

The logo for LUCA Mining Corp. features the letters 'L', 'U', 'C', and 'A' in a stylized, blocky font. The 'L' is yellow, the 'U' is light blue, the 'C' is a reddish-brown, and the 'A' is dark grey. The letters are set against a background of a sunset sky over an industrial mining facility.

LUCA

Mining Corp.

A large industrial mining facility is shown at sunset. The sky is a mix of orange, pink, and blue. The facility consists of several large, multi-story buildings with corrugated metal roofs and complex piping. In the foreground, there are several large, cylindrical storage tanks. The scene is illuminated by the warm light of the setting sun, creating a dramatic atmosphere.

Consolidated Financial Statements

For the years ended
December 31, 2025 and 2024



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Luca Mining Corp.

Opinion

We have audited the consolidated financial statements of Luca Mining Corp. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of loss and comprehensive loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the fair value of the derivative liability associated with the silver stream agreement with Empress Royalty Corp.

Description of the matter

We draw attention to Notes 4(b), 15 and 27(a) to the financial statements. On April 14, 2021, the Entity entered into a silver stream agreement (the "Stream Agreement") with Empress Royalty Corp. ("Empress"). On August 13, 2024, the Entity and Empress amended the Stream Agreement. The Entity has recorded a derivative liability of \$53,769 thousand related to the Stream Agreement and a loss on the change in fair value of the derivative liability of \$38,935 thousand. The fair value of the Stream Agreement was determined using a discounted cash flow model which included significant assumptions related to the forecasted silver delivery schedule, the future silver price and the discount rate.

Why the matter is a key audit matter

We identified the evaluation of the fair value of the derivative liability associated with the Stream Agreement as a key audit matter. The matter represented an area of significant risk of material misstatement given the magnitude of the balance and high degree of estimation uncertainty in determining the fair value of the derivative liability. Significant auditor judgment and the involvement of those with specialized skills and knowledge were required in performing and evaluating the results of our procedures due to the sensitivity of the fair value of the derivative liability to changes in significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We compared the mineral resources used in the discounted cash flow model to the mineral resources prepared by independent qualified persons. We assessed the competence, capabilities and objectivity of the qualified persons who prepared the mineral resources, including the industry and regulatory standards they applied.
- We involved valuation professionals with specialized skills and knowledge, who assisted in (1) evaluating the future silver price by comparing it to third party data, and (2) evaluating the discount rate by comparing it to publicly available market data for comparable entities.

Comparative Information

We draw attention to Note 2(d) to the financial statements ("Note 2(d)"), which explains that certain comparative information presented for the year ended December 31, 2024 has been adjusted.



Note 2(d) explains the reason for the adjustment and also explains the adjustments that were applied to the comparative information.

Our opinion is not modified in respect of this matter.

The financial statements for the year ended December 31, 2024, excluding the adjustments that were applied to certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 22, 2025.

As part of our audit of the financial statements for the year ended December 31, 2025, we also audited the adjustments that were applied to certain comparative information presented for the year ended December 31, 2024. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2024. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis.

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

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

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

We have nothing to report in this regard.

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

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



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

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

Vancouver, Canada

April 7, 2026



Consolidated statements of financial position
(Expressed in thousands of US dollars)

	Note	December 31 2025	December 31 2024
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		25,515	10,207
Amounts receivable	5	13,764	7,637
Inventories	6	11,953	8,591
Prepaid expenses and deposits	7	7,744	4,410
Other current assets		1,085	116
Total current assets		60,061	30,961
Non-current assets			
Property, plant and equipment	8	45,250	44,544
Mineral properties	9	78,051	59,427
Other long-term assets	10	748	42
Total assets		184,110	134,974
LIABILITIES			
Current liabilities			
Amounts payable and accrued liabilities	11	43,902	24,715
Income tax payable	24	3,544	-
Current portion of lease liabilities	12	1,270	1,796
Current portion of loans payable	13	3,295	14,603
Derivative liabilities	14	-	4,975
Current portion of stream agreement	15	18,596	5,840
Total current liabilities		70,607	51,929
Non-current liabilities			
Lease liabilities	12	9,055	9,214
Loans payable	13	-	2,434
Stream agreement	15	35,173	16,964
Provision for reclamation and rehabilitation	16	10,273	6,749
Other long-term liabilities		203	-
Total liabilities		125,311	87,290
SHAREHOLDERS' EQUITY			
Share capital	17	152,505	122,594
Share subscriptions		-	10
Reserves	18	14,510	12,673
Accumulated other comprehensive earnings		1,961	1,534
Deficit		(110,177)	(89,127)
Total equity		58,799	47,684
Total liabilities and equity		184,110	134,974

Commitments and contingencies (note 29)

Subsequent events (note 30)

"Peter Damouni"
Director

"Phillip Brumit Sr."
Director

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

Consolidated statements of loss and comprehensive loss

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

	Notes	For the years ended	
		December 31 2025	December 31 2024
			<i>Adjusted – Note 2(d)</i>
Revenue	20	\$ 176,824	\$ 87,259
Cost of sales	21	128,075	70,089
Mine operating earnings		48,749	17,170
General and administration	22	13,682	7,548
Share-based compensation	18(b)	3,399	2,192
Foreign exchange loss (gain)		3,325	(689)
Other operating expense	11	5,330	1,796
Operating earnings		23,013	6,323
Interest and finance costs, net	23	(2,356)	(2,583)
Fair value of derivative liability in excess of deferred revenue	15	-	(14,440)
Gain (loss) on debt modification and settlement	13	295	(1,446)
Gain on disposal of subsidiary	2(a)	-	2,087
Change in fair value of derivative liability from stream agreement	15	(38,935)	(364)
Gain on derivative financial instruments	15	1,349	-
Loss before income taxes		\$ (16,634)	\$ (10,423)
Current income tax expense	24	4,416	-
Deferred income tax expense	24	-	-
Net loss for the year		\$ (21,050)	\$ (10,423)
Other comprehensive (loss) earnings, net of tax			
Foreign currency translation differences		427	(547)
Total comprehensive loss for the year		\$ (20,623)	\$ (10,970)
Loss per common shares			
Basic	19	\$ (0.08)	(0.06)
Diluted	19	\$ (0.08)	(0.06)
Weighted average number of common shares outstanding (000's)			
Basic	19	255,214	174,412
Diluted	19	255,214	174,412

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



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	Stock Option Reserve share-based payments	Warrants Reserve	Reserves total	Accumulated deficit	Accumulated other comprehensive earnings (loss)	Total shareholders' equity
Balance, December 31, 2023		148,107,644	\$ 107,814	\$ -	\$ 7,935	\$ 2,027	\$ 9,962	\$ (78,704)	\$ 2,081	\$ 41,153
Shares issued upon settlement of debt	17(b)	17,750,000	3,566	-	-	-	-	-	-	3,566
Private placement, net of issue cost	17	25,126,167	7,800	-	-	-	-	-	-	7,800
Fair value of options allocated to share capital on exercise	18(b)	845,278	495	-	(222)	-	(222)	-	-	273
Fair value of warrants allocated to share capital on exercise	18(a)	8,475,011	3,096	10	-	(5)	(5)	-	-	3,101
Warrants issued for finder's fees	18(a)	-	(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	\$ 10,474	\$ 2,199	\$ 12,673	\$ (89,127)	\$ 1,534	\$ 47,684
Shares issued upon settlement of debt	17(b)	13,566,771	6,703	-	-	-	-	-	-	6,703
Shares issued on the exercise of stock options	18(b)	4,932,681	3,582	-	(1,769)	-	(1,769)	-	-	1,813
Shares issued on the exercise of warrants	18(a)	50,024,980	19,052	(10)	-	(857)	(857)	-	-	18,185
Settlement of restricted share units	18(c)	1,300,000	574	-	(574)	-	(574)	-	-	-
Share-based compensation	18(b)	-	-	-	5,037	-	5,037	-	-	5,037
Comprehensive (loss) earnings		-	-	-	-	-	-	(21,050)	427	(20,623)
Balance, December 31, 2025		270,128,532	\$ 152,505	\$ -	\$ 13,168	\$ 1,342	\$ 14,510	\$ (110,177)	\$ 1,961	\$ 58,799

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

Consolidated statements of cash flows

(Expressed in thousands of US dollars)

	Notes	For the years ended	
		December 31 2025	December 31 2024
Operating activities			
Net loss for the year		\$ (21,050)	\$ (10,423)
Items not involving cash and cash equivalents:			
Accretion relating to reclamation and rehabilitation		679	604
Depreciation and amortization		12,672	5,642
Amortization of deferred financing costs		-	34
Amortization and accretion relating to stream agreement	15	-	811
Accretion and interest on lease	12	1,045	1,185
Accretion and interest on debt	13	687	823
Share-based compensation	18(b)	5,037	2,613
Change in fair value of derivative liabilities – Empress	15	38,935	364
Change in fair value of derivative liabilities – call options	15	(1,349)	-
Fair value of derivative liability in excess of deferred revenue	15	-	14,440
Income tax expense	24	4,416	-
Gain on debt modification and settlement	13	(295)	1,446
Gain on disposal of subsidiary	3	-	(2,087)
Unrealized foreign exchange loss (gain)		2,143	(730)
Gain on lease extinguishment		-	(8)
Fair value of warrants issued in financing		-	(227)
Loss on sale of fixed assets		168	-
Purchase of silver bullion for Empress		(9,788)	(2,342)
Proceeds of silver deliveries		1,934	454
Income tax paid		(852)	-
Proceeds from sales of calls options		524	-
Purchase of calls options		(260)	-
Changes in non-cash operating working capital	28(b)	2,840	(5,931)
Net cash and cash equivalents provided by operating activities		37,486	6,668
Investing activities			
Acquisition of property, plant and equipment		(8,298)	(4,464)
Investment in mineral properties		(18,972)	(1,012)
Net cash and cash equivalents used in investing activities		(27,270)	(5,476)
Financing activities			
Shares issued on financing, net of issuance costs		-	7,801
Share subscriptions received in advance		-	10
Proceeds from warrants and/or stock options exercised		19,998	3,363
Proceeds from debt		-	2,500
Interest paid on leases and loans payable	12,13	(2,031)	(1,835)
Repayment of lease liabilities	12	(1,867)	(3,490)
Repayment of debt	13,14	(11,420)	(770)
Net cash and cash equivalents provided by financing activities		4,680	7,579
Effect of exchange rate change on cash and cash equivalents		412	(622)
Change in cash and cash equivalents		15,308	8,149
Cash and cash equivalents, beginning of the year		10,207	2,058
Cash and cash equivalents, end of the year		\$ 25,515	\$ 10,207
Cash and cash equivalents are consist of:			
-Cash		25,515	8,459
-Redeemable guaranteed investment certificate ("GIC")		-	1,748
Total cash and cash equivalents, end of year		\$ 25,515	\$ 10,207

Supplemental cash flow information (Note 28)

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

Notes to the consolidated financial statements

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

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 United States 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 gold, silver, zinc, copper and lead at the Campo Morado mine and mill ("Campo Morado") located in the state of Guerrero, Mexico and the Tahuehueto mine and mill ("Tahuehueto") located in the state of Durango, Mexico.

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"), effective for the Company's year ended December 31, 2025.

These consolidated financial statements were approved by the Company's Board of Directors on April 07, 2026.

Certain comparative figures have been reclassified to conform to the current year presentation.

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 a third party in Mexico for \$2 (\$45 Mexican Pesos) recognizing a gain on the sale of \$2,087 in the consolidated financial statements. 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 results of PSA's operations are reflected in the consolidated financial statements through the date of sale, May 30, 2024.

The principal subsidiaries of the Company and their geographic locations at December 31, 2025 were as follows:

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.

Notes to the consolidated financial statements

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

2. BASIS OF PREPARATION (continued)

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.

d) Prior period adjustment

During the year ended December 31, 2025, the Company reassessed the presentation of transportation costs related to concentrate sales, which were previously presented as a reduction of revenue.

In accordance with IFRS 15, these costs are considered fulfillment activities occurring prior to the transfer of control and therefore should be recognized in cost of sales rather than as a reduction of revenue.

The Company determined that this reclassification was not material to the financial statements. Accordingly, the Company made an immaterial adjustment to the comparative figures to revise the presentation of revenue to be on a gross basis, with a corresponding increase to cost of sales.

For the year ended December 31, 2024	As reported	Adjustment	As adjusted
Consolidated statements of loss and comprehensive loss			
Revenue	\$ 80,574	\$ 6,685	\$ 87,259
Cost of sales	(63,404)	(6,685)	(70,089)
Mine operating earnings	17,170	-	17,170
Net loss for the year	(10,423)	-	(10,423)
Comprehensive loss for the year	(10,970)	-	(10,970)

This adjustment has no impact on mine operating earnings, operating earnings, net loss, comprehensive loss, the statement of financial position, the statement of cash flows, or the statement of changes in equity.

3. MATERIAL ACCOUNTING POLICIES

a) 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.

Notes to the consolidated financial statements

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

3. MATERIAL ACCOUNTING POLICIES (continued)

b) 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.

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.

c) Exploration and evaluation costs

The Company capitalizes acquisition costs of exploration properties, including cash consideration and the fair value of shares issued, if any. Properties acquired under option agreements are recognized when option payments are made. Option payments received are credited against the carrying value of the related properties.

Exploration and evaluation expenditures relate to the search for mineral resources and the determination of the technical feasibility and commercial viability of extracting those resources.

The Company capitalizes exploration and evaluation expenditures on a property-by-property basis when the following criteria are met:

- the Company has the legal right to explore the area;
- the expenditures are directly attributable to a specific area of interest; and
- the costs are expected to be recoverable through future development or sale.

Capitalized exploration and evaluation expenditures may include geological, geophysical and geochemical studies, drilling, trenching, sampling and technical studies undertaken to evaluate mineral resources.

Exploration and evaluation assets are assessed for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount, including when:

- the right to explore has expired or will expire in the near future;
- no further substantive exploration or evaluation is planned;
- exploration has not led to the discovery of commercially viable quantities of mineral resources; or
- sufficient data exists to indicate that the carrying amount is unlikely to be recovered.

Once technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets are tested for impairment and reclassified to mineral properties within property, plant and equipment.

d) Mineral properties and property, plant and equipment

Mineral properties and property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less accumulated impairment losses and is not depreciated.

The cost of mineral properties and property, plant and equipment includes the purchase price, 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 asset and restoring the site on which it is located.

Mineral properties include:

- costs transferred from exploration and evaluation assets; and
- costs incurred after technical feasibility and commercial viability have been established.

Such costs include mine development, underground access development, and expenditures directly attributable to accessing mineralized zones, extending mine life, expanding or converting mineral resources and reserves, and improving the performance of producing mines where probable future economic benefits are expected.

Notes to the consolidated financial statements

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

3. MATERIAL ACCOUNTING POLICIES (continued)

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

Mine development cost

Underground mine development costs, including shafts, drifts and ramps that provide access to mineralized zones, are capitalized as incurred.

For producing mines, capitalized costs may include capital expenditures, including near-mine drilling, infill and definition drilling, and other brownfield activities, where such expenditures are directly attributable to:

- extending the life of the mine;
- converting resources to reserves;
- improving geological confidence; or
- otherwise enhancing the future economic benefits of the related asset.

Costs that do not meet these criteria are expensed as incurred.

Costs related to routine production activities, including grade control drilling, short-term production drilling, maintenance, and general operating activities, are not capitalized and are recognized in operating expenses or inventory and cost of sales, as appropriate.

Construction in progress

Construction in progress includes the purchase price and costs directly attributable to bringing assets to the location and condition necessary for their intended use, including advances on long-lived items. Construction in progress is not depreciated until the asset is available for use.

Depreciation

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. Underground development costs are depreciated on a units-of-production basis. Where an asset comprises significant components with different useful lives, those components are accounted for as separate items of property, plant and equipment. Estimates of useful lives, residual values and depreciation methods are reviewed annually, and changes in estimates are accounted for prospectively.

e) 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.

f) 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.

Notes to the consolidated financial statements

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

3. MATERIAL ACCOUNTING POLICIES (continued)

g) 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 earnings 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.

h) 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.

Notes to the consolidated financial statements

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

3. MATERIAL ACCOUNTING POLICIES (continued)

h) 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.

i) 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.

j) 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.

k) 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.

Notes to the consolidated financial statements

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

3. MATERIAL ACCOUNTING POLICIES (continued)

k) 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.

l) Loss per share

Basic loss per share ("EPS") is calculated by dividing the net earning 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.

m) 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.

n) 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 earning and is shown separately in the notes to the consolidated financial statements.

Notes to the consolidated financial statements

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

3. MATERIAL ACCOUNTING POLICIES (continued)

o) 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 earning (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.

p) New accounting standards issued but not yet effective

As of December 31, 2025, the IASB has issued new standards and amendments that are not yet effective for the 2025 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 new standard on its 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.

Notes to the consolidated financial statements

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

4. ESTIMATES AND JUDGMENTS (continued)

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:

a) 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.

b) Streaming arrangements

Significant assumptions used in determining the fair value of the derivative liability associated with the Stream Agreement include the forecasted silver delivery schedule, the future silver price, and the discount rate, all of which are subject to change in future valuations. The fair value of the derivative liability is sensitive to changes in these significant assumptions.

c) Mineral resource estimates

Judgments about the amount of product that can be economically 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), derivative liability associated with the Stream Agreement (note 15) 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.

d) Impairment of mining properties

The Company's management reviews the carrying values of its mining properties on a regular basis to determine whether any impairment indicators exist and whether any write-downs are required. 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 disposition.

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 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.

e) 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.

Notes to the consolidated financial statements

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

4. ESTIMATES AND JUDGMENTS (continued)

e) Decommissioning, restoration, and similar provisions (continued)

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.

f) 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.

g) 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.

h) 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.

5. AMOUNTS RECEIVABLE

	December 31 2025		December 31 2024	
Trade receivables	\$	10,205	\$	770
VAT recoverable		3,888		6,608
Income tax receivable		172		-
Other receivables		247		267
	\$	14,512	\$	7,645
Less: non-current portion of VAT recoverable		748		8
Total amounts receivable	\$	13,764	\$	7,637

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, 2025.

At the reporting date, the Company assessed the timing of collection of the total VAT receivable of \$3,888 (December 31, 2024 – \$6,608) and concluded that \$748 (December 31, 2024 – \$8) of the VAT recoverable is not expected to be collected within the next 12 months, therefore it was classified as non-current other assets.

Notes to the consolidated financial statements
(Expressed in thousands of US dollars, unless otherwise indicated)

6. INVENTORIES

	December 31 2025		December 31 2024	
Concentrates	\$	3,042	\$	2,292
Ore stockpile		2,295		1,687
Materials and supplies		6,616		4,612
Total inventories	\$	11,953	\$	8,591

During the year ended December 31, 2025, the Company expensed \$102,927 of inventories to cost of sales (year ended December 31, 2024 – \$59,305). During the year ended December 31, 2025, the Company recognized an allowance for obsolete items in its supply inventories, which encompass replacement parts and other general supplies of \$1,258 (year ended December 31, 2024 – \$1,148).

7. PREPAID EXPENSES AND DEPOSITS

	December 31 2025		December 31 2024	
Prepays	\$	4,744	\$	2,668
Advances to suppliers		3,000		1,742
Total prepaid expenses and deposits	\$	7,744	\$	4,410

8. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Land and buildings	Construction in process	Total
COST	\$	\$	\$	\$
Balance December 31, 2024	24,718	33,944	4,803	63,465
Additions	3,342	436	5,477	9,255
Transfers	178	3,985	(4,413)	(250)
Dispositions	(661)	(313)	(32)	(1,006)
Foreign currency movement	-	13	-	13
Balance, December 31, 2025	27,577	38,065	5,835	71,477
ACUMULATED DEPRECIATION				
Balance December 31, 2024	(12,645)	(6,276)	-	(18,921)
Depletion and amortization	(3,300)	(4,384)	-	(7,684)
Dispositions	382	4	-	386
Foreign currency movement	-	(8)	-	(8)
Balance, December 31, 2025	(15,563)	(10,664)	-	(26,227)
Net book value, December 31, 2025	12,014	27,401	5,835	45,250

	Machinery and equipment	Land and buildings	Construction in process	Total
COST	\$	\$	\$	\$
Balance, December 31, 2023	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

Notes to the consolidated financial statements
(Expressed in thousands of US dollars, unless otherwise indicated)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	Machinery and equipment	Land and buildings	Construction in process	Total
ACUMULATED DEPRECIATION				
Balance, December 31, 2023	(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

9. MINERAL PROPERTIES

	Campo Morado Mine	Tahuehueto Mine	Total
COST	\$	\$	\$
Balance, December 31, 2024	17,523	44,093	61,616
Additions	15,287	6,126	21,413
Changes in closure and reclamation	1,396	553	1,949
Transfers	-	250	250
Balance, December 31, 2025	34,206	51,022	85,228
ACUMULATED DEPRECIATION			
Balance, December 31, 2024	(1,414)	(775)	(2,189)
Depletion and amortization	(948)	(4,040)	(4,988)
Balance, December 31, 2025	(2,362)	(4,815)	(7,177)
Net book value, December 31, 2025	31,844	46,207	78,051

	Campo Morado Mine	Tahuehueto Mine	Total
COST	\$	\$	\$
Balance, December 31, 2023	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
ACUMULATED DEPRECIATION			
Balance December 31, 2023	(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

Tahuehueto Mine

The Company owns 99% of the Tahuehueto mine located in the State of Durango, Mexico. The Company has a 30-year surface access rights agreement with the local communities (2016 – 2046) under which the Company is obligated to make annual payments of \$72, 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). For the year ended December 31, 2025, the Company capitalized \$nil in borrowing costs (December 31, 2024 - \$1,797) associated with the construction of the milling facilities at Tahuehueto.

Notes to the consolidated financial statements

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

9. MINERAL PROPERTIES (continued)

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 LONG-TERM ASSETS

	December 31 2025		December 31 2024	
Deferred financing costs	\$	-	\$	34
Non-current portion of VAT recoverable (Note 5)		748		8
Total other long-term assets	\$	748	\$	42

11. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2025		December 31 2024	
Accounts payable	\$	14,136	\$	8,490
Payroll and benefits accrual		3,837		1,410
Legal provisions		4,023		3,717
Royalties		3,272		1,623
Accrued liabilities		11,791		3,831
Other tax payable		6,003		4,310
Other payables		840		1,334
Total amounts payable and accrued liabilities	\$	43,902	\$	24,715

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

During the 2019 fiscal year, Servicio de Administración Tributaria, ("SAT") conducted an audit of the Company's subsidiary, Campo Morado, in respect of Value Added Tax ("VAT") and Income Tax ("ISR") for the fiscal years 2014 and 2015. Following several administrative and judicial proceedings, the matter was concluded in 2025. As at December 31, 2025, the Company has recognized a provision of \$5,570 (MXN 100 million) in the statement of financial position and a related expense of \$5,496 in other operating expenses, reflecting the average exchange rate.

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

In March 2020, the Company terminated its business relationship with Size Solutions S.A. de C.V. ("Size"), a payroll service provider for Minas de Campo Morado, S.A. de C.V., and the Company's corporate offices in Mexico City. The Company received notice from Size of outstanding amounts payable by the Company as of December 31, 2019, in the amount of \$3,152 (MXN 62,000). As of December 31, 2025, the Company has recorded an accrual of \$3,639 in respect of this obligation.

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.

Notes to the consolidated financial statements
(Expressed in thousands of US dollars, unless otherwise indicated)

12. LEASE LIABILITIES (continued)

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.

The following outlines the continuity of lease liabilities:

Balance, December 31, 2023	\$	7,396
Additions		6,031
Disposals		(77)
Payments		(2,317)
Interest expense		1,185
Interest paid		(1,173)
Foreign currency movement		(35)
Balance, December 31, 2024	\$	11,010
Additions		1,144
Payments		(1,867)
Interest expense		1,045
Interest paid		(1,045)
Foreign currency movement		38
Balance, December 31, 2025	\$	10,325

	December 31 2025	December 31 2024
Current	\$ 1,270	\$ 1,796
Non-current	9,055	9,214
Balance	\$ 10,325	\$ 11,010

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

	Amount
2026	\$ 2,196
2027	2,126
2028	2,064
2029	2,013
Thereafter	5,598
Total minimum lease payments	13,997
Present value of minimum lease payments	(3,672)
Lease obligations, December 31, 2025	\$ 10,325

13. LOANS PAYABLE

	Trafigura (Campo)	Trafigura (Tah)	Breakwater	Urion	Accendo	Total
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2024	3,722	6,640	1,553	5,122	-	17,037
Interest and accretion expense	148	467	72	-	-	687
Interest payments	(230)	(676)	(80)	-	-	(986)
Principal payments	(3,342)	(3,559)	(1,420)	-	-	(8,321)
Debt settlement with cash	-	-	-	(1,572)	-	(1,572)
Fair value of shares issued in settlement of debt obligations	-	-	-	(3,400)	-	(3,400)
Gain on debt settlement	-	-	-	(150)	-	(150)
Balance, December 31, 2025	298	2,872	125	-	-	3,295

Notes to the consolidated financial statements
(Expressed in thousands of US dollars, unless otherwise indicated)

13. LOANS PAYABLE (continued)

	Trafigura (Campo)	Trafigura (Tah)	Breakwater	Urion	Accendo	Total
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2023	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	-	-
Fair value of shares issued in settlement of debt obligations	-	-	-	-	(3,694)	(3,694)
Embedded derivative liability related to the convertible debenture	-	-	-	(6,555)	-	(6,555)
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

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 mines into a trust, governed by a trustee and a trust agreement (the "Trust"), in order to secure the full repayment of the outstanding loans.

On January 1, 2024, the Company had two outstanding loans to Trafigura, the Trafigura Campo loan ("Trafi Campo") and the Trafigura Tahuehueto loan ("Trafi Tah") for \$1,385 and \$12,602 respectively (collectively the "Trafigura Loans"). The Trafi Campo loan bore interest at three-month SOFR plus 5.26% and matured on June 30, 2024, and the Trafi Tah loan bore interest at one-year SOFR plus 6.72% and matured on December 31, 2024.

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 had originally been signed and placed in escrow, and was released on August 22, 2024 when the Condition was met. The Convertible Debenture was set to mature three years from the date it was released from escrow and made effective but could have been repaid prior to that date upon providing 60 days written notice, provided that the Trafigura Loans and the Breakwater Loan had been repaid in full (the "Early Prepayment Option"). Trafigura could have elected to convert, in whole or in part, the Convertible Debenture principal at any time prior to the maturity date at a conversion price of CAD\$0.35 per common share. Any Shares issued under the Convertible Debenture would have been 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

Notes to the consolidated financial statements

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

13. LOANS PAYABLE (continued)

a) Trafigura (Campo and Tahuehueto) (continued)

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 in the year ended December 31, 2024.

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 fifteen equal installments commencing in October 2024 at \$130 and increasing to \$300 in January 2025. For Trafi Tah, repayments are to be made twenty-two installments commencing October 2024 at \$200 and increasing to \$345 in April 2025. The Company recognized a loss of \$40 in the period ended September 30, 2024, through the unaudited condensed consolidated interim statement of (loss) earnings and comprehensive (loss) earnings for the change in fair value due to the amendment to the terms of both loans.

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 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, which was allocated between the debt and the derivative liability in the amounts of \$1,572 and \$1,527, respectively. 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. The Company recognized a gain on the debt settlement of \$150 in the year ended December 31, 2025.

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 January 11, 2024, the Company and Breakwater amended the terms of the loan agreement to extend the maturity date 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.

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 \$7,993 by the Company issuing 17,750,000 common shares of the Company at \$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.

Notes to the consolidated financial statements
(Expressed in thousands of US dollars, unless otherwise indicated)

14. DERIVATIVE LIABILITIES

Balance, December 31, 2023	\$	-
Embedded derivative related to convertible debenture		6,555
Change in fair value of Derivative		(1,580)
Balance, December 31, 2024	\$	4,975
Debt settlement with cash		(1,527)
Fair value of shares issued in settlement of debt obligations		(3,303)
Gain on debt settlement		(145)
Balance December 31, 2025	\$	-

For the year ended December 31, 2024, the amount of \$4,975 was presented under current liabilities.

Outlined in (Note 13(a)), the Company issued the Convertible Debenture to Urion in August 2024, and it contained an embedded derivative that was 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	December 31 2024
Common share price	CAD\$0.54
Dividend yield	0.00%
Expected volatility	80.14%
Credit spread	2.58%
USD/CAD exchange rate	\$1:1.4383

15. STREAM AGREEMENT

Balance, December 31, 2023	\$	7,446
Accretion on streaming arrangements		811
Derecognition of deferred revenue		(8,257)
Balance, August 13, 2024	\$	-
Fair value of the derivative at modification date		22,697
Silver deliveries		(1,837)
Change in fair value of derivative liability		1,944
Balance December 31, 2024	\$	22,804
Silver deliveries		(7,970)
Change in fair value of derivative liability		38,935
Balance December 31, 2025	\$	53,769

	December 31 2025	December 31 2024
Current	\$ 18,596	\$ 5,840
Non-current	35,173	16,964
Balance	\$ 53,769	\$ 22,804

Notes to the consolidated financial statements

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

15. STREAM AGREEMENT (continued)

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 mine; 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. 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. At inception, the streaming arrangement was determined to be deferred revenue and subject to variable consideration, and it contains a significant financing component. As such, the Company recognizes a financing charge at each reporting period which increases 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.

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.

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.

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 mine; therefore, the Stream Agreement no longer met the criteria to be accounted for as deferred revenue and has been accounted for as a derivative liability since August 13, 2024. The fair value was determined using a discounted cash flow model which included significant assumptions related to the forecasted silver delivery schedule, the future silver price and the discount rate.

Inputs	December 31 2025	December 31 2024
Silver Price (per ounce)	\$ 71.64	\$ 28.91
Discount rate	16.44%	20.01%

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.

For the year ended December 31, 2025, the Stream Agreement was remeasured, and the Company recognized losses of \$38,935 (December 31, 2024 - \$1,944), due to changes in the fair value of the derivative liability recorded in the statement of loss and comprehensive loss.

The fair value of the Stream Agreement is sensitive to changes in forward silver prices, as higher expected silver prices increase the estimated future cash outflows associated with the Company's streaming obligations. To partially mitigate exposure to increases in silver prices related to its delivery obligations under the Stream Agreement, the Company entered into silver call option contracts during the year. These instruments were entered into for risk management purposes but were not designated in a formal hedging relationship under IFRS 9. Accordingly, the options are measured at fair value through profit or loss.

During the year ended December 31, 2025, the Company recognized a gain of \$1,349 on the settlement and change in fair value of these option contracts, in the statement of loss and comprehensive loss (December 2024 - Nil).

Notes to the consolidated financial statements

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

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

	Campo Morado		Tahuehueto		Total
Balance, December 31, 2023	\$	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
Accretion		418		261	679
Changes in estimate		1,396		553	1,949
Effect of change in foreign exchange rates		500		396	896
Balance December 31, 2025	\$	6,066	\$	4,207	\$ 10,273

	Campo Morado		Tahuehueto	
Anticipated settlement date		2037		2034
Undiscounted uninflated estimated cash flow (000's)	\$	15,149	\$	7,012
Estimated life of mine (years)		17		9
Discount rate (%)		8.6		8.6
Inflation rate (%)		3.7		3.7

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 earnings and share subscriptions) with a balance of \$58,799 as at December 31, 2025 (2024 - \$47,684). 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, 2025, 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, 2024.

b) Equity offerings

During the year ended December 31, 2025, the Company issued common shares as follows:

- i. 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 Convertible Debenture (Notes 13(a)). Jaluca converted its purchased portion into 13,566,771 shares, which were issued on January 14, 2025.
- ii. During the year ended December 31, 2025, the Company issued 50,024,980 common shares for gross proceeds of \$18,185 (CAD\$25,717) in connection with warrants exercised. The Company also issued 4,932,681 common shares for gross proceeds of \$1,813 (CAD\$2,524) in connection with stock options exercised.
- iii. On August 15, 2025, the Company issued 1,300,000 common shares to certain directors of the Company and a Company advisor upon maturity of 1,300,000 RSU's previously issued in August 2024 (Note 18(c)).

Notes to the consolidated financial statements

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

17. SHARE CAPITAL (continued)

b) Equity offerings (continued)

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.

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 2025		December 31 2024	
	Number of warrants	Weighted average exercise price CAD\$	Number of warrants	Weighted average exercise price CAD\$
Outstanding, beginning of the year	54,947,535	0.55	50,614,949	0.60
Issued	-	-	13,703,083	0.59
Exercised	(50,024,980)	0.52	(8,475,011)	0.50
Expired	(635,994)	2.75	(895,486)	4.40
Outstanding, end of the year	4,286,561	0.60	54,947,535	0.55

As at December 31, 2025, the following common share purchase warrants were outstanding:

Expiry date	Exercise price CAD\$	Warrants outstanding	Remaining life (years)
March 26, 2026	0.60	4,172,561	0.23
March 26, 2026	0.45	114,000	0.23
	0.60	4,286,561	0.23

Notes to the consolidated financial statements

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

18. RESERVES (continued)

b) Warrants (continued)

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 2025	December 31 2024
Risk-free interest rate	Nil	2.97%
Expected life of warrants (years)	Nil	1.5
Expected annualized volatility	Nil	87%
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.

A continuity of the Company's stock options issued and outstanding is as follows:

	December 31 2025		December 31 2024	
	Number of options	Weighted average exercise price CAD\$	Number of options	Weighted average exercise price CAD\$
Outstanding, beginning of the year	15,260,249	0.51	6,661,320	0.46
Granted	5,645,000	1.55	10,059,833	0.54
Exercised	(4,932,681)	0.50	(845,278)	0.45
Cancelled	(265,000)	1.19	(531,251.00)	0.51
Expired	(483,332)	0.49	(84,375)	0.46
Outstanding, end of the year	15,224,236	0.89	15,260,249	0.51

The weighted average share price on the date of exercise of the options for the year ended December 31, 2025, was CAD\$ 0.40.

Notes to the consolidated financial statements

(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, 2025:

Expire date	Options outstanding	Weighted average exercise price CAD\$	Remaining contractual life (years)	Options exercisable
February 25, 2026	266,667	0.50	0.15	266,667
August 9, 2026	12,500	0.50	0.61	12,500
April 25, 2028	185,000	0.45	2.32	185,000
June 7, 2028	2,440,000	0.46	2.44	2,440,000
September 17, 2028	135,000	0.35	2.72	135,000
February 6, 2029	200,000	0.35	3.10	200,000
March 31, 2029	200,000	0.37	3.25	200,000
July 15, 2029	1,500,000	0.58	3.54	1,500,000
August 15, 2029	4,173,169	0.55	3.62	4,173,169
November 29, 2029	616,900	0.54	3.92	566,667
January 6, 2030	600,000	0.58	4.02	408,333
March 4, 2030	600,000	1.11	4.18	400,000
March 17, 2030	100,000	1.22	4.21	33,333
May 29, 2030	120,000	1.34	4.41	40,000
September 18, 2030	4,075,000	1.76	4.72	1,358,333
	15,224,236	0.89	3.68	11,919,002

During the year ended December 31, 2025, the Company granted a total of 5,645,000 options with an aggregate fair value of \$ 4,367 (December 31, 2024, 10,059,833 options with an aggregate fair value of \$2,787) with a weighted average exercise price of CAD\$1.55 (December 31, 2024 – CAD\$0.54).

The Company uses the fair value method of accounting for all share-based compensation ("SBC") to directors, officers, employees, and others providing similar services. During the year ended December 31, 2025, an amount of \$5,037 (cost of sales \$1,638 and SBC \$3,399) was expensed through the Statements of loss and comprehensive loss (December 31, 2024 - \$2,192). Additionally, during the year ended December 31, 2025, \$nil, (December 31, 2024 - \$148) was capitalized to the Tahuehueto mine. The portion of SBC 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 2025	December 31 2024
Risk-free interest rate	2.69%	3.18%
Expected life of options (years)	5	5
Expected annualized volatility	84%	84%
Expected dividend yield	Nil	Nil

Notes to the consolidated financial statements

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

18. RESERVES (continued)

c) Restricted share units

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

	Year ended December 31, 2025		Year ended December 31, 2024	
	Number of RSUs	Weighted Average Fair Value (CAD\$)	Number of RSUs	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the year	1,300,000	0.61	-	-
Granted	1,400,000	1.81	1,300,000	0.61
Exercised	(1,300,000)	0.61	-	-
Outstanding, end of the year	1,400,000	1.81	1,300,000	0.61

During the year ended December 31, 2025, all RSUs granted by the Company have a set expiry date and will vest 100% on September 18, 2026. The total share-based payments expense for RSUs that the Company intends to settle in equity was \$1,287 (December 31, 2024 - \$414).

19. LOSS PER COMMON SHARE

	Year ended December 31 2025		Year ended December 31 2024	
Basic and diluted:				
Net loss for the year	\$	(21,050)	\$	(10,423)
Weighted average number of shares (000's)		255,214		174,412
Loss per share-basic and diluted	\$	(0.08)	\$	(0.06)

For the year ended December 31, 2025, and 2024, the Company incurred a net loss, therefore all outstanding stock options, warrants and RSUs have been excluded from the diluted weighted average number of shares since the effect would be anti-dilutive.

20. 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, 2025, is as follows:

	Year ended December 31 2025		Year ended December 31 2024	
				<i>Adjusted – Note 2(d)</i>
Bulk concentrate	\$	65,348	\$	39,325
Lead concentrate		66,037		35,141
Zinc concentrate		59,008		31,168
Provisional pricing adjustments		8,674		(1,542)
Treatment costs		(22,243)		(16,833)
	\$	176,824	\$	87,259

The comparative figures presented in this note have been adjusted to present revenue on a gross basis, following the reclassification of certain transportation costs to cost of sales, as described in Note 2(d).

The Company sells 100% of its concentrates to a single customer located in Mexico.

Notes to the consolidated financial statements
(Expressed in thousands of US dollars, unless otherwise indicated)

21. COST OF SALES

	Year ended December 31 2025		Year ended December 31 2024
			<i>Adjusted – Note 2(d)</i>
Production Costs	\$ 100,343	\$	60,419
Royalties	5,148		2,446
Inventory changes	(1,156)		(4,584)
Transportation and selling costs	11,267		6,685
Depreciation	12,473		5,123
	\$ 128,075	\$	70,089

The comparative figures have been adjusted to reflect the reclassification of certain transportation costs from revenue to cost of sales, as described in Note 2(d).

22. GENERAL AND ADMINISTRATION

	Year ended December 31 2025		Year ended December 31 2024
Salaries and employee benefits	\$ 5,880	\$	3,060
Professional fees	4,039		1,529
Corporate and administration	3,585		2,809
Depreciation and amortization	178		150
	\$ 13,682	\$	7,548

23. INTEREST AND FINANCE COSTS, NET

	Year ended December 31 2025		Year ended December 31 2024
Interest and accretion expense	\$ 1,801	\$	624
Interest income	(177)		(13)
Amortization of deferred financing costs	-		34
Accretion and change in estimate relating to stream agreement	-		811
Accretion relating to reclamation and rehabilitation	679		604
Accretion of convertible debenture	-		111
Loss on modification of loans	35		307
Bank fees, penalties, and other	18		105
	\$ 2,356	\$	2,583

Notes to the consolidated financial statements

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

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 2025	December 31 2024
Income (Loss) before income taxes	\$ (16,634) 27%	\$ (10,423) 27%
Expected income tax expense (recovery)	(4,491)	(2,814)
Increase (decrease) in taxes resulting from:		
Permanent differences	(2,154)	(3,069)
Share issuance costs	-	(7)
Share-based compensation	1,313	699
Adjustment to prior years' provision versus statutory	(16,308)	-
Special Mining Duty	2,302	-
Change in unrecognized deductible temporary differences	13,588	5,191
Change in tax rates, foreign exchange and other items	9,151	-
Non-deductible settlement of convertible debentures	1,015	-
Income tax expense (recovery)	4,416	-

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 2025	December 31 2024
Exploration and evaluation assets	\$ (5,009)	\$ (1,147)
Provision for reclamation and rehabilitation	2,993	-
Equipment	18,058	12,930
Share issue costs	285	561
Allowable capital losses	551	395
Provisions	4,403	5,030
Lease liability	363	-
Canadian resource pools	931	-
Empress royalties – derivative instrument	13,946	-
Current special mining duty	270	-
Non-capital losses available for future periods	30,501	35,987
Total	67,292	53,756
Unrecognized deferred tax assets	67,292	53,756
Total deferred tax assets	-	-

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

	December 31 2025	Expiry date range	December 31 2024	Expiry date range
	\$		\$	
Mineral interest and equipment	30,324	No expiry date	37,453	No expiry date
Stream agreement	51,651	No expiry date	18,629	No expiry date
Share issue costs	1,056	No expiry date	2,079	No expiry date
Allowable capital losses	2,042	No expiry date	1,464	No expiry date
Non-capital losses available for future periods	109,330	2026 to 2045	123,144	2026 to 2044
Canada	37,636	2026 to 2045	31,830	2026 to 2044
Mexico	70,838	2026 to 2034	91,314	2026 to 2034

Notes to the consolidated financial statements

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

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 2025	Year ended December 31 2024
Salaries, bonus and benefits	\$ 2,251	\$ 1,163
Consulting fees	897	777
Share-based compensation	3,585	2,117
	\$ 6,733	\$ 4,057

b) Related party balances

As at December 31, 2025, directors and officers or their related companies were owed \$nil (December 31, 2024 - \$127) included in amounts payable and accrued liabilities, mainly in respect to directors' fees payable and reimbursement of labour obligations. These amounts are unsecured, non-interest bearing and have no specific terms of settlement.

c) 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. This individual ceased to be a director of the Company on December 16, 2024.

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, and used by the CEO (the chief operating decision maker) in assessing performance. Mining operations consists of the Campo Morado mine and Tahuehueto mine.

December 31, 2025	Total assets	Total liabilities	Capital expenditures
Campo Morado	\$ 63,940	\$ 34,327	\$ 19,424
Tahuehueto	109,149	34,714	10,906
Corporate	11,021	56,270	338
Consolidated	\$ 184,110	\$ 125,311	\$ 30,668
<hr/>			
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

Notes to the consolidated financial statements
(Expressed in thousands of US dollars, unless otherwise indicated)

26. SEGMENTED INFORMATION (continued)

Year ended December 31, 2025	Campo Morado	Tahuehueto	Corporate	Total
Revenue	\$ 103,521	\$ 73,303	\$ -	\$ 176,824
Cost of sales before depreciation and depletion	(70,334)	(45,268)	-	(115,602)
Depreciation and depletion in cost of sales	(4,177)	(8,296)	-	(12,473)
Mine operating earnings	29,010	19,739	-	48,749
General and administration	(3,448)	(2,319)	(7,915)	(13,682)
Share-based compensation	-	-	(3,399)	(3,399)
Foreign exchange (loss) gain	(1,932)	(1,512)	119	(3,325)
Other operating (expense) income	(4,595)	(990)	255	(5,330)
Operating earnings (loss)	19,035	14,918	(10,940)	23,013
Interest and finance costs, net	(601)	(1,708)	(47)	(2,356)
Gain on debt modification and settlement	-	-	295	295
Change in fair value of derivative liability from stream agreement	-	-	(38,935)	(38,935)
Gain on derivative financial instruments	-	-	1,349	1,349
Segmented earnings (loss) before income tax	18,434	13,210	(48,278)	(16,634)
Current income tax expense	(881)	(2,890)	(645)	(4,416)
Segmented earnings (loss) after income tax	\$ 17,553	\$ 10,320	\$ (48,923)	\$ (21,050)
Year ended December 31, 2024				
Revenue – (Adjusted – Note 2(d))	\$ 50,557	\$ 36,702	\$ -	\$ 87,259
Cost of sales before depreciation and depletion – (Adjusted – Note 2(d))	(42,169)	(24,466)	-	(66,635)
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 gain	1,359	668	(1,338)	689
Other operating income (expense)	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
Loss on revaluation of derivative liability	-	-	(364)	(364)
Change in fair value of financial instruments	-	-	(14,440)	(14,440)
Segmented earnings (loss) before income tax	7,434	8,589	(26,446)	(10,423)
Current income tax expense	-	-	-	-
Segmented net earnings (loss) after income tax	\$ 7,434	\$ 8,589	\$ (26,446)	\$ (10,423)

Notes to the consolidated financial statements

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

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 from sale of concentrate	Trade receivables arising from the sales of metal concentrates are subject to provisional pricing, and the final selling price is adjusted at the end of a quotational period. These are marked to market at each reporting date based on the forward price corresponding to the expected settlement date. The valuation considers forward commodity prices, the expected timing of settlement.
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. The valuation incorporates key inputs such as expected volatility, risk-free interest rates and credit spreads.
Stream Agreement	The fair value of the Stream Agreement is determined based on a discounted cash flow model which includes significant assumptions related to the forecasted silver delivery schedule, the future silver price and the discount rate.
Derivative asset	Measured at fair value using an option pricing model with Silver COMEX as a proxy for the underlying asset. Market volatility is determined by interpolating between moneyness and time-to-maturity on a silver implied volatility surface derived from major exchange prices. The valuation incorporates a Credit Value Adjustment (CVA) using a credit risk-adjusted discounting approach, which includes counterparty credit spreads estimated via a market Option Adjusted Spread (OAS) and an assumed 40% recovery rate.

The carrying value of cash and cash equivalents, other receivables, other assets, amounts payable and accrued liabilities, all of which are carried at amortized cost, approximate their fair value given their short-term nature. The carrying value of loans payable approximates their fair value, as the loans bear interest at rates consistent with current market conditions and were recently renegotiated. Trade receivables from sale of concentrate, derivative asset 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 and the call options is classified with level 3 of the fair value hierarchy.

Notes to the consolidated financial statements

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

27. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

December 31 2025	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	\$ 10,205	\$ -	\$ 10,205	\$ -	\$ 10,205	\$ -	\$ -
Derivative asset	1,085	-	1,085	-	1,085	-	-
	\$ 11,290	\$ -	\$ 11,290	\$ -	\$ 11,290	\$ -	\$ -
Financial assets not measured at Fair Value							
Cash and cash equivalents	\$ -	\$ 25,515	\$ 25,515	\$ -	\$ -	\$ -	\$ 25,515
Other receivables	-	4,307	4,307	-	-	-	4,307
	\$ -	\$ 29,822	\$ 29,822	\$ -	\$ -	\$ -	\$ 29,822
Financial liabilities measured at Fair Value							
Derivative liability from stream	\$ (53,769)	\$ -	\$ (53,769)	\$ -	\$ -	\$ (53,769)	\$ -
	\$ (53,769)	\$ -	\$ (53,769)	\$ -	\$ -	\$ (53,769)	\$ -
Financial liabilities not measured at Fair Value							
Amounts payable and accrued liabilities	\$ -	\$ (43,902)	\$ (43,902)	\$ -	\$ -	\$ -	\$ (43,902)
Loans payable	-	(3,295)	(3,295)	-	-	-	(3,295)
Other long-term liabilities	-	(203)	(203)	-	-	-	(203)
	\$ -	\$ (47,400)	\$ (47,400)	\$ -	\$ -	\$ -	\$ (47,400)
December 31 2024							
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 measured at Fair Value							
Derivative from convertible debenture	\$ (4,975)	\$ -	\$ (4,975)	\$ -	\$ (4,975)	\$ -	\$ -
Derivative liability from stream	(22,804)	-	(22,804)	-	-	(22,804)	-
	\$ (27,779)	\$ -	\$ (27,779)	\$ -	\$ (4,975)	\$ (22,804)	\$ -
Financial liabilities not measured at Fair Value							
Amounts payable and accrued liabilities	\$ -	\$ (24,715)	\$ (24,715)	\$ -	\$ -	\$ -	\$ (24,715)
Loans payable	-	(17,037)	(17,037)	-	-	-	(17,037)
	\$ -	\$ (41,752)	\$ (41,752)	\$ -	\$ -	\$ -	\$ (41,752)

During the years ended December 31, 2025 and 2024, there were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy.

Notes to the consolidated financial statements

(Expressed in thousands of US 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.

There have been no changes in the Company's risk management policies and procedures compared to the prior year.

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, 2025		December 31, 2024	
Cash	\$	25,515	\$	10,207
Trade receivables		10,205		770
VAT recoverable		3,140		267
Other current assets		419		116
	\$	39,279	\$	11,360

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.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments at December 31, 2025:

	Less than 1 year		1 to 5 years		After 5 years		Total
Amounts payable and accrued liabilities	\$	43,902	\$	-	\$	-	\$ 43,902
Lease liabilities		1,270		9,055		-	10,325
Empress royalty streaming		18,596		31,227		3,946	53,769
Loans payable		3,295		-		-	3,295
Provision for reclamation and rehabilitation		-		-		10,273	10,273
Total contractual obligations	\$	67,063	\$	40,282	\$	14,219	\$ 121,564

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.

Notes to the consolidated financial statements

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

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, 2025, are as follows:

Denominated (000's)	December 31, 2025		December 31, 2024	
	CAD Dollars	Mexican Peso	CAD Dollars	Mexican Peso
Financial assets, foreign currency	\$ 1,476	\$ 108,749	\$ 3,304	\$ 144,984
Financial liabilities, foreign currency	(1,717)	(978,646)	(1,575)	(482,509)
Net financial assets (liabilities)	\$ (241)	\$ (869,715)	\$ 1,729	\$ (337,525)

Of the financial assets listed above, CAD\$1,315 (2024 – CAD\$3,244) represents cash held in CAD dollars and MXN\$878 (2024 - MXN\$4,305) 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%	(16)
Mexican pesos	+/- 10%	4,404

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, 2025 and 2024, 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. 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 \$30 (December 31, 2024 – \$98). 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 minimal.

The Company is also exposed to interest rate risk related to the fair value of the derivative liability from the Stream Agreement, being the risk that the fair value of the financial instrument will fluctuate because of changes in the discount rate. A 2% increase to the discount rate at December 31, 2025 would have decreased loss before income taxes by \$1,890. Conversely, a 2% decrease to the discount rate would have increased loss before income taxes by \$2,053.

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, 2025:

Metal	Change	Effect on Sales \$
Gold	+/- 10%	2,220
Silver	+/- 10%	2,995
Zinc	+/- 10%	1,774
Copper	+/- 10%	1,276
Lead	+/- 10%	116

The Company is also exposed to commodity price risk related to the fair value of the derivative liability from the Stream Agreement, being the risk that the fair value of future cash flows of the financial instrument will fluctuate because of changes in silver prices.

Notes to the consolidated financial statements

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

28. SUPPLEMENTAL CASHFLOW INFORMATION

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

	Loans	Leases	Empress royalty stream	Derivative liability
As at December 31, 2023	\$ 23,518	\$ 7,396	\$ 7,446	\$ -
Additions	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)	-
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
Additions	-	1,144	-	-
Interest paid	(986)	(1,045)	-	-
Interest expense	687	1,045	-	-
Principal payments	(9,893)	(1,867)	-	(1,527)
Silver Deliveries	-	-	(7,970)	-
Foreign exchange	-	38	-	-
Gain on debt modification and settlement	(150)	-	-	(145)
Change in fair value of derivative liability	-	-	38,935	-
Fair value of shares issued in debt settlement	(3,400)	-	-	(3,303)
As at December 31, 2025	\$ 3,295	\$ 10,325	\$ 53,769	\$ -

- b) The significant non-cash financing and investing transactions during the years ended December 31, 2025, and December 31, 2024, are as follows:

	Year ended	
	December 31 2025	December 31 2024
Changes in non-cash operating working capital:		
Amounts receivable and other assets	\$ (5,800)	\$ 2,628
Prepaid expenses and deposits	(3,205)	(1,950)
Inventories	(3,362)	(2,530)
Amounts payable and accrued liabilities	15,207	(3,963)
Other current assets	-	(116)
	\$ 2,840	\$ (5,931)
Changes in non-cash investing and financing activities:		
Share based compensation capitalized	\$ -	\$ 148
Depreciation capitalized	\$ -	\$ 1,226
Right of use depreciation capitalized	\$ -	\$ 862
Embedded derivative	\$ -	\$ 6,555
Shares issued on settlement of debt	\$ 3,400	\$ 3,694

Notes to the consolidated financial statements

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

29. COMMITMENTS AND CONTINGENCIES

a) Commitments

As at December 31, 2025, the Company had contractual commitments of \$1,477 related to acquisition of equipment spare parts and mining supplies and \$245 related to contracts with mining contractors in the normal course of operations, which are expected to be expensed within one year.

30. SUBSEQUENT EVENTS

Warrants and Stock Options

Subsequent to December 31, 2025, the Company issued 5,006,287 common shares for gross proceeds of \$2,163 (CAD\$ 2,971) through the exercise of 3,696,220 share purchase warrants and 1,310,067 stock options.