenses	(520)	(571)	(1,842)	(2,933)
Interest, finance cost, and other	597	1,571	3,214	5,382
Net income (loss)	**2,234**	**3,707**	**1,372**	**7,313**

Three months ended March 31, 2023	Campo Morado	Tahuehueto	Corporate	Total
	$	$	$	$
Revenue, net	12,026	6,560	-	18,586
Cost of sales before depreciation and depletion	(12,120)	(4,367)	-	(16,487)
Depreciation and depletion in cost of sales	(871)	-	-	(871)
Mine operating earnings (loss)	(965)	2,193	-	1,228
G&A and other expenses	(234)	(58)	(2,034)	(2,326)
Interest, finance cost, and other	(619)	542	(89)	(166)
Net income (loss)	**(1,818)**	**2,677**	**(2,123)**	**(1,264)**

23. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Fair value hierarchy

Financial instruments included in the consolidated statements of financial position are measured either at fair value or amortized cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

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

Financial asset or liability	Methods and assumptions used to estimate fair value
Trade receivables	Trade receivables arising from the sales of metal concentrates are subject to provisional pricing, and the final selling price is adjusted at the end of a quotational period. These are marked to market at each reporting date based on the forward price corresponding to the expected settlement date.

The carrying value of cash, accounts payable and accrued liabilities, loans payable and other receivables, all of which are carried at amortized cost, approximate their fair value given their short-term nature. Trade receivables and related derivatives and advance payment are classified within Level 2 of the fair value hierarchy.

(Expressed in thousand of Canadian dollars, unless otherwise indicated)

23. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

March 31, 2024	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Carrying value approximates Fair Value
	$	$	$	$	$	$
Financial assets measured at Fair Value						
Trade receivables from sale of concentrate	2,157	-	2,157	-	2,157	-
	2,157	**-**	**2,157**	**-**	**2,157**	**-**
Financial assets not measured at Fair Value						
Cash	-	3,485	3,485	-	-	3,485
Other receivables	-	10,318	10,318	-	-	10,318
	-	**13,803**	**13,803**	**-**	**-**	**13,803**
Financial liabilities not measured at Fair Value						
Accounts payable and accrued liabilities	-	(35,186)	(35,186)	-	-	(35,186)
Loans payable	-	(24,664)	(24,664)	-	-	(24,664)
	-	**(59,850)**	**(59,850)**	**-**	**-**	**(59,850)**

December 31, 2023	Fair value through profit or loss	Amortized cost	Total	Level1	Level2	Carrying value approximates Fair Value
	$	$	$	$	$	$
Financial assets measured at Fair Value						
Trade receivables from sale of concentrate	743		743		743	-
	743	**-**	**743**	**-**	**743**	**-**
Financial assets not measured at Fair Value						
Cash	-	2,722	2,722	-	-	2,722
Other receivables	-	9,490	9,490	-	-	9,490
	-	**12,212**	**12,212**	**-**	**-**	**12,212**
Financial liabilities not measured at Fair Value						
Accounts payable and accrued liabilities	-	(32,437)	(32,437)	-	-	(32,437)
Loans payable	-	(31,105)	(31,105)	-	-	(31,105)
	-	**(63,542)**	**(63,542)**	**-**	**-**	**(63,542)**

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

(Expressed in thousand of Canadian dollars, unless otherwise indicated)

24. SUPPLEMENTAL CASHFLOW INFORMATION

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes for the periods as set out below are as follows:

	Loans	Leases	Empress Royalty streaming
	$	**$**	**$**
As at December 31, 2022	**42,229**	**10,062**	**8,628**
Additions	-	490	-
Interest	1,047	-	-
Accretion	197	-	1,740
Payments	(2,439)	(545)	(551)
Foreign exchange	(785)	(224)	(236)
Gain on settlement of debt	295	-	-
Changes in fair value	(9,439)	-	267
As at December 31, 2023	**31,105**	**9,783**	**9,848**
Additions	3,371	210	-
Interest	761	249	-
Accretion	601	-	462
Payments	(661)	(525)	-
Amortization of deferred revenue	-	-	(246)
Foreign exchange	558	229	246
Loss on settlement of debt	(6,101)	-	-
Changes in fair value	(4,970)	-	-
As at March 31, 2024	**24,664**	**9,946**	**10,310**

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

	Three months ended	
	March 31 2024	March 31 2023
Share based compensation capitalized	28	-
Depreciation capitalized	1,684	559
Shares issued on settlement of debt	4,970	9,439

25. COMMITMENTS AND CONTINGENCIES

a) Commitments

As at March 31, 2024, the Company had no commitments which are expected to be expended within one year.

b) Contingencies

In the normal course of business, the Company is aware of certain claims and potential claims. The outcome of these claims and potential claims is not determinable at this time, although the Company does not believe these claims and potential claims will have a material adverse effect on the Company's results of operations or financial position.

As at March 31, 2024, the Company has estimated an accrual of $9,391 (December 31, 2023 - $9,020) in contingent liabilities, mainly as follows:

Servicio de Administracion Tributaria Vs Minas de Campo Morado, S.A. de C.V.

During the 2019 fiscal year, the Servicio de Administracion Tributaria ("SAT") performed an audit on the Company's subsidiary, Minas de Campo Morado, S. A. de C. V. ("MCM"), in relation to value added tax ("VAT") and Impuesto Sobre la Renta ("ISR") claimed for the years 2014 and 2015. As a result of the audit, the SAT determined a difference in taxes payable of approximately $1,825 (MXN$16,000) and possible reduction of accumulated tax losses for $10,090 (MXN$104,000), which the Company is challenging through a legal process. As at December 31, 2023, Minas de Campo Morado, S.A. de C.V. has non-capital losses available for future periods in excess of the claimed amount, thus no additional accrual has been recorded on a contingent basis.

In the three months ended March 31, 2024, the Mexican court issued a favorable resolution to MCM for 90% of the 2014 and 2015 tax credits because all the expenses deducted were in line with the income tax regulations. MCM will go to a second legal action to get the remining 10% of the credits.

Servicio de Administracion Tributaria Vs Prestadora de Servicios Arcelia, S.A. de C.V.

During the 2015 fiscal year, the Servicio de Administracion Tributaria (SAT) performed an audit on the Company's subsidiary, Prestadora de Servicios Arcelia, S. A. de C. V. (PSA), in relation to value added tax ("VAT") and Impuesto Empresarial Tasa Unica ("IETU") claimed. As a result of the audit, the SAT determined a difference in taxes payable of approximately $2,399 (MXN$34,000).

Reynaldo D. Mac Allister Vs Minas de Campo Morado, S.A. de C.V. and Prestadora de Servicios Arcelia, S.A. de C.V.

In July of 2013, Reynaldo D. Mac Allister ("Reynaldo") commenced a legal procedure against Minas de Campo Morado, S.A. de C.V. and Prestadora de Servicios Arcelia, S.A. de C.V. claiming Reynaldo was dismissed without cause. Reynaldo is suing for damages caused by the dismissal and other related labour obligations owing to him for a total amount of approximately $133 (MXN$1,700).

Size Solutions, S.A. de C.V.

In March 2020, the Company terminated its business relationship with Size Solutions S.A. de C.V. ("Size"), a payroll service provider for Minas de Campo Morado, S.A. de C.V., and corporate offices in Mexico City. The Company received notice from Size of outstanding amounts payable by the Company as at December 31, 2019 in the amount of $4,970 (MXN$62,000).

26. SUBSEQUENT EVENTS

Subsequent to March 31, 2024, the Company granted 200,000 stock options to certain officers and employees. These options carry an exercise price of $0.37 and have a lifespan of 5 years.