PRIME MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Prime Mining Corp.

Opinion

We have audited the accompanying consolidated financial statements of Prime Mining Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit 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 consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of Impairment Indicators of Exploration and Evaluation Asset ("E&E Asset")

As described in Note 8 to the consolidated financial statements, the carrying amount of the Company's E&E Asset was $12,514,568 as of December 31, 2023. As more fully described in Note 3 and 4 to the consolidated financial statements, management assesses the Company's E&E Asset for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Asset is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Asset, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the key controls associated with evaluating the E&E Asset for indicators of impairment.
- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Asset through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Obtaining, from legal counsel, confirmation of title to ensure mineral rights underlying the E&E Asset are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing 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 these consolidated financial statements.

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Carmen Newnham.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

March 25, 2024

PRIME MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
At December 31, 2023 and 2022
(In Canadian dollars)

	Note		**2023**		2022
ASSETS					
Current					
Cash		**$**	**33,811,215**	$	23,811,434
Receivables			**40,818**		82,592
Prepaid expenses			**150,973**		168,996
Total current assets			**34,003,006**		24,063,022
Value added tax receivable	6		**820,924**		840,662
Equipment	7		**569,905**		686,954
Exploration and evaluation asset	8		**12,514,568**		12,514,568
Total assets		**$**	**47,908,403**	$	38,105,206
LIABILITIES					
Current					
Trade payables and accruals	14	**$**	**2,430,553**	$	1,173,290
Current portion of lease liabilities	10		**40,106**		35,850
Total current liabilities			**2,470,659**		1,209,140
Long-term payable	9		**738,832**		756,596
Lease liabilities	10		**86,320**		126,425
Total liabilities			**3,295,811**		2,092,161
SHAREHOLDERS' EQUITY					
Share capital	11		**151,158,664**		120,115,589
Reserves	11		**19,481,048**		17,535,146
Deficit			**(126,027,120)**		(101,637,690)
Total shareholders' equity			**44,612,592**		36,013,045
Total liabilities and shareholders' equity		**$**	**47,908,403**	$	38,105,206

Nature and continuance of operations (note 1)
Subsequent events (note 19)

Approved by the Board of Directors on March 25, 2024:

"Scott Hicks" Director *"Paul Sweeney"* Director

PRIME MINING CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended December 31, 2023 and 2022
(In Canadian dollars)

	Note	**2023**	2022
Operating expenses			
Exploration and evaluation	8	**$ 17,115,916**	$ 17,732,405
General and administrative	5	**6,790,482**	7,381,989
Value added tax provision	6	**2,575,666**	2,686,907
Depreciation	7	**171,112**	176,242
Financing		**14,586**	19,727
Foreign exchange gain		**(623,391)**	(447,753)
Loss from operations		**(26,044,371)**	(27,549,517)
Interest income		**1,654,941**	177,257
Loss and comprehensive loss		**$ (24,389,430)**	$ (27,372,260)
Weighted average shares outstanding - basic and diluted		**138,245,931**	113,093,941
Loss per share - basic and diluted		**$ (0.18)**	$ (0.24)

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

PRIME MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(In Canadian dollars)

		2023		2022
OPERATING ACTIVITIES				
Loss for the year	**$**	**(24,389,430)**	$	(27,372,260)
Items not affecting cash:				
Depreciation		**171,112**		176,242
Interest income		**(1,654,941)**		(177,257)
Share-based compensation		**2,391,282**		4,143,316
Financing expense		**14,586**		19,727
Equipment disposal		**-**		31,606
Consulting services settled in common shares		**265,414**		139,144
Foreign exchange		**1,974**		8,826
Change in non-cash working capital items:				
Receivables		**41,774**		(29,243)
VAT receivables		**-**		12,030
Prepaid expenses		**18,023**		(30,777)
Trade payables and accruals		**1,336,234**		(231,617)
Cash used in operating activities		**(21,803,972)**		(23,310,263)
FINANCING ACTIVITIES				
Shares issued for cash		**30,337,521**		21,395,250
Share issuance costs		**(84,211)**		(1,528,026)
Lease liabilities payments		**(50,435)**		(58,008)
Cash provided by financing activities		**30,202,875**		19,809,216
INVESTING ACTIVITIES				
Purchase of equipment		**(54,063)**		(278,483)
Interest received		**1,654,941**		177,257
Cash provided by (used in) investing activities		**1,600,878**		(101,226)
Increase (decrease) in cash		**9,999,781**		(3,602,273)
Cash, beginning of the year		**23,811,434**		27,413,707
Cash, end of the year	**$**	**33,811,215**	$	23,811,434

Supplemental disclosure with respect to cash flows (note 16)

PRIME MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2023 and 2022
(In Canadian dollars)

	Note	Common shares	Share capital	Reserves	Deficit	Shareholders' equity
At December 31, 2022		127,154,718	$ 120,115,589	$ 17,535,146	$ (101,637,690)	$ 36,013,045
Shares issued for consulting services	11b)	145,745	265,414	-	-	265,414
Stock options exercised	11b)	150,000	438,797	(172,047)	-	266,750
Warrants exercised	11b)	15,861,729	30,070,771	-	-	30,070,771
RSUs exercised	11b)	133,333	273,333	(273,333)	-	-
Share issuance costs		-	(5,240)	-	-	(5,240)
Share-based compensation	11d), 11e), 11f)	-	-	2,391,282	-	2,391,282
Loss for the year		-	-	-	(24,389,430)	(24,389,430)
At December 31, 2023		**143,445,525**	**$ 151,158,664**	**$ 19,481,048**	**$ (126,027,120)**	**$ 44,612,592**

	Note	Common shares	Share capital	Reserves	Deficit	Shareholders' equity
At December 31, 2021		112,573,205	$ 100,113,471	$ 13,466,551	$ (74,265,430)	$ 39,314,592
Private placement, net of share issuance costs	11b)	14,030,000	19,438,003	-	-	19,438,003
Shares issued for consulting services	11b)	74,013	139,144	-	-	139,144
Stock options exercised	11b)	250,000	174,721	(74,721)	-	100,000
Warrants exercised	11b)	227,500	250,250	-	-	250,250
Share-based compensation	11d)	-	-	4,143,316	-	4,143,316
Loss for the year		-	-	-	(27,372,260)	(27,372,260)
At December 31, 2022		127,154,718	$ 120,115,589	$ 17,535,146	$ (101,637,690)	$ 36,013,045

(In Canadian dollars)

1. Nature and continuance of operations

Prime Mining Corp. ("Prime" or "the Company") was incorporated on May 14, 1981, under the laws of the Province of British Columbia, Canada. The Company acquires, explores, and develops interests in mineral projects in Mexico.

The Company's wholly owned subsidiaries are as follows:

Subsidiary	Jurisdiction	Operating status
Minera Amari SA de CV ("Minera Amari")	Mexico	Los Reyes Project
ePower Metals SA de CV	Mexico	Holding mineral claims
Argus Metals (BGI) Inc. [1]	Barbados	Inactive
ePower Metalen	Suriname	Inactive

(1) Argus Metals (BGI) Inc. was dissolved during the year ended December 31, 2022.

The Company is listed for trading on the Toronto Stock Exchange ("TSX" or the "Exchange") under the symbol PRYM. The Company was listed on the TSX Venture Exchange ("TSX-V") until December 6, 2023. The Company's head office and principal place of business is located at Suite 710, 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The Company's registered and records office is located at Suite 2200, 885 West Georgia Street, Vancouver, BC, V6C 3E8.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The Company has not generated revenue from operations. The Company recorded a loss of $24,389,430 during the year ended December 31, 2023 and, as of that date, the Company's deficit was $126,027,120. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash of $33,811,215 at December 31, 2023 that the Company estimates will be sufficient to maintain operations for at least the next twelve months.

There are many external factors that can adversely affect general workforces, economies and financial markets globally such as global health conditions and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of these factors and its effects on the Company's business or ability to raise funds.

2. Basis of preparation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") effective for the year ended December 31, 2023.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on March 25, 2024.

b) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis, except for certain financial instruments carried at fair value. The measurement bases are fully described in the accounting policies below. The consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Functional currency and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All references to "US$" or "USD" are to United States dollars and references to "MXN" are to Mexican pesos.

3. Material accounting policy information

The material accounting policy information used in the preparation of these consolidated financial statements are as follows:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Minera Amari, ePower Metals SA de CV, Argus Metals (BGI) Inc. until dissolved, and ePower Metalen. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated upon consolidation.

b) Foreign currency transaction

Foreign currency amounts are translated into each entity's functional currency as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the entity's functional currency by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into the functional currency by using the exchange rate in effect at the period-end date and the related translation differences are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into the functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into the functional currency by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in profit or loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For statement of cash flow presentation purposes, cash and cash equivalents includes bank overdrafts. For the years presented, the Company was only holding cash.

d) Value added tax receivable

Non-current tax receivable consists of a value added tax (“VAT”) receivable which represents a tax payment relating to the Los Reyes project acquisition paid by the Company in Mexico which is refundable from the Mexican government. The recovery of VAT receivable involves a complex application process, and the timing and success of collection is uncertain.

e) Mineral exploration and evaluation expenditures

i. Pre-exploration costs

Pre-exploration costs are expensed in the year in which they are incurred.

ii. Exploration and evaluation expenditures

The costs of acquiring exploration properties, including transaction costs, are capitalized as exploration and evaluation assets. Costs incurred prior to the legal right to explore is obtained, are expensed in the period in which they are incurred.

The Company expenses exploration and evaluation expenditure until such time that an appropriate economic assessment has been completed and there is confidence that permits can be obtained to develop the project. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase.
When a project is deemed to no longer have commercially viable prospects to the Company, capitalized costs in respect of that project are deemed to be impaired. As a result, those capitalized exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties. As the Company currently has no operational income, any incidental revenues earned in connection with exploration and evaluation assets are applied as a reduction to capitalized costs.

f) Equipment

i. Recognition and measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

ii. Subsequent costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

iii. Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

iv. Gains and losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in profit and loss.

v. Depreciation

Depreciation is recognized in profit or loss and is provided on a declining-balance basis and on a straight-line basis over the estimated useful life of the assets as follows:

Office and equipment	10% - 100% declining balance
Project equipment	10% declining balance
Right-of-use assets	straight line

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

g) Leases

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a right-of-use ("ROU") asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions:

i. the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or
ii. for leases of low value. The payments for such leases are recognized in profit or loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated 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 lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in property and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in profit or loss.

h) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company performs impairment testing on each cash-generating unit.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

i) Financial instruments

i. Classification

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

Financial assets/liabilities	**Classification in IFRS 9**
Cash	Amortized cost
Receivables	Amortized cost
Trade payables and accruals	Amortized cost
Long-term payable	Amortized cost
Lease liabilities	Amortized cost

ii. Measurement

Financial assets and liabilities at amortized cost
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 at FVTPL
Financial assets and liabilities carried at FVTPL are initially recognized 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 included in profit or loss in the period in which they arise.

Impairment of financial assets at amortized cost

An "expected credit loss" impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follow: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit and loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

iii. *Derecognition*

Financial assets

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 of the associated risks and rewards of ownership to another entity. Gains or losses on the derecognition are generally recognized in profit or loss.

j) Provision

i. *Other provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

k) Income taxes

Income tax expense comprises current and deferred tax expense. Current tax and deferred tax expense are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

l) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, restricted share units, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

m) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

n) Loss per share

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings (loss) per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. For the years presented, this calculation provides to be anti-dilutive.

o) Share-based payments

i. Stock option and warrants

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to operations over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

ii. Restricted share units ("RSUs") and deferred share units ("DSUs")

The Company may grant RSUs and DSUs to directors, officers and employes. Each RSUs and DSUs represent an entitlement to one common share of the Company, upon vesting. RSUs and DSUs are redeemable for the issuance of shares only on the date of exercise. The Company measures the share-based compensation expense based on the quoted market price of the Company's common shares on the grant date and recognizes the expense over the vesting period, with a corresponding increase in reserves. When RSUs and DSUs are exercised, the initial recorded value is reversed from reserves and credited to share capital.

p) New accounting standards issued and not yet effective

Certain IFRS pronouncements that are mandatory for accounting years beginning on or after January 1, 2023 have been issued. The Company anticipates that the application of these new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

4. Critical accounting estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in total comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

(In Canadian dollars)

Information about such judgements and estimates is contained in the description of accounting policies (note 3) and other notes to the financial statements. Management has made the following critical accounting judgements and estimates:

i. *Critical judgments in applying accounting policies*

Exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

ii. *Key sources of estimation uncertainty*

Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 11.

VAT receivable
The Company pays VAT on expenditures incurred in Mexico. Such VAT payments are considered to be refundable, however it involves a complex application process, and the timing and success of collection is uncertain.

5. General and administrative expense

	Note	**2023**	2022
Salaries, directors' fees and personnel	14	**$ 2,362,075**	$ 1,780,414
Consulting and professional fees	14	**763,426**	554,727
Investor relations		**636,064**	384,554
Office and other		**637,635**	518,978
Share-based compensation	11d), 11e), 11f), 14	**2,391,282**	4,143,316
		$ 6,790,482	$ 7,381,989

6. Value added tax receivable

Value added tax ("VAT") receivable represents a tax payment paid by the Company in Mexico which are refundable from the Mexican government.

The Company recorded the VAT paid on the purchase of Los Reyes Project resulting in a VAT receivable of US$827,586. During the year ended December 31, 2023, the Company received VAT of $nil (2022 - US$206,897). At December 31, 2023, there remained a VAT receivable balance of $820,924 (US$620,690). Upon receipt of the VAT receivable the Company is required to settle the long-term payable (note 9).

(In Canadian dollars)

Value added tax provision

The complex application process can impact the collectability and timing of funds from the government. As a result, the Company has recognized a provision for a portion of the VAT incurred during the reporting period.

During the year ended December 31, 2023, the Company recorded a provision for VAT incurred of $2,575,666 (2022 - $2,686,907) related to additional Los Reyes Project expenditures. Since inception, the Company has recorded a VAT provision of $6,807,805.

7. Equipment

		Office equipment		Right of use assets		Project equipment		Total
Cost								
At January 1, 2023	**$**	**76,463**	**$**	**424,228**	**$**	**783,917**	**$**	**1,284,608**
Additions		**-**		**-**		**54,063**		**54,063**
At December 31, 2023		**76,463**		**424,228**		**837,980**		**1,338,671**
Accumulated depreciation								
At January 1, 2023		**62,007**		**248,852**		**286,795**		**597,654**
Depreciation		**8,854**		**46,392**		**115,866**		**171,112**
At December 31, 2023		**70,861**		**295,244**		**402,661**		**768,766**
Carrying amount December 31, 2023	**$**	**5,602**	**$**	**128,984**	**$**	**435,319**	**$**	**569,905**

		Office equipment		Right of use assets		Project equipment		Total
Cost								
At January 1, 2022	$	66,905	$	424,228	$	514,992	$	1,006,125
Additions		9,558		-		268,925		278,483
At December 31, 2022		76,463		424,228		783,917		1,284,608
Accumulated depreciation								
At January 1, 2022		54,455		202,460		132,891		389,806
Depreciation		7,552		46,392		122,298		176,242
Disposal		-		-		31,606		31,606
At December 31, 2022		62,007		248,852		286,795		597,654
Carrying amount December 31, 2022	$	14,456	$	175,376	$	497,122	$	686,954

8. Exploration and evaluation asset and expenditures

a) Acquisition of the Los Reyes Project

During August 2019 and subsequently amended, the Company closed the Los Reyes Assignment Agreement with Minera Alamos Inc. ("MAI"), Vista Gold Corp. ("Vista Gold"), and the Mexican subsidiaries of each of MAI and the Company, pursuant to which MAI assigned the rights to an option to earn a 100% interest in the Los Reyes Project in Sinaloa State, Mexico. During June 2021, the Company completed the final option payment cancelling all royalties and rights held by Vista Gold and completed the acquisition of the Los Reyes Project. The Los Reyes Project has certain claims that are subject to NSRs ranging from 1%-3%, with option to repurchase the 2% NSRs for US$2,000,000 before July 31, 2053.

(In Canadian dollars)

During February 2020, the Company entered into a surface-rights agreement with local landowners. The Company has the right to extend the exploration period for up to two additional years by making an annual payment of US$20,000 in 2024 (paid) and US$30,000 in 2025. The Company may initiate construction of a mine at any time. If construction begins prior to February 2025, the annual payment will increase to US$30,000. Once commercial production starts, the annual payment will increase to US$200,000. The payments are subject to customary indexing for inflation.

During July 2023, the Company entered into an additional agreement with a 15-year term with local landowners. The agreement requires an annual payment of 600,000 Mexican Pesos. Once the process of exploitation of the mining lands commences the payment amount will increase to US$60,000 annually.

At December 31, 2023 and 2022, acquisition costs capitalized was $12,514,568.

b) Expenditures

i. Los Reyes Project period expenditures

Project expenditures during the year ended December 31, 2023 and 2022, are summarized as follows:

	Note		**2023**		2022
Drilling		**$**	**8,215,329**	$	9,587,542
Salaries and personnel	14		**3,896,133**		3,461,425
Resource assaying, estimation and technical services			**2,534,064**		2,661,624
Equipment and field supplies			**1,474,474**		1,573,495
Land payments and maintenance			**487,214**		255,877
General and administrative			**508,702**		192,442
		$	**17,115,916**	$	17,732,405

ii. Los Reyes Projects cumulative expenditures

Project expenditures since acquisition, are summarized as follows:

		Total
Drilling	**$**	**23,177,287**
Salaries and personnel		**10,522,449**
Resource assaying, estimation and technical services		**7,389,450**
Equipment and field supplies		**4,124,028**
Land payments and maintenance		**1,196,253**
General and administrative		**1,339,488**
	$	**47,748,955**

9. Long-term payable

The Los Reyes Amended Option Agreement requires the Company to reimburse Vista Gold 90% of the VAT receivable totalling US$744,828, associated with the Los Reyes Project purchase (notes 6 and 8) when the funds are received.

(In Canadian dollars)

During the year ended December 31, 2023, the Company received $nil (2022 - US$206,897) of the VAT receivable. A payment of $nil (2022 - US$186,207) was made to Vista Gold. The remaining payable amount of $738,832 (US$558,621) requires payment when the VAT receivable is collected.

Collection of the VAT receivable is not expected within twelve months and accordingly the payable is presented as a non-current liability.

10. Lease liabilities

On November 1, 2021, the Company entered into a lease agreement for office premises. The lease has a term of 5-years with monthly payments of $4,120 and an implicit interest rate of 10%. At December 31, 2023, the undiscounted lease liability was $145,838.

The Company has a lease for office equipment over a term of five years with monthly payments of $370 and an implicit interest rate of 8%.

		Premises lease		Equipment lease		Total
Balance, December 31, 2021	$	195,584	$	4,972	$	200,556
Interest		19,519		208		19,727
Payments		(53,566)		(4,442)		(58,008)
Balance, December 31, 2022	**$**	**161,537**	**$**	**738**	**$**	**162,275**
Interest		**14,334**		**252**		**14,586**
Payments		**(49,445)**		**(990)**		**(50,435)**
Balance, December 31, 2023	**$**	**126,426**	**$**	**-**	**$**	**126,426**

At December 31, 2023, the current and long-term lease liabilities were $40,106 and $86,320, respectively (December 31, 2022 - $35,850 and $126,425, respectively).

Maturity analysis of the contractual undiscounted lease payments, are summarized as follows:

Within one year	$	49,445
Greater than one year but less than five years		96,393
Total undiscounted lease payments	**$**	**145,838**

(In Canadian dollars)

11. Capital stock

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued capital

At December 31, 2023, there were 143,445,525 issued and outstanding common shares (December 31, 2022 - 127,154,718).

The Company had the following common share transactions during the year ended December 31, 2023:

- The Company issued 15,861,729 common shares for gross proceeds of $30,070,771 upon exercise of warrants (note 11c).
- The Company issued 150,000 common shares for gross proceeds of $266,750 upon exercise of options.
- The Company issued 133,333 common shares for gross proceeds of $nil upon exercise of RSUs.
- Pursuant to an agreement entered in June 2022, the Company issued 145,745 common shares with a fair value of $265,414 and 145,745 warrants (note 11c) to pay a financial advisory firm fee.

The Company had the following common share transactions during the year ended December 31, 2022:

- On December 22, 2022, the Company closed a private placement of 14,030,000 units at a price of $1.50 per unit for gross proceeds of $21,045,000, with transaction costs of $1,606,997. Each unit consists of one common share and one common share purchase warrant exercisable at a price of $2.00 until December 22, 2025. If the volume weighted average trading price of the common shares on the TSX-V for any ten consecutive trading days equals or exceeds $2.50, the Company may, upon providing written notice to the holders, accelerate the expiry date of the warrants to the date that is 20 days following the date of such written notice.
- In June 2022, the Company entered into an agreement whereby the Company will pay a financial advisory firm a fee of $450,000 to be paid over 24 months in units for consulting advisory services. Each unit consists of one common share and one common share purchase warrant. The Company issued 74,013 common shares with a fair value of $139,144 and 74,013 warrants (note 11c).
- The Company issued 227,500 common shares for gross proceeds of $250,250 upon exercise of warrants.
- The Company issued 250,000 common shares for gross proceeds of $100,000 upon exercise of options.

c) Warrants

Warrant transactions and the number of warrants outstanding during the years ended December 31, 2023 and 2022, are summarized as follows:

	Number of warrants	Weighted average exercise price ($)
Outstanding at December 31, 2021	24,523,125	1.87
Exercised	(227,500)	1.10
Granted	14,104,013	2.00
Outstanding at December 31, 2022	**38,399,638**	**1.93**
Expired	**(4,590)**	**2.00**
Exercised	**(15,861,729)**	**1.90**
Granted	**145,745**	**2.25**
Outstanding at December 31, 2023	**22,679,064**	**1.95**

(In Canadian dollars)

Warrants outstanding at December 31, 2023 and 2022, are as follows:

			Warrants outstanding at	
Issuance date	Expiry date	Exercise price ($)	**2023**	2022
June 12, 2020	June 12, 2025	1.10	**17,586,181**	19,422,500
December 22, 2022 (1)	December 22, 2025	2.00	**-**	14,030,000
December 8, 2023 (2)	December 8, 2026	2.04	**82,720**	
December 22, 2022 (3)	December 22, 2025	2.25	**74,013**	74,013
June 14, 2023 (2)	June 8, 2026	2.52	**63,025**	-
April 27, 2021	April 27, 2024	5.00	**4,873,125**	4,873,125

(1) During the year ended December 31, 2023, the volume weighted average trading price of the common shares on the TSX-V exceeded $2.50 for ten consecutive days and the Company provided written notice to the warrant holders, accelerating the expiry date of the warrants to May 8, 2023. The Company issued 14,025,410 common shares for gross proceeds of $28,050,820 upon exercise of the warrant relating to the warrant acceleration, 4,590 warrants expired without being exercised.

(2) During the year ended December 31, 2023, the Company paid a financial advisory firm a fee which included 82,720 and 63,025 warrants for consulting advisory services. The fair value of the warrants was assessed to be $nil on issuance.

(3) During the year ended December 31, 2022, the Company paid a financial advisory firm a fee which included 74,013 warrants for consulting advisory services. The fair value of the warrants was assessed to be $nil on issuance.

d) Stock options

The Company has a stock option plan by which the directors may grant options to purchase common shares to directors, officers, employees and service providers of the Company on terms that the directors may determine within the limitations set forth in the stock option plan (“the plan”). The maximum number of common shares issuable upon the exercise of options granted pursuant to the plan is set at 10% of the total issued common shares. The board of directors may grant options with a life of up to ten years, however options granted to date have a maximum term of five years. Vesting terms may be set by the board of directors.

Stock option transactions and the number of stock options outstanding during the year ended December 31, 2023 and 2022, are summarized as follows:

	Number of share options	Weighted average exercise price ($)
Outstanding at December 31, 2021	10,210,000	1.78
Granted	1,275,000	2.51
Forfeited	(725,000)	3.51
Exercised	(250,000)	0.40
Outstanding at December 31, 2022	**10,510,000**	**1.78**
Granted	**900,000**	**1.77**
Forfeited	**(70,000)**	**3.23**
Exercised	**(150,000)**	**1.78**
Outstanding at December 31, 2023	**11,190,000**	**1.77**
Exercisable at December 31, 2023	**10,251,666**	**1.77**

(In Canadian dollars)

Share options outstanding and exercisable at December 31, 2023, are as follows:

Outstanding				Exercisable		
Exercise price ($)	Number of options	Weighted average exercise price ($)	Weighted average remaining life of options (years)	Number of options exercisable	Weighted average exercise price ($)	Remaining life of options (years)
0.40	2,150,000	0.40	0.76	2,150,000	0.40	0.76
0.42	250,000	0.42	1.11	250,000	0.42	1.11
0.95	3,100,000	0.95	1.45	3,100,000	0.95	1.45
1.08	200,000	1.08	4.75	-	1.08	4.75
1.30	700,000	1.30	1.50	700,000	1.30	1.50
1.65	300,000	1.65	1.65	300,000	1.65	1.75
1.92	400,000	1.92	1.59	400,000	1.92	1.59
1.97	670,000	1.97	4.12	223,333	1.97	4.12
2.05	875,000	2.05	3.63	583,333	2.05	3.63
3.53	400,000	3.53	3.24	400,000	3.53	3.24
4.18	2,145,000	4.18	2.73	2,145,000	4.18	2.73
	11,190,000	**1.77**	**2.03**	**10,251,666**	**1.77**	**1.84**

The fair value of stock options recognized during the year ended December 31, 2023, as an expense was $1,460,486 (2022 - $3,955,330).

The following are the weighted average assumptions used for the Black-Scholes option pricing model valuation of share options granted during the year ended December 31, 2023 and 2022:

	2023	2022
Risk-free interest rate	**3.51%**	2.79%
Expected life of options	**5 years**	5 years
Annualized volatility	**70.2%**	85.3%
Common share price	**$1.72**	$2.51
Forfeiture rate	**-**	-
Dividend rate	**-**	-
Grant-date fair value per option	**$1.02**	$1.72

The risk-free rate of periods within the expected life of the share option is based on the Canadian government bond rate. The annualized volatility and forfeiture rate assumptions are based on historical results.

e) Restricted share units

The Company has a restricted share unit ("RSU") plan by which the directors may grant RSUs to acquire common shares to directors, officers, and employees of the Company on terms that the directors may determine within the limitations set forth in the RSU plan. The maximum number of common shares issuable upon the vesting of RSUs granted pursuant to the RSU plan combined with other share-based compensation arrangements is set at 10% of the total issued common shares. The board of directors may grant RSUs with a life of up to ten years. Vesting terms may be set by the board of directors.

(In Canadian dollars)

During the year ended December 31, 2022, the Company granted 400,000 RSUs to an officer of the Company with a fair market value of $820,000. The RSUs vest in equal tranches on the first, second and third anniversary of the grant approval date. After the first anniversary, if the Company's share price reaches a 30-day VWAP of $3.00 for the second third of unvested RSUs and $4.00 for the final third of unvested RSUs then the remaining vesting shall be accelerated and the respective RSUs shall become vested on the last day of the appropriate 30-day period. No RSUs were granted during the year ended December 31, 2023.

	Number of RSUs
Outstanding at December 31, 2021	-
Granted	400,000
Outstanding at December 31, 2022	400,000
Settled	(133,333)
Outstanding at December 31, 2023	**266,667**

The fair value of the RSUs recognized during the year ended December 31, 2023, included in share-based compensation expense was $398,247 (2022 - $187,986).

f) Deferred share units

The Company has a deferred share unit ("DSU") plan by which the directors may grant DSUs to acquire common shares to directors, officers, and employees of the Company on terms that the directors may determine within the limitations set forth in the DSU plan. The maximum number of common shares issuable upon the vesting of DSUs granted pursuant to the DSU plan combined with other share-based compensation arrangements is set at 10% of the total issued common shares. The board of directors may grant DSUs with a life of up to ten years. Vesting terms may be set by the board of directors.

During the year ended December 31, 2023, the Company granted 372,634 DSUs to directors of the Company with a fair market value of $654,871. The DSUs vest in twelve months.

	Number of DSUs
Outstanding at December 31, 2022 and 2021	-
Granted	372,634
Outstanding at December 31, 2023	**372,634**

The fair value of the DSUs recognized during the year ended December 31, 2023, included in share-based compensation expense was $532,549 (2022 - $nil).

(In Canadian dollars)

12. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2023		2022
Loss for the year	**$**	**(24,389,430)**	$	(27,372,260)
Combined Canadian federal and provincial income tax rates		**27.0%**		27.0%
Expected income tax (recovery)		**(6,585,000)**		(7,391,000)
Items that cause an increase (decrease):				
Change in statutory, foreign tax, foreign exchange rates and other		**(1,369,000)**		(820,000)
Permanent difference		**450,000**		1,180,000
Share issue cost		**(1,000)**		(434,000)
Adjustment to prior years provision versus statutory tax returns		**142,000**		(19,000)
Change in unrecognized temporary differences		**7,363,000**		7,484,000
Income tax expense (recovery)	**$**	**-**	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

		2023	**Expiry date range**		2022	Expiry date range
Exploration and evaluation asset	**$**	**63,748,000**	**No expiry date**	$	47,166,000	No expiry date
Investment tax credit		**49,000**	**2027 to 2030**		49,000	2027 to 2030
Property and equipment		**349,000**	**No expiry date**		341,000	No expiry date
Share issue costs		**1,712,000**	**2043 to 2046**		2,714,000	2043 to 2046
Allowable capital losses		**9,053,000**	**No expiry date**		9,053,000	No expiry date
Non-capital losses available for further periods	**$**	**29,456,000**	**2028 to 2042**	$	20,503,000	2028 to 2042

Tax attributes are subject to review, and potential adjustment, by tax authorities.

13. Loss per share

The calculation of the basis and diluted loss per share is based on the following:

		2023		2022
Loss for the year	**$**	**(24,389,430)**	$	(27,372,260)
Weighed average number of common shares outstanding		**138,245,931**		113,093,941
Loss per share, basic and diluted	**$**	**(0.18)**	$	(0.24)

Diluted loss per share for the year ended December 31, 2023 and 2022, is equal to basic loss per share as the exercise of the 11,190,000 options (2022 - 10,510,000), 22,679,064 warrants (2022 - 38,399,638), 266,667 RSUs (2022 - 400,000) and 372,634 DSUs (2022 - nil) would be anti-dilutive.

(In Canadian dollars)

14. Related party transactions and balances

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, officers, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

Key management compensation includes:

		2023		2022
Salaries, personnel and benefits (1)	$	**2,353,601**	$	1,822,199
Directors fees		**279,493**		268,685
Consulting fees		**79,148**		55,993
Share-based compensation		**2,058,243**		2,302,574
	$	**4,770,485**	$	4,449,451

(1) Salaries, personnel and benefits includes salaries of $466,400 (2022 - $414,096) included in exploration and evaluation expenditures (note 8b).

Trade payables and accruals include $875,993 (2022 - $268,327) owed to directors and officers of the Company.

15. Segmented information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At December 31, 2023 and 2022, all exploration and evaluation asset and equipment were located in Canada and Mexico.

		2023		2022
Canada	$	**134,586**	$	189,832
Mexico		**12,949,887**		13,011,690
	$	**13,084,473**	$	13,201,522

16. Supplemental disclosure with respect to cash flows

		2023		2022
Grant date fair value of stock options exercised	$	**172,047**	$	74,721
Financing fee included in trade payable and accruals	$	**-**	$	78,971

(In Canadian dollars)

17. Financial instruments and risk management

a) Interest rate risk

The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At December 31, 2023, the Company was not subject to significant interest rate risk.

b) Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations.

The Company manages its credit risk by investing only in high quality financial institutions.

Non-current value added tax receivable consists of a tax payment relating to the Los Reyes project acquisition paid by the Company in Mexico. Such VAT payments are considered to be refundable from the Mexican government, however it involves a complex application process, and the timing and success of collection is uncertain.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and receivables.

c) Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At December 31, 2023, the Company has activities in other countries which exposes the Company to foreign exchange risk.

With other variables unchanged, a 10% increase (decrease) in the Canadian dollar would have the following effect on loss for the period:

		2023		2022
US dollar	**$**	**(86,927)**	$	(107,820)
Mexican peso	**$**	**16,564**	$	88,757

The Company's financial assets and liabilities denominated in foreign currencies are as follows:

		2023		2022
Cash	**$**	**46,438**	$	121,360
VAT Receivable		**820,924**		884,805
Payables and accruals		**832,164**		440,200
Long-term payable	**$**	**738,832**	$	756,596

d) Liquidity risk

The Company manages liquidity risk by maintaining adequate cash balances. If necessary, the Company may raise funds through the issuance of debt, equity or sale of non-core assets. The Company attempts to ensure that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows and matching the maturity profile of financial assets to development, capital and operating needs.

e) Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

The carrying value of cash, trade payables and accruals, and lease liabilities approximates their fair value due to the relatively current nature of those financial instruments.

18. Capital management

The Company manages its capital, being the components of shareholders' equity, and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has historically relied on the equity markets to fund its activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any external limitations on capital management and there were no changes to the Company's approach to capital management in the year ended December 31, 2023.

19. Subsequent events

Subsequent to December 31, 2023, the Company:

- Granted 991,626 stock options exercisable at a price of $1.83.
- Granted 455,846 restricted share units and 661,202 deferred share units.
- Issued 125,500 common shares for gross proceeds of $138,050 upon exercise of warrants.
- Issued 750,000 common shares for gross proceeds of $743,500 upon exercise of options.
- Issued 38,480 common shares for settlement of deferred share units.