LUCA Mining Corp.

Consolidated Financial Statements

For the years ended

December 31, 2024 and 2023

Doane Grant Thornton LLP
20th Floor
733 Seymour Street
Vancouver, BC
V6B 0S6

T +1 604 687 2711
F +1 604 685 6569

Independent auditor's report

To the Shareholders of

Luca Mining Corp.

Opinion

We have audited the consolidated financial statements of Luca Mining Corp. (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2024, December 31, 2023, and January 1, 2023 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2024 and December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2024, December 31, 2023 and January 1, 2023, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2024 and December 31, 2023 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements which indicates that the Corporation has an excess of current liabilities over current assets of $20,968,000 and has an accumulated deficit of $89,127,000 as at December 31, 2024. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters below to be the key audit matters to be communicated in our auditor's report.

Amendment to Royalty Stream

Refer to Note 15 of the consolidated financial statements.

On April 14, 2021, the Corporation entered into a silver stream agreement in which they received a total of $5,000,000 in exchange for payable silver. Management determined that this agreement should be accounted for as deferred revenue in accordance with IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). Subsequently, on August 13, 2024, the silver stream agreement was amended whereby a portion of the agreement was required to be settled in other than payable silver.

In assessing the accounting for this amendment, management was required to make judgments in determining whether amendments to the agreement were accounted for under IFRS 15 and if the amended silver stream agreement continued to meet the criteria of the 'own use' exemption in IFRS 9 – Financial Instruments ("IFRS 9").

Given the significance of the estimates and management's judgments, including the use of management's experts, and the significance of this transaction to the consolidated financial statements, we have identified the assessment of the amendment to the silver stream agreement as a key audit matter.

Our audit procedures included, amongst other procedures:

- A review of the amended agreement including key terms;
- An evaluation of the reasonableness of management's assessment of the accounting for the amended royalty stream agreement in accordance with IFRS Accounting Standards;
- An evaluation by our own internal valuation expert of the reasonableness of the inputs and significant assumptions, including the discount rates, used in both management's deferred revenue model and the financial liability model;
- An evaluation of the reasonableness of the expected deliveries of silver under the agreement against management's mineral resources; and
- An assessment of estimation uncertainty by performing a sensitivity analysis on management's significant assumptions, including commodity prices and discount rate.

Loan modification and issuance of convertible debenture

Refer to Note 13 and Note 14 of the consolidated financial statements.

During the year, the Corporation converted $5,800,000 of the Trafigura Tahuehueto loan into a non-interest bearing convertible debenture. The debenture was recognized as a financial liability with the conversion feature recognized separately as a derivative liability measured at fair value through profit or loss.

Management determined that the conversion option did not meet the fixed-for-fixed criterion under IAS 32 Financial Instruments: Presentation ("IAS 32") due to the agreement being denominated in USD, whilst the conversion price is denominated in CAD. As such, the entire debenture is classified as a financial liability with the conversion feature recognized separately as a derivative liability, measured at fair value through profit or loss under IFRS 9.

Given the complexities, management judgements and management estimates in relation to the determination of the appropriate accounting treatment as well as valuation of this instrument, and the significant loss recognized in the statement of loss and comprehensive loss, we have identified the loan modification accounted for as an extinguishment and issuance of convertible debenture recognized as a new financial liability as a key audit matter.

Our audit procedures included, amongst other procedures:

- A review of the amended agreement including key terms;
- An evaluation of the reasonableness of management's assessment of the accounting for the loan modification and issuance of convertible debenture in accordance with IFRS Accounting Standards;
- Engagement of our internal valuation expert regarding the development of an auditor's point estimate and compared to the estimate determined by management's expert; and
- Assessed the qualifications and objectivity of the third-party valuation expert used by management.

Emphasis of Matter - Change in Presentation Currency

We draw attention to Note 3(s) in the consolidated financial statements which discloses that during the year, the Corporation changed its presentation currency of its consolidated financial statements from the Canadian dollar to the United States dollar. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standardsFrom the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert J. Riecken.

Doane Grant Thornton LLP

Vancouver, Canada
April 22, 2025

Chartered Professional Accountants

Mining Corp.

Consolidated statements of financial position

(Expressed in thousands of US dollars)

	Note	December 31 2024	December 31 2023	January 1 2023
			Restated - Note 3(s)	*Restated - Note 3(s)*
ASSETS				
Current assets				
Cash and cash equivalents		**$ 10,207**	$ 2,058	$ 850
Amounts receivable	5	**7,637**	7,543	9,970
Inventories	6	**8,591**	6,061	6,938
Prepaid expenses and deposits	7	**4,410**	2,460	2,837
Other current assets		**116**	-	-
Total current assets		**30,961**	18,122	20,595
Non-current assets				
Property, plant and equipment	8	**44,544**	41,630	34,972
Mineral properties	9	**59,427**	48,304	41,222
Other assets	10	**42**	2,795	1,942
Total assets		**$ 134,974**	$ 110,851	$ 98,731
LIABILITIES				
Current liabilities				
Amounts payable and accrued liabilities	11	**$ 24,715**	$ 24,528	$ 21,577
Current portion of lease liabilities	12	**1,796**	1,172	1,127
Current portion of loans payable	13	**14,603**	23,518	25,255
Derivative liabilities	14	**4,975**	-	-
Deferred revenue	15	**-**	7,446	246
Current portion of stream agreement	15	**5,840**	-	-
Share subscriptions received in advance		**-**	-	6,924
Total current liabilities		**51,929**	56,664	55,129
Non-current liabilities				
Lease liabilities	12	**9,214**	6,224	6,302
Loans payable	13	**2,434**	-	5,925
Stream agreement	15	**16,964**	-	6,124
Provision for reclamation and rehabilitation	16	**6,749**	6,810	4,295
Total liabilities		**87,290**	69,698	77,775
SHAREHOLDERS' EQUITY				
Share capital	17	**122,594**	107,814	79,537
Share subscriptions		**10**	-	-
Reserves	18	**12,673**	9,962	7,564
Accumulated other comprehensive earnings		**1,534**	2,081	1,445
Deficit		**(89,127)**	(78,704)	(67,590)
Total equity		**47,684**	41,153	20,956
Total liabilities and equity		**$ 134,974**	$ 110,851	$ 98,731

Nature of operations and going concern (note 1)

Commitments and contingencies (note 29)

Subsequent events (note 30)

"David Rhodes"
Director

"Phillip Brumit Sr."
Director

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

Mining Corp.

Consolidated statements of loss and comprehensive loss

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

	Notes	For the year ended December 31 2024	December 31 2023 Restated - Note 3 (s)
Revenue		**$ 104,092**	$ 75,036
Treatment and selling costs		**(23,518)**	(24,443)
Net revenue	20	**80,574**	50,593
Cost of sales	21	**63,404**	49,504
Mine operating earnings		**17,170**	1,089
General and administration	22	**7,548**	6,694
Share-based compensation	18(b)	**2,192**	1,174
Foreign exchange loss		**(689)**	1,856
Other operating expense		**1,796**	56
Operating earnings (loss)		**6,323**	(8,691)
Interest and finance costs, net	23	**(2,583)**	(3,031)
Fair value of derivative liability in excess of deferred revenue	15	**(14,440)**	–
Loss on debt modification and settlement	13	**(1,446)**	(2)
Gain on disposal of subsidiary	3	**2,087**	–
Change in fair value of derivative liabilities	14, 15	**(364)**	610
Loss before income taxes		**$ (10,423)**	$ (11,114)
Current income tax expense		**–**	–
Deferred income tax expense		**–**	–
Net loss for the year		**$ (10,423)**	$ (11,114)
Other comprehensive loss, net of tax			
Items that will not be subsequently reclassified to net loss:			
Foreign currency translation differences		**(547)**	636
Total comprehensive loss for the year		**$ (10,970)**	$ (10,478)
Basic and diluted loss per common share	19	**$ (0.06)**	$ (0.11)
Weighted average shares outstanding (000's)	19	**174,412**	103,557

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

Mining Corp.

Consolidated statements of changes in equity

(Expressed in thousands of US dollars, except 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 earnings (loss)	Total shareholders' equity
Balance, December 31, 2022 (Restated – Note 3(s))		**34,868,057**	**$79,537**	**-**	**$6,184**	**$1,380**	**$7,564**	**$(67,590)**	**$1,445**	**$20,956**
Private placement, net of issue cost	17	77,528,137	17,919	-	-	647	647	-	-	18,566
Shares issued upon settlement of debt	17	35,711,450	10,358	-	-	-	-	-	-	10,358
Fair value of equity instruments allocated to share capital on expiry or cancellation		-	-	-	-	-	-	-	-	-
Share-based compensation	18(b)	-	-	-	1,751	-	1,751	-	-	1,751
Comprehensive earnings (loss)		-	-	-	-	-	-	(11,114)	636	(10,478)
Balance, December 31, 2023 (Restated – Note 3(s))		**148,107,644**	**107,814**	**-**	**7,935**	**2,027**	**9,962**	**(78,704)**	**2,081**	**41,153**
Shares issued upon settlement of debt	17	17,750,000	3,566	-	-	-	-	-	-	3,566
Private placement, net of issue cost	17	25,126,167	7,801	-	-	-	-	-	-	7,801
Fair value of options allocated to share capital on exercise	17	845,278	495	-	(222)	-	(222)	-	-	273
Fair value of warrants allocated to share capital on exercise	17	8,475,011	3,095	10	(5)	-	(5)	-	-	3,100
Warrants issued for finder's fees	17	-	(177)	-	-	177	177	-	-	-
Share-based compensation	18(b)	-	-	-	2,761	-	2,761	-	-	2,761
Comprehensive loss		-	-	-	-	-	-	(10,423)	(547)	(10,970)
Balance, December 31, 2024		**200,304,100**	**$122,594**	**10**	**$10,469**	**$2,204**	**$12,673**	**$(89,127)**	**$1,534**	**$47,684**

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

Mining Corp.

Consolidated statements of cash flows

(Expressed in thousands of US dollars)

		For the year ended	
	Notes	**December 31 2024**	December 31 2023
			Restated – Note 3(s)
Operating activities			
Net loss for the year		**$ (10,423)**	$ (11,114)
Items not involving cash and cash equivalents:			
Accretion relating to reclamation and rehabilitation		**604**	516
Depreciation and amortization		**5,642**	3,302
Amortization of deferred financing costs		**34**	658
Amortization and accretion relating to stream agreement	15	**811**	1,226
Accretion and interest on lease	12	**1,185**	64
Accretion and interest on debt	13	**823**	507
Share-based compensation	18 (b)	**2,613**	1,504
Change in fair value of derivative liabilities	14, 15	**364**	-
Fair value of derivative liability in excess of deferred revenue	15	**14,440**	-
Loss on debt modification and settlement	13	**1,446**	256
Gain on disposal of subsidiary	3	**(2,087)**	-
Foreign exchange (gain) loss on translation to functional currency		**(730)**	1,382
Gain on lease extinguishment		**(8)**	-
Fair value of warrants issued in financing		**(227)**	-
Share issuance cost - Non-cash		**-**	(154)
Changes in non-cash operating working capital	28	**(7,819)**	2,760
Net cash and cash equivalents provided by operating activities		**6,668**	907
Investing activities			
Acquisition of property, plant and equipment		**(4,464)**	(8,440)
Investment in mineral properties		**(1,012)**	(975)
Net cash and cash equivalents used in investing activities		**(5,476)**	(9,415)
Financing activities			
Shares issued on financing, net of issuance costs		**7,801**	15,012
Share subscriptions		**10**	-
Interest paid on loans payable	13	**(1,835)**	(2,094)
Proceeds from debt	13	**2,500**	-
Proceeds from warrants and/or stock options exercised		**3,363**	-
Empress Royalty stream transaction cost		**-**	(150)
Repayment of lease liabilities	12	**(3,490)**	(1,181)
Repayment of debt	13	**(770)**	(1,808)
Net cash and cash equivalents provided by financing activities		**7,579**	9,779
Effect of exchange rate change on cash and cash equivalents		**(622)**	(63)
Change in cash and cash equivalents		**8,149**	1,208
Cash and cash equivalents, beginning of the year		**2,058**	850
Cash and cash equivalents, end of the year		**$ 10,207**	**$ 2,058**
Cash and cash equivalents are consisted of:			
-Cash		**$ 8,459**	$ 2,058
-Redeemable guaranteed investment certificate ("GIC")		**1,748**	-
Total cash and cash equivalents, end of year		**$ 10,207**	$ 2,508

Supplemental cash flow information (Note 28)

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 also engaged in the acquisition, exploration and development of resource properties. The Company is currently producing zinc and a bulk concentrate, comprised of payable amounts of copper, lead, gold and silver, at the Campo Morado mine and mill ("Campo Morado") located in Guerrero, Mexico. Additionally, the Company is producing zinc and lead concentrates, containing payable amounts of lead, zinc, gold and silver, at its Tahuehueto mine and mill ("Tahuehueto") in the state of Durango.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2024, the Company generated mine operating earnings of $17,170, net loss of $10,423 and positive cash flows from operating activities of $6,668 and has an accumulated deficit of $89,127 and current liabilities that exceed its current assets by $20,968. These factors give rise to material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Management is focused on improving the Company's liquidity position through the generation of positive cash flows from operations. While efforts continue to enhance operational performance and cash generation, management will also evaluate financing alternatives, including potential amendments to existing debt arrangements and equity financings, should they become necessary. The Company's ability to continue as a going concern is dependent in the near term on securing sufficient liquidity, and in the longer term, on its success in generating sustainable positive cash flows from operations. Although management believes that available cash, expected operating cash flows, and access to external financing will be sufficient to meet the Company's obligations as they come due, there can be no assurance that additional financing or adequate operating cash flows will be available on acceptable terms or within the required timeframe.

These consolidated 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 consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with IFRS Accounting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's year ended December 31, 2024.

These consolidated financial statements were approved by the Company's Board of Directors on April 22, 2025.

3. MATERIAL ACCOUNTING POLICIES

a) Basis of consolidation

The accounts of the Company and its subsidiaries, which are controlled by the Company, have been included in these consolidated financial statements. Control is achieved when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control.

On May 30, 2024, the Company sold its 99.98% interest in Prestadora de Servicios Arcelia, S.A. de C.V. ("PSA") to arm's length third party in Mexico for $2 ($45 Mexican Pesos). The results of PSA's operations are reflected in the consolidated financial statements through the date of sale, May 30, 2024.

The Company recorded a gain on the sale of $2,087 in the statement of loss and comprehensive loss. This gain represents the difference between the sale price and the carrying amounts of the assets and liabilities that were derecognized at the date of disposition.

The principal subsidiaries of the Company and their geographic locations at December 31, 2024 were as follows:

3. MATERIAL ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

Subsidiary	Location	Ownership Interest	Accounting	Principal Activity
Samarkand de Mexico, S.A. de C.V.	Canada	99.00%	Consolidated	Holding Company
Sierra Soleada, S.A. de C.V.	Canada	100.00%	Consolidated	Holding Company
Real de la Bufa, S.A. de C.V.	Mexico	99.00%	Consolidated	Mining Company
Minas de Campo Morado, S.A. de C.V.	Mexico	100.00%	Consolidated	Mining Company
Servicios Corporativos LUCA, S.A. de C.V.	Mexico	99.98%	Consolidated	Administrative Company
Grupo Minero Mexicano Nyrstar, S.A. de C.V.	Mexico	99.98%	Consolidated	Holding Company
Grupo Minero HD, S.A. de C.V.	Mexico	99.98%	Consolidated	Holding Company

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

b) Basis of measurement

These consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments which are measured at fair value (Note 27) at the end of each reporting period. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Foreign currency translation

Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates. Company considers the functional currency for its Canadian operations to be the Canadian dollar. The functional currency for the entities operating in Mexico is the United States dollars ("US") dollars.

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

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

The functional currency determination was conducted through an analysis of the consideration factors identified in *IAS 21, The Effects of Changes in Foreign Exchange Rates*.

Presentation currency

The consolidated financial statements are presented in US dollars (Note 3(s)).

d) Cash and Cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and short-term money market instruments. The Company considers cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The money market instruments included in cash equivalents have original maturities of less than one year and are redeemable at any time without penalty. These instruments are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

e) Inventories

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

3. MATERIAL ACCOUNTING POLICIES (continued)

e) Inventories (continued)

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

f) Exploration and evaluation costs

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

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

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

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

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

Exploration and evaluation assets are tested for impairment when an indicator of impairment is identified and upon reclassification to mining properties.

g) Mineral properties and property, plant and equipment

Mineral properties, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less accumulated impairment in value and is not depreciated. The cost of mineral properties, plant and equipment items consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Mineral properties include direct costs of acquiring properties (including option payments) and costs incurred directly in the development of properties once the technical feasibility and commercial viability has been established.

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

Construction in progress includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Construction in progress includes advances on long-lived items. Construction in progress is not depreciated.

3. MATERIAL ACCOUNTING POLICIES (continued)

g) Mineral properties and property, plant and equipment (continued)

Development costs relating to specific properties are capitalized prospectively upon management's determination that a property will be developed. A development decision is made based upon consideration of project economics, including future metal prices, *reserves and resources, and* estimated operating and capital costs. Expenses directly related to pre-commercial production and sales are expensed as incurred.

The Company capitalizes all direct costs related to the development of the Tahuehueto project to mineral properties and development assets, 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 the development project, thereby making it a development stage asset under IAS 16.

Capitalization of costs incurred ceases when the property is capable of operating in the manner intended by management. In assessing whether a mine is in the condition necessary for it to be capable of operating in a manner intended by management, the Company uses several criteria as follows:

- Completion of all major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management;
- The passage of a reasonable period of rehabilitation and testing of the mine plant which demonstrates the ability to mine and mill consistently and without significant interruption at a pre-determined average rate of designed capacity;
- The mine project has all the necessary permits to be a producing mine; and
- Mineral recoveries are at or near expected production levels.

Once completed, the costs associated with all applicable assets related to the development and/or construction are reclassified to the appropriate category within mineral properties or plant and equipment and depreciation commences.

Each asset or part's estimated useful life which range from 12 to 21 years, has due regard to both its own physical life limitations and the present assessment of economically recoverable resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively. Mineral properties and property, plant and equipment are depreciated using either the straight-line or units-of-production method over the shorter of the estimated useful life of the asset or the expected life of mine. Where an item of property, plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

h) Borrowing costs

Interest and other financing costs directly related to the acquisition, development and construction, and production of qualifying assets are capitalized in mineral interest and development assets until they are complete and available for use, at which time they are transferred to property, plant and equipment. Borrowing costs incurred after the asset has been placed into service as well as other borrowing costs are charged to the consolidated statements of loss and comprehensive loss when incurred.

i) Impairment of long-lived assets

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

j) Leases

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

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

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

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

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

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

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

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

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

k) Provisions

Reclamation, rehabilitation and similar provisions

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

k) Provisions (continued)

Other provisions

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

l) Income taxes

Income tax expense consists of current and deferred tax expense.

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

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

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

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

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

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

m) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. Proceeds related to the issuance of units are allocated between the common shares and warrants on the residual value method where warrants are classified as equity instruments.

The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued as part of a unit are determined to be the more easily measurable component and are valued at its fair value, as determined by the quoted bid price on the issuance date. The balance, if any, is allocated to the attached warrant. When a warrant is exercised the related value is reclassified from reserves to share capital.

n) Share-based payments

i. Stock Option Plan

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants.

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The offset to the recorded cost is to equity reserves. Consideration received on the exercise of stock options is recorded as share capital and the related equity reserve is transferred to share capital. When stock options are forfeited prior to becoming fully vested, any expense relating to the unvested options previously recorded, is reversed.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period.

3. MATERIAL ACCOUNTING POLICIES (continued)

n) Share-based payments (continued)

ii. Restricted Share Units ("RSUs")

The Company's RSUs are settled in either cash or equity, as determined by the Company's Board of Directors at the grant date and typically vest over one year.

For cash settled RSUs, the share-based payment expense is adjusted at each reporting period to reflect any change in the quoted market price of the Company's common shares and the vesting of each RSU grant, with a corresponding amount recorded in trade and other payables, and other non-current liabilities on the Company's statements of financial position.

For equity-settled RSUs, the fair value is determined based on the quoted market price of the Company's common shares at the date of grant, and the fair value is recognized as a share-based payment expense over the vesting period with a corresponding amount recorded in equity reserves.

o) Loss per share

Basic loss per share ("EPS") is calculated by dividing the net income or loss for the year by the weighted average number of common shares outstanding during the year.

Diluted EPS is based on the weighted average number of common shares outstanding during the year, adjusted for the effects of dilutive common share equivalents. This method requires that the dilutive effect of outstanding stock options, RSUs and warrants issued should be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of the common shares during the year, but only if dilutive.

p) Related party transactions

Parties are related if one party has the ability directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities and include key management personnel of the Company. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

q) Revenue recognition

The Company generates revenue from the sale of metal concentrate. The Company sells a bulk concentrate (zinc and copper concentrate), a zinc concentrate and a lead concentrate. Sales revenue is recognized on individual sales to depict the transfer of promised goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company considers five steps in assessing whether all of the revenue recognition criteria are met:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to performance obligations; and
- recognize revenue when or as a performance obligation is satisfied.

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

r) Financial instruments

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

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

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

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

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

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

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

s) Changes in accounting polices

During the second quarter of 2024, the Company changed its presentation currency to the United States dollar ("US") from the Canadian dollar ("CAD"). The Company determined that this change in presentation currency better reflects the Company's current activities, increases the comparability to its peers, and better enhances the relevance of the financial statements to users. The change in the financial statement presentation currency is an accounting policy change and has been accounted for retrospectively and restated the comparative financial information as if the presentation currency had always been US$, in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Error*.

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

- Assets and liabilities previously presented in CAD were translated into US using the comparative reporting date exchange rate of 1.3226 CAD/US at December 31, 2023 and 1.3544 CAD/US at January 1, 2023;
- Equity, including reserves and deficit, were translated using the historical exchange rates; and
- The consolidated statements of loss and comprehensive loss and cash flows were translated using the average foreign exchange rates in effect during that period of 1.3488 CAD/US for the period January 1, 2024, to March 31, 2024 and 1.3495 CAD/US for the year ended December 31, 2023.

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

3. MATERIAL ACCOUNTING POLICIES (continued)

t) 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.

u) New accounting standards issued but not yet effective

As of December 31, 2024, the IASB has issued new standards and amendments that are not yet effective for the 2024 financial year. While early adoption is permitted, the Company has not early adopted any new or amended standards in preparing these financial statements. The Company is currently evaluating the impact of the following amended standard on its financial statements:

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.

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 notes 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. ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

These estimates and judgments are based on management's knowledge of the relevant facts and circumstances at the time, having regard to prior experience, and are continually evaluated. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results could differ materially from those estimates. Critical judgements and estimates in applying policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

4. ESTIMATES AND JUDGMENTS (continued)

a) Going concern

These consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

b) Functional currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each operates. The determination of functional currency may require certain judgements to determine the primary economic environment. The Company reconsiders the functional currency used when there is a change in the events and conditions which determined the primary economic environment.

c) Revenue recognition

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

Adjustments to the sale price occurs based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP is generally between one and four months. Any future changes over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. As such, the provisional price adjustments are accounted for as derivatives and presented as revenue separately in Note 20 of these consolidated financial statements.

d) Streaming arrangements

To qualify for the own use exemption, a contract to buy or sell a non-financial item needs to be entered into and continue to be held to receive or deliver that non-financial item in accordance with the Company's expected purchase, sale or usage requirements. The Company previously made significant judgments and historically, the Company considered its precious metal streaming arrangement as a commodity arrangement in which the fair value of the stream was recorded as deferred revenue until the payable silver is delivered in line with the terms of the agreement. On August 13, 2024, the Company amended the Stream Agreement with Empress (as defined in Note 15). As a result of this amendment, a portion of the Stream Agreement was settled in cash, shares, and refined silver that was not produced at the Tahuehueto mining project. As a result, management has determined that the Streaming Agreement no longer qualifies for the own use exemption, and determined that the Streaming Agreement is in the scope of IFRS 9 from August 13, 2024. The Streaming Agreement meets the definition of a derivative instrument and has been classified as a financial instrument at FVTPL.

Significant judgments applied to the valuation of the Stream Agreement included the forecasted silver delivery schedule, the discount rate, and the determination of the future silver price to apply to the valuation, all of which are subject to change in future valuations. The valuation of the Stream Agreement is sensitive to changes in these variables.

e) Mineral resource estimates

Judgments about the amount of product that can be economically and legally extracted from the Company's properties are made by management using a range of geological, technical and economic factors, history of conversion of mineral deposits to proven and probable reserves as well as data regarding quantities, grades, production techniques, recovery rates, production costs, commodity prices and exchange rates. This process may require complex and difficult geological judgments to interpret the data. The Company uses qualified persons (as defined by the Canadian Securities Administrator's National Instrument 43-101) to compile this data.

Changes in the judgments surrounding reserves and resources may impact the carrying value of mineral properties, plant and equipment (Note 8 and 9), reclamation and rehabilitation provisions (Note 16), recognition of deferred income tax amounts (Note 24), and depreciation and depletion (Note 8 and 9).

Estimating the quantity and/or grade of reserves and resources requires the size, shape and depth of ore bodies or fields to be determined by analyzing geological data such as drilling samples. Following this, the quantity of ore that can be extracted in an economical manner is calculated using data regarding the life of mine plans and forecast sales prices (based on current and long-term historical average price trends). Changes in estimates can be the result of estimated future production differing from previous forecasts of future production, expansion of mineable ore through exploration activities, differences between estimated and actual costs of mining and differences in the commodity price used in the estimation of mineable ore.

4. ESTIMATES AND JUDGMENTS (continued)

e) Mineral resource estimates

The Company's management reviews the carrying values of its mining properties on a regular basis to determine whether any write-downs are necessary. The recovery of amounts recorded for mining properties depends on confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on life-of-mine ("LOM") plans in its assessments of economic recoverability and probability of future economic benefit. LOM plans provide an economic model to support the economic extraction of reserves and resources. A long-term LOM plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body.

f) Valuation of inventory

Consumable parts and supplies, ore stockpiles and concentrates are valued at the lower of cost and net realizable value. Estimates in the carrying values of inventories arise due to the nature of the valuation of ore stockpiles and concentrates based on an appropriate allocation of direct mining costs, direct labour and material costs, mine site overhead and depletion and amortization.

g) Decommissioning, restoration, and similar provisions

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

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

h) Depreciation and amortization rates

Depreciation and amortization expenses are allocated based on assumed asset lives and depreciation and amortization rates. Should the asset life or depreciation rate differ from the initial estimate, an adjustment would be made in the consolidated statement of loss prospectively. A change in the mineral reserve estimate for assets depreciated using the units of production method would impact depreciation expense prospectively.

i) Fair value of stock options, RSUs and warrants

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

j) Income taxes

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

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

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

(Expressed in thousands of US dollars, unless otherwise indicated)

4. ESTIMATES AND JUDGMENTS (continued)

l) Leases

Primarily judgements include whether a lease conveys the right to use a specific asset, whether the Company obtains substantially all of the economic benefits from the use of the asset, whether the Company has the right to direct the use of the asset, evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets, and to determine the lease term where a contract includes renewal options. Significant estimates, assumptions and judgements over these factors would affect the present value of the lease liabilities, as well as the associated amount of the ROU asset.

m) Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings or regulatory or government actions that may negatively impact the Company's business or operations, the Company, with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions.

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

n) Convertible Debenture

Significant estimates applied in valuing the host debt component and embedded derivatives within the Convertible Debenture included the historical volatility of the Company, and the Company's credit spread.

5. AMOUNTS RECEIVABLE

		December 31 2024		December 31 2023
				(Restated Note 3(s))
Trade receivables	**$**	770	$	562
VAT recoverable		6,608		9,478
Other receivables		267		244
	$	7,645	$	10,284
Less: non-current portion of VAT recoverable		8		2,741
Total amounts receivable	**$**	**7,637**	**$**	**7,543**

The Company's trade receivables from concentrate sales are expected to be collected in accordance with the terms of the existing contracts with its customer. No amounts were past due as at December 31, 2024.

At the reporting date, the Company assessed the timing of collection of the total VAT receivable of $6,616 (December 31, 2023 – $12,219) and concluded that $8 (December 31, 2023 – $2,741) of the VAT recoverable is not expected to be collected within the next 12 months, therefore it was classified as non-current other assets.

6. INVENTORIES

		December 31 2024		December 31 2023
				(Restated Note 3(s))
Concentrate	$	2,292	$	517
Ore stockpiles		1,687		719
Materials and supplies		4,612		4,825
Total inventories	**$**	**8,591**	**$**	**6,061**

During the year ended December 31, 2024, the Company expensed $59,305 of inventories to cost of sales (year ended December 31, 2023 – $27,969). During the year ended December 31, 2024, the Company recognized an allowance for obsolete items in its supply inventories, which encompass replacement parts and other general supplies of $1,148 (year ended December 31, 2023 – $nil).

(Expressed in thousands of US dollars, unless otherwise indicated)

7. PREPAID EXPENSES AND DEPOSITS

		December 31 2024		December 31 2023
				(Restated Note 3(s))
Prepaids	$	2,668	$	571
Advances to suppliers		1,742		1,889
Total prepaids expenses and deposits	**$**	**4,410**	**$**	**2,460**

8. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Land and buildings	Construction in process	Total
COST	**$**	**$**	**$**	**$**
Balance December 31, 2023 – *(Restated Note 3(s))*	17,947	11,067	24,823	53,837
Additions	6,292	1,393	4,871	12,556
Transfers	513	21,732	(24,887)	(2,642)
Dispositions	(34)	(227)	(4)	(265)
Foreign currency movement	-	(21)	-	(21)
Balance, December 31, 2024	**24,718**	**33,944**	**4,803**	**63,465**
ACCUMULATED DEPRECIATION				
Balance December 31, 2023 – *(Restated Note 3(s))*	(8,291)	(3,916)	-	(12,207)
Depletion and amortization	(4,353)	(2,523)	-	(6,876)
Dispositions	34	158	-	192
Foreign currency movement	(35)	5	-	(30)
Balance, December 31, 2024	**(12,645)**	**(6,276)**	**-**	**(18,921)**
Net book value December 31, 2024	**12,073**	**27,668**	**4,803**	**44,544**

	Machinery and equipment	Land and buildings	Construction in process	Total
	(Restated Note 3(s))	*(Restated Note 3(s))*	*(Restated Note 3(s))*	*(Restated Note 3(s))*
COST	**$**	**$**	**$**	**$**
Balance December 31, 2022	17,387	9,461	15,885	42,733
Additions	530	454	10,301	11,285
Transfers	30	1,333	(1,363)	-
Dispositions	-	(187)	-	(187)
Foreign currency movement	-	6	-	6
Balance, December 31, 2023	**17,947**	**11,067**	**24,823**	**53,837**
ACCUMULATED DEPRECIATION				
Balance December 31, 2022	(5,881)	(1,880)	-	(7,761)
Depletion and amortization	(2,410)	(2,221)	-	(4,631)
Dispositions	-	187	-	187
Foreign currency movement	-	(2)	-	(2)
Balance, December 31, 2023	**(8,291)**	**(3,916)**	**-**	**(12,207)**
Net book value December 31, 2023	**9,656**	**7,151**	**24,823**	**41,630**

(Expressed in thousands of US dollars, unless otherwise indicated)

9. MINERAL PROPERTIES

	Campo Morado Mine	Tahuehueto Mining Project	Total
COST	**$**	**$**	**$**
Balance, December 31, 2023 – *(Restated Note 3(s))*	14,079	35,184	49,263
Additions	1,953	7,759	9,712
Transfers	1,491	1,150	2,641
Balance, December 31, 2024	**17,523**	**44,093**	**61,616**
ACCUMULATED DEPRECIATION			
Balance, December 31, 2023 – *(Restated Note 3(s))*	(959)	-	(959)
Depletion and amortization	(455)	(775)	(1,230)
Balance, December 31, 2024	**(1,414)**	**(775)**	**(2,189)**
Net book value December 31, 2024	**16,109**	**43,318**	**59,427**

	Campo Morado Mine	Tahuehueto Mining Project	Total
	(Restated Note 3(s))	*(Restated Note 3(s))*	*(Restated Note 3(s))*
COST	**$**	**$**	**$**
Balance, December 31, 2022	12,985	28,749	41,734
Additions	-	6,186	6,186
Changes in closure and reclamation	1,094	249	1,343
Balance, December 31, 2023	**14,079**	**35,184**	**49,263**
ACCUMULATED DEPRECIATION			
Balance, December 31, 2022	(512)	-	(512)
Depletion and amortization	(447)	-	(447)
Balance, December 31, 2023	**(959)**	**-**	**(959)**
Net book value December 31, 2023	**13,120**	**35,184**	**48,304**

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 $47, increasing 5% compounded annually. A portion of the Tahuehueto mine is subject to a 1.6% net smelter return royalty ("NSR") as well as a royalty streaming agreement (Note 15). 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 year ended December 31, 2024, the Company capitalized $1,797 in borrowing costs (December 31, 2023 - $3,531) 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").

10. OTHER ASSETS

		December 31 2024		December 31 2023
				(Restated Note 3(s))
Deferred financing costs	$	34	$	54
Non-current portion of VAT recoverable		8		2,741
	$	**42**	**$**	**2,795**

(Expressed in thousands of US dollars, unless otherwise indicated)

11. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31 2024		December 31 2023
				(Restated Note 3(s))
Accounts payable	$	8,490	$	9,244
Tax payable		4,310		1,420
Payroll and benefits accrual		1,410		1,830
Contingent liabilities		3,717		6,820
Royalties		1,623		1,406
Accrued Liabilities		3,831		3,116
Other payables		1,334		692
	$	**24,715**	**$**	**24,528**

As at December 31, 2024, the Company has recognized $3,717 of contingent liabilities (December 31, 2022 - $6,820) in relation to litigation, claims and assessments (see Note 29).

12. 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. These leases are for a period of one to ten years. Certain leases include an option to renew at the end of the contract term or to purchase the equipment.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Certain lease agreements may contain lease and non-lease components, which are generally accounted for separately. For certain equipment leases, such as vehicles, the Company has elected to account for the lease and non-lease components as a single lease component.

The following outlines the continuity of lease liabilities:

Balance, December 31, 2022 – ***(Restated Note 3(s))***	$	**7,429**
Additions		363
Payments		(404)
Interest expense		777
Interest paid		(777)
Foreign currency movement		8
Balance, December 31, 2023 – ***(Restated Note 3(s))***	**$**	**7,396**
Additions		6,031
Disposal		(77)
Payments		(2,317)
Interest expense		1,185
Interest paid		(1,173)
Foreign currency movement		(35)
Balance, December 31, 2024	**$**	**11,010**

		December 31 2024		December 31 2023
				(Restated)
Current	$	1,796	$	1,172
Non-current		9,214		6,224
	$	**11,010**	**$**	**7,396**

(Expressed in thousands of US dollars, unless otherwise indicated)

12. LEASE LIABILITIES (continued)

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

		Amount
2025	$	2,747
2026		1,902
2027		1,885
2028		1,809
Thereafter		6,979
Total minimum lease payments		15,322
Present value of minimum lease payments		(4,312)
Lease obligations, December 31, 2024	**$**	**11,010**

13. LOANS PAYABLE

	Trafigura (Campo)	Trafigura (Tah)	Breakwater	Urion	Escorfin	Accendo	Calu	Total
	$	$	$	$	$	$	$	$
Balance, December 31, 2023 – *(Restated Note 3(s))*	1,385	12,602	1,653	-	-	7,878	-	23,518
Additions, net of transaction fees	2,500	-	-	-	-	-	-	2,500
Interest expense	389	1,402	167	-	-	51	-	2,009
Interest payments	(333)	(1,348)	(154)	-	-	-	-	(1,835)
Principal payments	(260)	(400)	(110)	-	-	-	-	(770)
Conversion of debt into convertible debenture	-	(5,800)	-	5,800	-	-	-	-
Embedded derivative liability related to the convertible debenture	-	-	-	(6,555)	-	-	-	(6,555)
Fair value of shares issued in settlement of debt obligations	-	-	-	-	-	(3,694)	-	(3,694)
Accretion and Amortization	-	-	-	111	-	307	-	418
(Gain)/loss on modification	41	184	(3)	5,766	-	-	-	5,988
(Gain)/loss on debt settlement	-	-	-	-	-	(4,542)	-	(4,542)
Balance, December 31, 2024	**3,722**	**6,640**	**1,553**	**5,122**	**-**	**-**	**-**	**17,037**
Which consists of:								
Current portion of loans	3,722	4,206	1,553	5,122	-	-	-	14,603
Non-current portion of loans	-	2,434	-	-	-	-	-	2,434
Balance, December 31, 2024	**3,722**	**6,640**	**1,553**	**5,122**	**-**	**-**	**-**	**17,037**

	Trafigura (Campo)	Trafigura (Tah)	Breakwater	Escorfin	Accendo	Calu	Total
	$	$	$	$	$	$	$
Balance, December 31, 2022– *(Restated Note 3(s))*	2,193	12,701	2,719	4,001	6,937	2,629	31,180
Additions, net of transaction fees	-	-	-	-	-	-	-
Interest expense	187	1,484	236	58	844	59	2,868
Interest payments	(215)	(1,610)	(269)	-	-	-	(2,094)
Principal payments	(774)	-	(1,034)	-	-	-	(1,808)
Fair value of shares issued in settlement of debt obligations	-	-	-	(4,242)	-	(2,753)	(6,995)
Accretion and Amortization	(8)	(126)	1	153	97	32	149
(Gain)/loss on modification	2	153	-	-	-	-	155
(Gain)/loss on debt settlement	-	-	-	30	-	33	63
Balance, December 31, 2023	**1,385**	**12,602**	**1,653**	**-**	**7,878**	**-**	**23,518**
Which consists of:							
Current portion of loans	1,385	12,602	1,653	-	**7,878**	-	**23,518**
Non-current portion of loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance, December 31, 2023	**1,385**	**12,602**	**1,653**	**-**	**7,878**	**-**	**23,518**

13. LOANS PAYABLE (continued)

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, 2023, the Company had two outstanding loans to Trafigura, the Trafigura Campo loan ("Trafi Campo") and the Trafigura Tahuehueto loan ("Trafi Tah") for $2,193 and $12,701 respectively (collectively the "Trafigura Loans"). The Trafi Campo loan bore interest at three-month LIBOR plus 5% and matured on December 31, 2023, and the Trafi Tah loan bore interest at one year LIBOR plus 6% and matured on December 31, 2024.

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 $153 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 $2,500 under the Trafi Campo loan agreement, converted $5,800 of the Trafi Tah loan into a non-interest-bearing convertible debenture (The "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 $260 plus interest commencing on April 30, 2024. The Trafi Tah loan's maturity date was extended to January 3, 2026, with repayments of $200 plus interest commencing on March 31, 2024. After six months, the repayments on the Trafi Tah loan will increase to $345 plus interest.

Trafigura conditionally assigned the Convertible Debenture to its affiliate Urion Holdings ("Malta") Limited ("Urion"), with such assignment to be executed upon Urion being included in the existing security arrangements between the Company and Trafigura (the "Condition"). The Convertible Debenture was originally signed and placed in escrow, but was released on August 22, 2024 as the Condition was met. The Convertible Debenture matures three years from the date it was 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 (Note 13(b)) have been repaid in full (the "Early Prepayment Option"). 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 CAD$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 conversion option in the Convertible Debenture does not meet the fixed-for-fixed criterion under IAS 32 due to the currency mismatch between the US dollar denominated debenture and the Canadian dollar denominated conversion price and functional currency of the Company. This results in a variable conversion outcome driven by exchange rate fluctuations. The Early Prepayment Option also meets the definition of an embedded derivative because its value fluctuates based on interest rates and it is not closely related to the debt host instrument. Consequently, the entire debenture is classified as a financial liability, with the conversion feature and Early Prepayment Option recognized separately as a combined embedded derivative liability, measured at fair value through profit or loss (FVTPL) under IFRS 9. The host debt instrument is classified at amortized cost. The conversion of a portion of the Trafi Tah loan into the Convertible Debenture was accounted for as an extinguishment of the portion of the Trafi Tah loan. The portion of the Trafi Tah loan settled as part of this transaction was derecognized at its carrying amount, and the Convertible Debenture was recognized at its fair value, including the debt host component and the embedded derivatives. The difference between the carrying amount of the Trafi Tah loan that was extinguished, and the fair value of the Convertible Debenture was recognized as a loss of $5,766 on the consolidated statements of loss and comprehensive loss.

On August 22, 2024, the Company and Trafigura further amended the outstanding Trafigura Loans to extend the maturities of the Trafi Campo loan to December 2025 and the Trafi Tah loan to July 2026. For Trafi Campo, repayments are to be made in 15 equal installments commencing in October 2024 at $130 and increasing to $300 in January 2025. For Trafi Tah, repayments are to be made 22 installments commencing October 2024 at $200 and increasing to $345 in April 2025. The Company recognized a loss of $40 through the statement of loss and comprehensive loss for the change in fair value due to the amendment to the terms of both loans.

13. LOANS PAYABLE (continued)

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 $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 $4 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 $110 plus interest. On August 22, 2024, the Company and Breakwater further extended the maturity date of the loan to December 2025 with repayment to commence in October 2024 with payments initially at $55, increasing to $124 in January 2025. The Company recognized a gain of $3 through the statement of loss and comprehensive loss for the change in fair value due to the amendment to the terms of loan.

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 in 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 $4,212 by issuing 12,721,310 common shares of the Company. As a result of the amendment and settlement, the Company recognized a loss of $43 in the year ended December 31, 2023, through the statements of loss and comprehensive loss.

c) Accendo Loan Facility

The Company had a loan facility agreement with Accendo Banco, S.A., Institucion de Banca Multiple ("Accendo") for $12,000 (the "Loan Facility"), of which $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.

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 $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.

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 $8,236 by the Company issuing 17,750,000 common shares of the Company at $0.21 (CAD$0.45) per share to Latapi and Latapi forgiving $2,205 of the Loan Facility. The transaction closed on January 23, 2024, with the issuance of the common shares. As a result of the settlement, the Company recognized a gain of $4,542 in the year ended December 31, 2024, through the statements of loss and comprehensive loss.

d) Calu Loan

The Company had a loan agreement with Calu Opportunity Fund, LP ("Calu") whereby Calu provided the Company with $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 $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.

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 $41 in the statement of loss and comprehensive loss in the year ended December 31, 2023.

(Expressed in thousands of US dollars, unless otherwise indicated)

14. DERIVATIVE LIABILITIES

Balance, December 31, 2022	**$**	**-**
Embedded derivative related to convertible debenture		-
Change in FV of Derivative liability		-
Foreign currency movement		-
Balance, December 31, 2023	**$**	**-**
Embedded derivative related to convertible debenture		6,555
Change in FV of embedded derivative		(1,580)
Foreign currency movement		-
Balance December 31, 2024	**$**	**4,975**

		December 31, 2024		December 31 2023
Current	$	4,975	$	-
Non-current		-		-
Balance	**$**	**4,975**	**$**	**-**

Outlined in (Note 13(a)), the Company issued the Convertible Debenture to Urion in August 2024, and it contains an embedded derivative that are classified as a financial instrument at FVTPL.

The fair value of the derivative liability was determined based on a valuation methodology and the following inputs.

Inputs	August 22, 2024	December 31 2024
Common share price	CAD$0.63	CAD$0.54
Dividend yield	0.00%	0.00%
Expected volatility	80.29%	80.14%
Credit spread	2.51%	2.58%
USD/CAD exchange rate	$1:CAD$1.3616	$1:CAD$1.4383

15. STREAM AGREEMENT

Balance, December 31, 2022 – *(Restated Note 3(s))*	$	**6,370**
Amortization of deferred revenue		(150)
Cash disbursement, net of transaction fees		(263)
Change in estimate		1,292
Accretion on streaming arrangements		197
Balance, December 31, 2023 – *(Restated Note 3(s))*	**$**	**7,446**
Amortization of deferred revenue		-
Accretion on streaming arrangements		811
Derecognition of deferred revenue		(8,257)
Balance, August 13, 2024	**$**	-
Fair value of derivative liability in excess of deferred revenue		22,697
Silver deliveries		(1,837)
Change in fair value of derivative liability		1,944
Balance, December 31, 2024	**$**	**22,804**

		December 31 2024		December 31 2023
Current	$	5,840	$	7,446
Non-current		16,964		-
Balance	**$**	**22,804**	**$**	**7,446**

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 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 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.

(Expressed in thousands of US dollars, unless otherwise indicated)

15. STREAM AGREEMENT (continued)

To accommodate the arrangement, Empress has been accepted into the Trust Agreement. Empress, to secure the Stream Agreement advanced a total of $5,000 with a first initial payment of $2,000 received on April 29, 2021, and the remaining $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. In addition to the deposit amount, Luca is also compensated for delivering silver credits at 20% of the silver purchase price, further impacting the overall economics of the transaction.

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 $150 paid on June 30, 2023.

On August 13, 2024, the Company and Empress amended the streaming agreement whereby, with the completion of the construction at Tahuehueto, the Company will deliver silver under the agreement beginning in July 2024, except the delivery of ounces of refined silver attributable to production for the month of July 2024 will be delivered on the earlier of (i) the completion of the Company's next equity financing or (ii) the date on which refined silver attributable to production for the month of September 2024 is delivered (The "Amended Streaming Agreement"). The Company fulfilled this obligation on September 11, 2024, and delivered 9,098.71 ounces for July production.

Additionally, as part of the Amended Streaming Agreement, on August 16 and August 30, 2024, the Company purchased from third parties 5,454.50 ounces and 10,221.46 ounces of refined silver valued at $150 and $300 respectively and delivered the ounces to Empress, and on September 26, 2024, the Company paid to Empress $150 in cash which was converted to the equivalent of 4,710.32 ounces of refined silver.

As a result of the Amended Streaming Agreement, the Company was required to settle the Stream Agreement other than with the delivery of silver from the Tahuehueto mining project; therefore, the Stream Agreement no longer meets the criteria to be accounted for as deferred revenue, and has been accounted for as a derivative instrument since August 13, 2024. The fair value of the Stream Agreement was determined using a discounted cash flow model based on the expected future deliveries of silver to Empress, the future silver price and a discount rate determined using the USD SOFR interest rate and the Company's credit spread.

Further, the Amended Streaming Agreement provides that, in addition to the regular monthly streaming payments, commencing on October 31, 2024, the Company will deliver a total of 45,085.16 ounces of refined silver over twelve equal monthly installments of 3,757.10 ounces each.

The Company recognized the difference, amounting $14,440, between the initial recognition of the fair value of the Stream Agreement under IFRS 9 and the carrying value of the deferred revenue at August 13, 2024 in the statement of loss and comprehensive loss.

16. 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, 2022 - *(Restated Note 3(s))*	**$ 2,472**	**$ 1,823**	**$ 4,295**
Accretion	283	233	516
Changes in estimate	1,094	249	1,343
Effect of change in foreign exchange rates	377	279	656
Balance, December 31, 2023 - *(Restated Note 3(s))*	**$ 4,226**	**$ 2,584**	**$ 6,810**
Accretion	375	229	604
Changes in estimate	(64)	665	601
Effect of change in foreign exchange rates	(785)	(481)	(1,266)
Balance, December 31, 2024	**$ 3,752**	**$ 2,997**	**$ 6,749**

(Expressed in thousands of US dollars, unless otherwise indicated)

16. PROVISION FOR RECLAMATION AND REHABILITATION (continued)

		Campo Morado		Tahuehueto
Anticipated settlement date		2044		2034
Undiscounted uninflated estimated cash flow (000's)	$	10,038	$	4,524
Estimated life of mine (years)		19		10
Discount rate (%)		9.5		9.5
Inflation rate (%)		4.4		4.4

17. SHARE CAPITAL

a) Management of capital

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company's capital structure consists of shareholders' equity (comprising share capital plus reserves, deficit, accumulated other comprehensive income and share subscriptions) with a balance of $65,511 as at December 31, 2024 (2023 - $41,153). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, convertible debentures, asset acquisitions or return capital to shareholders. As at December 31, 2024, the Company is not subject to externally imposed capital requirements and the Company's overall objective with respect to capital risk management remains unchanged from the year end to December 31, 2023.

b) Equity offerings

During the year ended December 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 $8,236 (CAD$11,030) in relation to Accendo's Loan Facility that was assigned to Latapi Consultores, S.A. de C.V. (Note 13(d)) by the Company issuing 17,750,000 common shares of the Company at $0.21 (CAD$0.45) per share to Latapi. The transaction closed on January 23, 2024, with the issuance of the common shares. The fair value of the shares issued was $3,694 and the total transaction cost was $128. A gain of $4,542 was realized on settlement based on the closing bid price of the shares issued on settlement.

ii. On September 26, 2024, the Company completed a private placement and sold 6,126,167 Units at a price of $0.33 (CAD$0.45) per unit for gross proceeds of $2,046 (CAD$2,756) and also concurrently closed its Listed Issuer Financing Exemption offering selling 19,000,000 Units at a price of $0.33 (CAD $0.45) per unit for gross proceeds of $6,346 (CAD$8,550) (combined the "Offering"). The Offering consists of one common share in the Company and one half of one share purchase warrant (the "Unit") entitling the holder to purchase an additional common share at a price of CAD$0.60 per common share until March 26, 2026. In connection with the Offering, the Company issued 1,140,000 finders' warrants with a fair value of $177 (CAD$239) and legal fees and other transaction costs of $591 (CAD$789). The entirety of the fair value net of share issuance costs have been allocated to share capital with the finders' warrants being allocated to other reserves.

iii. During the year ended December 31, 2024, the Company issued 8,475,011 common shares for gross proceeds of $3,100 (CAD$4,238) in connection with warrants exercised. The Company also issued 845,278 common shares for gross proceeds of $273 (CAD$383) in connection with stock options exercised.

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 $892 (CAD$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 $1.19(CAD $1.60) per common share will extinguish and settle the debt and the fair value, net of share issue costs of $5 (CAD$7) has been recorded as share capital. A gain/loss of $640(CAD$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 $7,016 (CAD$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 $0.33(CAD$0.45) per share. In connection with the Debt Settlements, the Company incurred $154(CAD$208) of transaction fees and the fair value of the shares, net of transaction fees of $6,839 (CAD$9,231) has been allocated to share capital.

(Expressed in thousands of US dollars, unless otherwise indicated)

17. SHARE CAPITAL (continued)

b) Equity offerings (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 $0.26 (CAD$0.35) per Unit for gross proceeds of $13,466 (CAD$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 CAD$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 $0.26 (CAD$0.35) per Unit for gross proceeds of $1,795 (CAD$2,411). Warrants issued in the second tranche entitle the holder to purchase an additional common share at a price of CAD$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 $0.27 (CAD$0.35) per Unit for gross proceeds of $3,146 (CAD$4,141). Warrants issued in the second tranche entitle the holder to purchase an additional common share at a price of CAD$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 $3,864 (CAD$5,228). Additionally, the Company incurred $1,615 (CAD$2,185) of share issue costs consisting of finders' fees of $886 (CAD$1,198), issuance of 3,423,556 finders' warrants with a fair value of $514 (CAD$680), and legal fees and other transaction costs of $227 (CAD$307). The entirety of the fair value net of share issuance costs have been allocated to share capital with $514 (CAD$680) for the finders' warrants being allocated to other reserves.

iv. On June 2, 2023, the Company agreed to settle an amount of $3,647 (CAD$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 $262 (CAD$352) of transaction fees.

v. On December 18, 2023, the Company completed a private placement and sold 5,714,286 Units at a price of $0.26 (CAD$0.35) per Unit for gross proceeds of $1,494 (CAD$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 CAD$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 $120 (CAD$160) allocated to other reserves.

c) Authorized share Capital

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

18. RESERVES

a) Warrants

The following summarizes the continuity of common share purchase warrants:

	December 31,2024		December 31,2023	
	Number outstanding	**Weighted average exercise price CAD$**	Number outstanding	Weighted average exercise price CAD$
Outstanding, beginning of the year	50,614,949	0.60	6,169,330	2.55
Issued	13,703,083	0.59	49,097,191	0.50
Exercised	(8,475,011)	0.50	-	-
Expired	(895,486)	4.40	(4,651,572)	2.16
Outstanding, end of the year	**54,947,535**	**0.55**	**50,614,949**	**0.60**

(Expressed in thousands of US dollars, unless otherwise indicated)

18. RESERVES (continued)

a) Warrants (continued)

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

Expiry date	Exercise price CAD$	Warrants outstanding	Remaining life (years)
April 25, 2025	0.50	26,384,756	0.32
June 2, 2025	0.50	9,725,754	0.42
June 23, 2025	0.50	250,000	0.48
June 26, 2025	0.50	1,289,527	0.48
June 30, 2025	2.80	622,272	0.50
December 18, 2025	0.50	2,857,143	0.96
June 5, 2026	0.50	250,000	1.43
March 26, 2026	0.59	13,568,083	1.23
	0.55	**54,947,535**	**0.61**

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

	December 31 2024	December 31 2023
Risk-free interest rate	2.97%	3.86%
Expected life of options (years)	1.5 years	2.0 years
Expected annualized volatility	87%	93%
Expected dividend yield	Nil	Nil

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.

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

	December 31,2024		December 31,2023	
	Number of options	Weighted average exercise price CAD$	Number of options	Weighted average exercise price CAD$
Outstanding, beginning of the year	6,661,320	0.46	1,226,042	0.57
Granted	10,059,833	0.54	6,052,778	0.45
Exercised	(845,278)	0.45	-	-
Cancelled	(531,251)	0.51	(305,000)	0.46
Expired	(84,375)	0.46	(312,500)	0.73
Outstanding, end of the year	**15,260,249**	**0.51**	**6,661,320**	**0.46**

The weighted average share price on the date of exercise of the options for the year ended December 31, 2024, was CAD$ 0.53.

(Expressed in thousands of US dollars, unless otherwise indicated)

18. RESERVES (continued)

b) Stock options (continued)

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

Expiry date	Options outstanding	Weighted average exercise price CAD$	Remaining contractual life (years)	Options exercisable
January 27, 2025	266,666	0.40	0.07	266,666
January 29, 2025	25,000	0.50	0.08	25,000
February 10, 2025	100,000	0.40	0.11	100,000
February 16, 2025	103,333	0.38	0.13	103,333
February 28, 2025	20,000	0.55	0.16	20,000
August 6, 2025	12,500	0.50	0.60	12,500
December 5, 2025	112,500	0.72	0.93	112,500
February 25, 2026	535,417	0.50	1.15	535,417
May 1, 2026	200,000	0.45	1.33	150,000
May 19, 2026	62,500	0.50	1.38	62,500
August 9, 2026	12,500	0.50	1.61	12,500
April 25, 2028	250,000	0.45	3.32	250,000
June 7, 2028	3,985,000	0.46	3.44	3,985,000
September 17, 2028	135,000	0.35	3.72	135,000
January 2, 2029	200,000	0.35	4.01	133,333
February 6, 2029	200,000	0.35	4.10	133,333
March 31, 2029	200,000	0.37	4.25	133,333
July 15, 2029	1,500,000	0.58	4.54	750,000
August 15, 2029	6,489,833	0.55	4.62	2,163,278
November 29, 2029	850,000	0.54	4.92	283,333
	15,260,249	**0.51**	**3.91**	**9,367,027**

During the year ended December 31, 2024, the Company granted a total of 10,059,833 options with an aggregate fair value of $ 2,787 (December 31, 2023, 6,052,778 options with and aggregate fair value of $1,618) with a weighted average exercise price of CAD$0.54 (December 31, 2023 – CAD$0.45).

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 year ended December 31, 2024, an amount of $2,192 was expensed through the Statements of earning (loss) and comprehensive earning (loss) (December 31, 2023 - $1,174). Additionally, during the year ended December 31, 2024, $148, (December 31, 2023 - $247) was capitalized to the Tahuehueto mineral property asset. The portion of share-based compensation recorded is commensurate with the vesting terms of the options.

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

	December 31 2024	December 31 2023
Risk-free interest rate	3.18%	3.75%
Expected life of options (years)	5.0 years	5.0 years
Expected annualized volatility	84%	110%
Expected dividend yield	Nil	Nil

(Expressed in thousands of US dollars, unless otherwise indicated)

18. RESERVES (continued)

b) Restricted share units

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

	Year ended December 31, 2024		Year ended December 31, 2023	
	Number of RSUs	Weighted Average Fair Value (CAD$)	Number of RSUs	Weighted Average Fair Value (CAD$)
Outstanding, beginning of the year	-	-	-	-
Granted	1,300,000	0.61	-	-
Expired and forfeited	-	-	-	-
Outstanding, end of the year	1,300,000	0.61	-	**-**

During the year ended December 31, 2024, all RSUs granted by the Company have a set expiry date and will vest 100% on August 15, 2025. The total share-based payments expense for RSUs that the Company intends to settle in equity was $414 (December 31, 2023 - nil).

19. LOSS PER SHARE

	Year ended	
	December 31 2024	December 31 2023
Basic:		*(Restated)*
Net loss for the year	$ (10,423)	$ (11,114)
Weighted average number of shares(000's)	174,412	103,557
Basic loss per share	**$ (0.06)**	**$ (0.11)**

For the year ended December 31, 2024, diluted weighted average number of shares excluded 9,620 options, 54,948 warrants as they were out of the money at the end of the reporting period. For the year ended December 31, 2023, the Company incurred a net loss, therefore all outstanding stock options, warrants and RSU's have been excluded from the diluted weighted average number of shares since the effect would be anti-dilutive.

20. NET REVENUE

The Company produces three concentrates in Mexico: a bulk (copper and zinc) concentrate, a lead concentrate and a zinc concentrate. The disaggregated revenue information for the year ended December 31, 2024, is as follows:

	Year ended	
	December 31 2024	December 31 2023
		(Restated)
Bulk concentrate	$ 39,325	$ 25,265
Lead concentrate	35,141	16,149
Zinc concentrate	31,168	33,513
Provisional pricing adjustments	(1,542)	(80)
Income from stream	-	189
Treatment and selling costs	(23,518)	(24,443)
	$ 80,574	**$ 50,593**

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

(Expressed in thousands of US dollars, unless otherwise indicated)

21. COST OF SALES

		Year ended December 31 2024		December 31 2023
				(Restated Note 3(s))
Production Costs	$	60,419	$	43,968
Royalties		2,446		1,921
Inventory changes		(4,584)		630
Depreciation		5,123		2,985
	$	**63,404**	**$**	**49,504**

22. GENERAL AND ADMINISTRATION

		Year ended December 31 2024		December 31 2023
				(Restated Note 3(s))
Salaries and employee benefits	$	3,060	$	3,103
Professional fees		1,529		895
Corporate and administration		2,809		2,417
Depreciation and amortization		150		279
	$	**7,548**	**$**	**6,694**

23. INTEREST AND FINANCE COSTS (INCOME)

		Year ended December 31 2024		December 31 2023
				(Restated Note 3(s))
Interest expense	$	611	$	423
Amortization of deferred finance costs		34		658
Accretion and change in estimate relating to stream agreement		811		1,489
Accretion relating to reclamation and rehabilitation		604		516
Accretion of Convertible debenture		111		-
Accretion and amortization of loans		307		(7)
Amortization of deferred revenue		-		(150)
Bank fees, penalties, and other		105		102
	$	**2,583**	**$**	**3,031**

24. INCOME TAX

a) Reconciliation of effective tax rate

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

	Year ended December 31 2024	December 31 2023
		(Restated Note 3(s))
	$	**$**
Income (Loss) before income taxes	(10,423)	(10,970)
	27%	27%
Expected income tax expense (recovery)	(2,814)	(2,961)
Increase (decrease) in taxes resulting from:		
Permanent differences	(3,069)	(1,183)
Share issuance costs	(7)	(582)
Share-based compensation	699	397
Adjustment to prior years' provision versus statutory		
Change in unrecognized deductible temporary differences	5,191	4,329
Income tax expense (recovery)	**-**	**-**

(Expressed in thousands of US dollars, unless otherwise indicated)

24. INCOME TAX (continued)

b) Unrecognized Deferred Tax Assets and Liabilities

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

	Year ended December 31 2024	December 31 2023
		(Restated Note 3(s))
	$	$
Exploration and evaluation assets	(1,147)	2,178
Equipment	12,930	20,384
Share issue costs	561	581
Allowable capital losses	395	417
Stream agreement	5,030	-
Non-capital losses available for future periods	35,987	60,412
Total	53,756	83,974
Unrecognized deferred tax assets	53,756	83,974
Total deferred tax assets	**-**	**-**

c) The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	December 31 2024	Expiry date range	December 31 2023	Expiry date range
			(Restated Note 3(s))	
	$		$	
Mineral interest and equipment	37,453	No expiry date	75,530	No expiry date
Stream agreement	18,629	No expiry date	-	-
Share issue costs	2,079	No expiry date	2,152	No expiry date
Allowable capital losses	1,464	No expiry date	1,543	No expiry date
Non-capital losses available for future periods	123,144	2026 to 2044	203,859	2024 to 2043
Canada	31,830	2026 to 2044	25,170	2026 to 2043
Mexico	91,314	2026 to 2034	178,724	2024 to 2033

25. 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:

	Year ended December 31 2024	December 31 2023
		(Restated Note 3(s))
Salaries, bonus and benefits	$ 1,163	$ 1,142
Consulting fees	777	829
Share-based compensation	2,117	893
	$ 4,057	**$ 2,864**

b) Related party balances

As at December 31, 2024, directors and officers or their related companies were owed $127 (December 31, 2023 - $297) 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.

(Expressed in thousands of US dollars, unless otherwise indicated)

25. RELATED PARTIES (continued)

c) Escorfin

Escorfin is a private equity fund to which the Company had a long-term loan obligation of $4,001 at December 31, 2022 (note 13(c)). The Company and Escorfin had directors in common. On February 28, 2023, the principal and interest owning of $4,154 was settled with the issuance of 12,721,310 common shares of the Company. During the year ended December 31, 2024, the Company incurred interest of $nil (December 31, 2023 - $934).

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 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 over the financial institution. During the year ended December 31, 2024, the amount exchanged for currency denominated in the Mexican Peso at exchange rates at the time of the conversion was $615 (December, 2023 - $15,910). As at December 31, 2024, the amount owed to Bursametrica was $nil (December 31, 2023 - $nil).

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

Cozen O'Connor is an Amlaw 100 international law firm to which the Company has used for legal services. A director of the Company was deemed to have economic influence in the law firm. During the year ended December 31, 2024, the Company incurred legal expenses of $298 (December 31, 2023 - $347).

26. 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.

December 31, 2024		Total assets		Total liabilities		Capital expenditures
Campo Morado	$	38,017	$	22,363	$	7,327
Tahuehueto		92,102		28,675		14,824
Corporate		4,855		36,252		117
Consolidated	**$**	**134,974**	**$**	**87,290**	**$**	**22,268**

December 31, 2023 - *(Restated Note 3(s))*		Total assets		Total liabilities		Capital expenditures
Campo Morado	$	33,378	$	19,243	$	2,509
Tahuehueto		77,011		36,924		14,678
Corporate		462		13,531		284
Consolidated	**$**	**110,851**	**$**	**69,698**	**$**	**17,471**

Year ended December 31, 2024		Campo Morado		Tahuehueto		Corporate		Total
Net Revenue	$	45,127	$	35,447	$	-	$	80,574
Cost of sales before depreciation and depletion		(36,739)		(23,211)		-		(59,950)
Depreciation and depletion in cost of sales		(3,454)		-		-		(3,454)
Mine operating earnings		**4,934**		**12,236**		**-**		**17,170**
General and administration		(700)		(995)		(5,853)		(7,548)
Share-based compensation		-		-		(2,192)		(2,192)
Foreign exchange (loss) gain		1,359		668		(1,338)		689
Other operating (expense) income		2,698		(4,874)		380		(1,796)
Operating earnings (loss)		**8,291**		**7,035**		**(9,003)**		**6,323**
Interest and finance costs, net		(816)		(567)		(1,200)		(2,583)
Gain on debt modification and settlement		(41)		2,121		(3,526)		(1,446)
Gain on disposal of subsidiary		-		-		2,087		2,087
Change in fair value of derivative liability		-		-		(364)		(364)
Loss on revaluation of derivative liability		-		-		(14,440)		(14,440)
Segmented earnings before income tax	**$**	**7,434**	**$**	**8,589**	**$**	**(26,446)**	**$**	**(10,423)**

(Expressed in thousands of US dollars, unless otherwise indicated)

26. SEGMENTED INFORMATION (continued)

Year ended December 31, 2023 - *(Restated Note 3(s))*	**Campo Morado**	**Tahuehueto**	**Corporate**	**Total**
Net Revenue	$ 33,233	$ 17,360	$ -	$ 50,593
Cost of sales before depreciation and depletion	(33,088)	(13,431)	-	(46,519)
Depreciation and depletion in cost of sales	(2,985)	-	-	(2,985)
Mine operating earnings (loss)	**(2,840)**	**3,929**	**-**	**1,089**
General and administration	(901)	(497)	(5,296)	(6,694)
Share-based compensation	-	-	(1,174)	(1,174)
Foreign exchange (loss) gain	(1,951)	140	(45)	(1,856)
Other operating (expense) income	(275)	(1,152)	1,371	(56)
Operating earnings (loss)	**(5,967)**	**2,420**	**(5,144)**	**(8,691)**
Interest and finance costs, net	(497)	(242)	(2,292)	(3,031)
Gain on debt modification and settlement	-	-	(2)	(2)
Change in fair value of financial instruments	-	-	610	610
Segmented earnings before income tax	**$ (6,464)**	**$ 2,178**	**$ (6,828)**	**$ (11,114)**

27. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

a) 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.
Derivative Liability	The fair value of the derivative liability arising from a convertible debenture used to cancel debt, is measured using a partial differential equation approach.
Stream Agreement	The fair value of the Stream Agreement is determined based on a discounted cash flow model using the assumptions outlined in Note 15.

The carrying value of cash and cash equivalents, other receivables, other assets, amounts payable and accrued liabilities and loans payable, all of which are carried at amortized cost, approximate their fair value given their short-term nature. Trade receivables and related derivatives and derivative liability arising from the convertible debenture are classified within Level 2 of the fair value hierarchy. The fair value of the Stream Agreement is classified with level 3 of the fair value hierarchy.

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

27. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

December 31, 2024	**Fair value through profit or loss**	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Carrying value approximates Fair Value**
Financial assets measured at Fair Value							
Trade receivables from sale of concentrate	$ 1,005	$ -	$ 1,005	$ -	$ 1,005	$ -	$ -
	$ 1,005	**$ -**	**$ 1,005**	**$ -**	**$ 1,005**	**$ -**	**$ -**
Financial assets not measured at Fair Value							
Cash and cash equivalents	$ -	$ 10,207	$ 10,207	$ -	$ -	$ -	$ 10,207
Other receivables	-	6,632	6,632	-	-	-	6,632
	$ -	**$ 16,839**	**$ 16,839**	**$ -**	**$ -**	**$ -**	**$ 16,839**
Financial liabilities not measured at Fair Value							
Amounts payable and accrued liabilities	$ -	$ (24,715)	$ (24,715)	$ -	$ -	$ -	$ (24,715)
Derivative from convertible debenture	(4,975)	-	(4,975)	-	(4,975)	-	
Derivative liability from stream agreement	(22,804)		(22,804)		-	(22,804)	
Loans payable	-	(17,037)	(17,037)	-	-	-	(17,037)
	$ (27,779)	**$ (41,752)**	**$ (69,531)**	**$ -**	**$ (4,975)**	**$ (22,804)**	**$ (41,752)**

December 31, 2023 - *(Restated Note 3(s))*	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Carrying value approximates Fair Value
Financial assets measured at Fair Value							
Trade receivables from sale of concentrate	$ 562	$ -	$ 562	$ -	$ 562	$ -	$ -
	$ 562	**$ -**	**$ 562**	**$ -**	**$ 562**	**$ -**	**$ -**
Financial assets not measured at Fair Value							
Cash and cash equivalents	$ -	$ 2,058	$ 2,058	$ -	$ -	$ -	$ 2,058
Other receivables	-	6,981	6,981	-	-	-	6,981
	$ -	**$ 9,039**	**$ 9,039**	**$ -**	**$ -**	**$ -**	**$ 9,039**
Financial liabilities not measured at Fair Value							
Amounts payable and accrued liabilities	$ -	$ (24,528)	$ (24,528)	$ -	$ -	$ -	$ (24,528)
Loans payable	-	(23,518)	(23,518)	-	-	-	(23,518)
	$ -	**$ (48,046)**	**$ (48,046)**	**$ -**	**$ -**	**$ -**	**$ (48,046)**

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

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

27. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

b) Financial instrument risk exposure and risk management

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.

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 is exposed to credit risk on its bank accounts and amounts receivables. Credit risk exposure on bank accounts is limited through maintaining the Company's balances with high-credit quality financial institutions, maintaining investment policies, assessing institutional exposure and continual discussion with external advisors. Amounts receivables are generated on the sale of concentrate inventory to reputable metal traders as well as various other receivables arising from operations.

As of	December 31 2024	December 31 2023
		(Restated Note 3(s))
	$	$
Cash and cash equivalents	10,207	2,058
Trade receivables	770	562
Other receivables	267	244
Other assets	116	-
	11,360	**2,864**

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 by continually monitoring forecasted and actual cash flows. 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 considering existing cash, operating cash flows and expected exercise of stock options and share purchase warrants. See Note 1 for further discussion.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments at December 31, 2024:

	Less than 1 year	1 to 5 years	After 5 years	Total
	$	$	$	$
Amounts payable and accrued liabilities	24,715	-	-	24,715
Lease liabilities	2,747	9,258	3,317	15,322
Royalty stream	5,840	15,695	1,269	22,804
Loans payable	14,603	2,434	-	17,037
Provision for reclamation and rehabilitation	-	-	6,749	6,749
Total contractual obligations	**47,905**	**27,387**	**11,335**	**86,627**

Foreign currency risk

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

27. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

b) Financial instrument risk exposure and risk management (continued)

The US Dollar equivalents of financial assets and liabilities denominated in currencies other than the US Dollar as at December 31, 2024, are as follows:

	December 31, 2024		December 31, 2023	
Denominated (000's)	CAD Dollars	Mexican Peso	CAD Dollars	Mexican Peso
	$	$	$	$
Financial assets, foreign currency	3,304	144,984	1,407	227,382
Financial liabilities, foreign currency	(1,575)	(482,509)	(831)	(793,391)
Net financial assets (liabilities)	**1,729**	**(337,525)**	**576**	**(566,009)**

Of the financial assets listed above, CAD$3,244 (2023 – CAD$1,071) represents cash held in CAD dollars and MXN$4,305 (2023 - MXN$6,284) represents cash held in Mexican pesos. The remaining cash balance is held in US Dollars.

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

Currency	Change	Effect $
CAD Dollars	+/- 10%	109
Mexican pesos	+/- 10%	1,496

Interest rate risk

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

As at December 31, 2024 and 2023, the Company's loans payable 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 loans bear interest at variable and fixed rates. Interest risk exposure is in relation to variable interest rates and a variation of 1% on the interest rate would change net earnings/loss by approximately $98 (December 31, 2023 – $139). 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.

Commodity price risk

Gold, silver, zinc, copper and lead prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production, short-term changes in supply and demand due to speculative hedging activities and certain other factors. The ability of the Company to develop its mineral properties and exploration and evaluation assets is highly correlated to the market prices of zinc, copper, lead, gold and silver. If metal prices decline for a prolonged period below the anticipated cost of production of the Company's mine, it may not be economically feasible to continue production. The following table summarizes the effect on provisionally priced sales and accounts receivables of a 10% change in metal prices from the realized prices used at December 31, 2024:

Metal	Change	Effect on Sales $
Gold	+/- 10%	756
Silver	+/- 10%	1,955
Zinc	+/- 10%	698
Cooper	+/- 10%	421
Lead	+/- 10%	41

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

28. 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	Royalty stream	Derivative liabilities
As at December 31, 2022 – *(Restated Note 3(s))*	**$ 31,180**	**$ 7,429**	**$ 6,370**	**$ -**
Additions (disposal)	-	363	-	-
Interest paid	(2,094)	(777)	-	-
Interest expense	2,868	777	-	-
Accretion	149	-	197	-
Payments	(1,808)	(404)	(263)	-
Amortization of deferred revenue	-	-	(150)	-
Foreign exchange	-	8	-	-
Loss on settlement of debt	63	-	-	-
Loss on modification	155	-	-	-
Fair value of shares issued in debt settlement	(6,995)	-	1,292	-
As at December 31, 2023 – (*Restated Note 3(s)*)	**$ 23,518**	**$ 7,396**	**$ 7,446**	**$ -**
Additions (disposal)	2,500	5,954	-	-
Interest paid	(1,835)	(1,173)	-	-
Interest expense	2,009	1,185	-	-
Embedded derivative liability related to the convertible debenture	(6,555)	-	-	6,555
Accretion	418	-	811	-
Payments	(770)	(2,317)	-	-
Silver deliveries	-	-	(1,837)	-
Amortization of deferred revenue	-	-	-	-
Foreign exchange	-	(35)	-	-
Fair value of derivative liability in excess of deferred revenue	-	-	14,440	-
Change in fair value of derivative liability	-	-	1,944	-
Change in fair value of embedded derivative	-	-	-	(1,580)
Gain on settlement of debt	(4,542)	-	-	-
Loss on modification	5,988	-	-	-
Fair value of shares issued in debt settlement	(3,694)	-	-	-
As at December 31, 2024	**$ 17,037**	**$ 11,010**	**$ 22,804**	**$ 4,975**

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

	Year ended	
	December 31 2024	**December 31 2023**
		(Restated Note 3(s))
Changes in non-cash operating working capital:		
Amounts receivable and other assets	**$ 2,628**	$ 1,946
Prepaid expenses and deposits	**(1,950)**	736
Inventories	**(2,530)**	1,798
Amounts payable and accrued liabilities	**(3,509)**	(1,504)
Other current assets	**(116)**	-
Purchases of silver bullion for Empress	**(2,342)**	(216)
	$ (7,819)	$ 2,760
Changes in non-cash investing and financing activities:		
Share based compensation capitalized	**$ 148**	$ 247
Depreciation capitalized	**$ 1,226**	$ 1,624
Right of use depreciation capitalized	**$ 862**	$ 703
Embedded derivative	**$ 6,555**	-
Shares issued on settlement of debt	**$ 3,694**	$ 7,005

29. COMMITMENTS AND CONTINGENCIES

a) Commitments

On August 6, 2024, the Company entered into a two-year agreement with Cominvi, S.A. de C.V. ("Cominvi") to carry out core mining operations at the Campo Morado copper-zinc-gold mine (the "Mining Contract"). As part of the Mining Contract, the Company must make advance payments to Cominvi of $3,000 plus Mexican Value Added Tax (the "Advance Payments") by December 2024.

As of December 31, 2024, the Company has paid $2,000 towards the Advance Payments and has further commitments of $345 for contracted mining services which are expected to be expended within one year (note 30).

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 December 31, 2024, the Company has estimated an accrual of $3,717 (December 31, 2023 - $6,820) 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 $810 (MXN$16,000) and possible reduction of accumulated tax losses for $5,290 (MXN$104,000), which the Company is challenging through a legal process. As at December 31, 2024, 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.

For the year ended December 31, 2024, the Mexican court issued a favorable resolution granting MCM 90% of the 2014 and 2015 tax credits, affirming that the deducted expenses complied with income tax regulations. On May 2024, MCM filed an appeal to seek the remaining 10% of the tax credit. This appeal was accepted, leading the upper court to instruct the tax court to issue a new judgment. As of the date of these financial statements, the Company is still awaiting the tax court's new resolution.

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. ("MCM"), and corporate offices in Mexico City. The Company received notice from Size of outstanding amounts payable by the Company and filed a claim against MCM in the amount of $3,152 (MXN$62,000) which was approved by the court. In August 2024, MCM filed an appeal against the court's decision, which has been accepted by the higher courts and is pending resolution.

30. SUBSEQUENT EVENTS

Convertible Debenture

On January 7, 2025, the Company, along with an arm's-length third-party, Jaluca Limited (" **Jaluca** "), reached an agreement with Urion to repurchase 100% of Luca's $5,800 Convertible Debenture (Note 13(a)) held by Urion. The Company and Jaluca purchased 43% and 57% of the Convertible Debenture, respectively. The total price paid for Luca's portion of the Convertible debenture was $ 3,099. Upon closing of the transaction, the Company immediately canceled its portion of the Convertible Debenture and Jaluca converted its purchased share of the Convertible Debenture at the Convertible Debenture's exercise price of $0.35 for a total of 13,566,771 shares, extinguishing the debt.

Warrants and Stock Options

Subsequent to December 31, 2024, the Company issued 33,005,448 common shares for gross proceeds of $12,081 (CAD$ 16,901) through the exercise of 31,967,283 share purchase warrants and 1,038,165 stock options. Additionally, on April 22, 2025, the Company recognized the expiry of 293,666 options and the cancelation of 310,001 options.

Commitments

During January and February 2025, the Company paid to Cominvi the remaining of $1,000 for the Advanced Payments (Note 29).