Discoverysilver

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2023 and 2022

(expressed in Canadian dollars)

Discovery Silver Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

As at	Notes		September 30, 2023		December 31, 2022
ASSETS					
Current					
Cash and cash equivalents	6	$	59,931,068	$	46,220,938
Value-added tax and other receivables	7		12,240,874		8,045,977
Prepaids and deposits	8		362,720		259,279
Investments	9		195,638		520,606
			72,730,300		55,046,800
Non-current					
Equipment	10		1,710,803		1,639,621
Value-added taxes receivable	7		2,029,881		2,029,881
Mineral properties	11		74,299,824		32,867,024
TOTAL ASSETS		$	150,770,808	$	91,583,326
LIABILITIES					
Current					
Accounts payable, accrued, and other liabilities	12	$	13,231,700	$	1,875,457
Current portion of lease liabilities	13		96,161		89,411
		$	13,327,861	$	1,964,868
Non-current					
Other long-term liabilities	14	$	4,152,516		-
Lease liabilities	13		387,913		460,388
TOTAL LIABILITIES		$	17,868,290	$	2,425,256
SHAREHOLDERS' EQUITY					
Share capital	15(b)	$	216,004,826	$	166,732,378
Contributed surplus			41,791,381		37,455,923
Warrants	15(e)		17,525,093		17,525,093
Accumulated other comprehensive loss			271,984		48,525
Accumulated deficit			(142,690,766)		(132,603,849)
TOTAL EQUITY		$	132,902,518	$	89,158,070
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	150,770,808	$	91,583,326

Commitments (Note 20a), Contingencies (Note 23) and Events After The Reporting Period (Note 24)

Approved on Behalf of the Board on November 13, 2023:

"Jeff Parr"
Jeff Parr – Director

"Murray John"
Murray John – Director

See accompanying notes to the unaudited condensed interim consolidated financial statements

Discovery Silver Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND TOTAL COMPREHENSIVE LOSS

Unaudited - (Expressed in Canadian dollars, except per share and share information)

		Three Months Ended		Nine Months Ended	
	Notes	**September 30, 2023**	September 30, 2022	**September 30, 2023**	September 30, 2022
Expenses (income)					
General office and other expenses	**16**	**$ 1,887,914**	$ 1,076,536	**$ 5,179,164**	$ 3,917,873
Interest income		**(842,057)**	(199,453)	**(1,876,364)**	(518,792)
Interest expense		**1,429**	193	**14,821**	1,125
Professional fees	**17**	**155,749**	380,501	**1,246,330**	906,969
Exploration and project evaluation expenses		**1,408,823**	9,078,504	**2,904,868**	24,209,221
Share-based compensation	**15(c)**	**2,418,966**	1,672,190	**4,614,654**	7,763,023
Loss on fair value remeasurement of investments	**9**	**55,632**	469,378	**324,969**	615,547
Reversal of provision for value-added taxes receivable	**7**	**(3,359,870)**	(4,981,936)	**(2,086,049)**	(3,277,190)
Foreign exchange loss (gain)		**480,893**	(1,945,749)	**(235,476)**	(2,933,852)
Net loss		**$ 2,207,479**	$ 5,550,164	**$ 10,086,917**	$ 30,683,924
Other comprehensive (income) loss		**$ 852,287**	$ (556,187)	**$ (223,459)**	$ (232,606)
Net loss and total comprehensive loss		**$ 3,059,766**	$ 4,993,977	**$ 9,863,458**	$ 30,451,318
Weighted average shares outstanding					
Basic and diluted	**15(b)**	**395,720,230**	349,402,721	**391,708,180**	340,101,973
Net loss per share					
Basic and diluted		**$ (0.01)**	$ (0.02)	**$ (0.03)**	$ (0.10)

See accompanying notes to the unaudited condensed interim consolidated financial statements

Discovery Silver Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

		Three Months Ended		Nine Months Ended	
	Notes	**September 30, 2023**	September 30, 2022	**September 30, 2023**	September 30, 2022
Operating Activities					
Net loss		**$ (2,207,479)**	$ (5,550,164)	**$ (10,086,917)**	$ (30,683,924)
Items not affecting cash:					
Depreciation		**94,176**	42,041	**387,480**	195,650
Share-based compensation	**15(c)**	**2,418,966**	1,672,190	**4,614,654**	7,763,023
Reversal of provision for value-added taxes receivable	**7**	**(3,359,870)**	(4,981,936)	**(2,086,049)**	(3,277,190)
Loss on fair value remeasurement	**9**	**55,632**	469,378	**324,969**	615,547
Write-off of mineral property		**-**	-	**-**	267,711
Unrealized foreign exchange gain		**(291,366)**	(2,199,316)	**(22,990)**	(2,623,062)
Changes in non-cash operating working capital:					
Sales tax and other receivables	**7**	**(946,585)**	(1,847,674)	**(2,108,849)**	(3,427,124)
Prepaids and deposits	**8**	**2,166**	61,469	**(103,441)**	(86,093)
Accounts payable and accrued liabilities	**12**	**1,415,246**	758,273	**735,804**	1,614,140
Net cash used in operating activities		**$ (2,819,114)**	$ (11,575,739)	**$ (8,345,339)**	$ (29,641,322)
Investing Activities					
Proceeds from sale of investment		**-**	-	**-**	15,000,000
Additions to mineral properties	**11**	**(5,683,802)**	-	**(26,380,949)**	-
Additions to equipment	**10**	**(201,677)**	(139,093)	**(445,541)**	(338,758)
Net cash (used in) from investing activities		**$ (5,885,479)**	$ (139,093)	**$ (26,826,490)**	$ 14,661,242
Financing Activities					
Issuance of shares, net of costs	**15(b)**	**-**	-	**48,741,556**	-
Issuance of shares on exercise of options	**15(c)**	**-**	1,495,000	**251,696**	1,832,753
Issuance of shares on exercise of warrants	**15(e)**	**-**	-	**-**	12,188,527
Principal payment on lease liability	**13**	**(23,453)**	(9,912)	**(65,725)**	(34,003)
Net cash provided by (used in) financing activities		**$ (23,453)**	$ 1,485,088	**$ 48,927,527**	$ 13,987,277
Effect of exchange rates on cash and cash equivalents		**491,108**	2,172,499	**(45,568)**	1,796,942
Increase (decrease) in cash and cash equivalents		**(8,236,938)**	(8,057,245)	**13,710,130**	804,139
Cash and cash equivalents, beginning of period	**6**	**68,168,006**	63,610,036	**46,220,938**	54,748,652
Cash and cash equivalents, end of period	**6**	**$ 59,931,068**	$ 55,552,791	**$ 59,931,068**	$ 55,552,791
Supplemental Cash Flow Information:					
Income tax expense paid		**$ -**	$ -	**$ -**	$ -
Interest paid		**$ 1,429**	$ 193	**$ 14,821**	$ 1,125

See accompanying notes to the unaudited condensed interim consolidated financial statements

Discovery Silver Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2023		**351,941,580**	**$ 166,732,378**	**$ 17,525,093**	**$ 37,455,923**	**$ 48,525**	**$ (132,603,849**	**$ 89,158,070**
Share-based compensation	**15c**	**-**	**-**	**-**	**4,614,654**	**-**	**-**	**4,614,654**
Shares issued under marketed public offering	**15b**	**43,125,000**	**51,750,000**	**-**	**-**	**-**	**-**	**51,750,000**
Share issue costs		**-**	**(3,008,444)**	**-**	**-**	**-**	**-**	**(3,008,444)**
Shares issued on exercise of options	**15c**	**528,650**	**374,642**	**-**	**(122,946)**	**-**	**-**	**251,696**
Shares issued on redemption of RSU's	**15d**	**125,000**	**156,250**	**-**	**(156,250)**	**-**	**-**	**-**
Net loss and total comprehensive loss for the period		**-**	**-**	**-**	**-**	**223,459**	**(10,086,917)**	**(9,863,458)**
At September 30, 2023		**395,720,230**	**$ 216,004,826**	**$ 17,525,093**	**$ 41,791,381**	**$ 271,984**	**$ (142,690,766**	**$ 132,902,518**

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2022		331,348,433	$ 150,492,379	$ 23,395,976	$ 24,095,443	$ (389,494)	$ (91,508,079)	$ 106,086,225
Share-based compensation	14c	-	-	-	7,763,023	-	-	7,763,023
Shares issued on exercise of options	14c	3,598,333	3,046,704	-	(1,213,951)	-	-	1,832,753
Shares issued on exercise of warrants	14e	15,869,814	12,188,527	(5,870,883)	5,870,883	-	-	12,188,527
Shares issued on exercise of RSU's	14e	125,000	177,799	-	(177,799)	-	-	-
Net loss and total comprehensive loss for the period		-	-	-	-	232,606	(30,683,924)	(30,451,318)
At September 30, 2022		350,941,580	$ 165,905,409	$ 17,525,093	$ 36,337,599	$ (156,888)	$ (122,192,003	$ 97,419,210

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Discovery Silver Corp. ("Discovery Silver" or the "Company") is engaged in the acquisition, exploration, and development of mineral property interests, primarily in Mexico. The Company's flagship asset is the 100% owned Cordero silver project located in Chihuahua State, Mexico.

The Company was incorporated on October 10, 1986 under the laws of British Columbia and on June 13, 2017, the Company's name was changed to Discovery Metals Corp. On April 14, 2021, the Company's name was changed to Discovery Silver Corp. The Company is listed on the Toronto Stock Exchange (the "Exchange" or "TSX") under the symbol "DSV". The Company's head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

The Company's Board of Directors authorized the issuance of these unaudited condensed interim consolidated financial statements (the "interim financial statements") on November 13, 2023.

2. BASIS OF PREPARATION

These interim financial statements for the three and nine months ended September 30, 2023, and 2022, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to interim financial statements, including International Accounting Standard 34 – Interim Financial Reporting. As such, certain disclosures required by IFRS have been condensed or omitted. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto as at and for the years ended December 31, 2022, and 2021 (the "Consolidated Financial Statements"). The Company's interim results are not necessarily indicative of its results for a full year.

These interim financial statements have been prepared on a going concern basis which contemplates the realization of assets and discharge of all liabilities in the normal course of business. The Company has, to date, relied on cash received from share issuances to fund its exploration and other business objectives. At September 30, 2023, the Company had working capital (defined as current assets less current liabilities) of $59,402,439 (December 31, 2022 – $53,081,932), shareholders' equity of $132,902,518 (December 31, 2022 – $89,158,070) and an accumulated deficit of $142,690,766 (December 31, 2022 – $132,603,849).

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in the preparation of its interim financial statements are set out below.

a) Basis of Measurement

The interim financial statements have been prepared using the same accounting policies and methods of application as those disclosed in note 3 to the Company's Consolidated Financial Statements except those disclosed in Note 4 below.

b) Basis of Consolidation

The interim financial statements are presented in Canadian dollars ("CAD") unless otherwise noted. The interim financial statements include the accounts of the Company and its wholly owned subsidiaries.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The interim financial statements include all the assets, liabilities, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions. The interim financial statements include the financial condition and results of operations of the Company and its subsidiaries as outlined below.

The Company's principal subsidiary and its geographic location as of September 30, 2023, is as follows:

Direct Parent Company	Location	Ownership Percentage	Properties
Minera Titán S.A. de C.V.	Mexico	100%	Cordero

All intercompany assets, liabilities, equity, income, expenses, and cash flows arising from intercompany transactions have been eliminated on consolidation.

c) Currency of Presentation

The interim financial statements are presented in Canadian dollars which is the functional and presentation currency of the Company. The functional currency for the entities through which the Company conducts its operations is determined depending upon the primary economic environment in which they operate. The functional currency of the Mexican subsidiaries is the Mexican peso ("MXP").

d) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are not re-translated. Total foreign exchange gains and losses are recognized in the condensed interim statements of loss and the unrealized portion is reported separately in the condensed interim consolidated statement of cash flows. The foreign exchange differences arising from the translation of the subsidiary with functional currency different than the consolidated functional currency are recognized as currency translation adjustments in other comprehensive loss in the condensed interim consolidated statement of loss and total comprehensive loss.

e) Mineral properties and equipment

On initial acquisition, mineral properties and equipment are valued at cost, being the purchase price and the costs directly attributable to the acquisition. The Company capitalizes cash and share-based payments made to acquire mineral properties. Land is stated at cost less any impairment in value and is not depreciated. Exploration and evaluation costs are capitalized if a pre-feasibility study demonstrates that future economic benefits are likely. Upon disposal or abandonment, the carrying amount of mineral properties are derecognized and any associated gains or losses are recognized in profit and loss. The carrying value of the Cordero mineral property, which is comprised of exploration and evaluation assets, was $74,299,824 at September 30, 2023.

i. Depreciation

Depreciation is recognized in earnings or loss on a straight-line basis over the estimated useful lives of each part of an item (component), since this most closely reflects the expected pattern of consumption of economic benefits embodied in the asset. The estimated useful lives for assets and components that are depreciated on a straight-line basis range from three to 10 years.

Depreciated assets	**Useful Life**
Computer equipment and software	3 years
Vehicles	4 years
Office equipment and furniture	5 to 10 years
Buildings and machinery	5 to 10 years

ii. Impairment

The carrying values of mineral properties are reviewed each reporting period or upon the occurrence of events or changes in circumstances indicating that the carrying values of assets may not be recoverable. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable based on technical studies or desktop studies; and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit ("CGU") is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in earnings or loss.

Where an item of mineral properties and equipment is disposed of, it is derecognized and the difference between its' carrying value and net sales proceeds is disclosed as earnings or loss on disposal in the consolidated financial statements of operations and total comprehensive loss. Any items of mineral properties and equipment that cease to have future economic benefits are derecognized with any gain or loss included in the financial year in which the item is derecognized.

f) Exploration and evaluation assets

Exploration and evaluation expenditures are comprised of costs that are directly attributable to: researching and analyzing existing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods, and compiling economic studies. Exploration expenditures are costs incurred in the search for resources suitable for commercial exploitation. Evaluation expenditures are costs incurred in determining the technical feasibility and commercial viability of a mineral resource. Exploration and evaluation expenditures are capitalized when there is a high degree of confidence in the project's viability and thus it is likely that future economic benefits will flow to the Company. When a project is considered to no longer have commercially viable prospects for the Company, exploration and evaluation costs in respect of that property are assessed as impaired and written off to the condensed interim statement of loss and total comprehensive loss. The Company also assesses mineral property costs for impairment when other facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

4. ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

The new standards, or amendments to standards and interpretations that were adopted by the Company, effective January 1, 2023, are as follows:

Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating; or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on, the basis of, those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction.

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

5. CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, contingent liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and applied prospectively.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements for the three and nine months ended September 30, 2023, are consistent with those applied and disclosed in note 5 of the annual consolidated financial statements. The Company's interim results are not necessarily indicative of its results for a full year.

6. CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022
Cash	**$ 59,696,068**	$ 45,995,938
Cash equivalents (a)	**235,000**	225,000
	$ 59,931,068	$ 46,220,938

a) Cash Equivalents

Cash equivalents include marketable securities with short-term maturities and no restrictions on redemption.

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

7. VALUE-ADDED TAX AND OTHER RECEIVABLES

		September 30, 2023		December 31, 2022
Sales and value-added tax receivable	**$**	**12,024,648**	$	9,832,403
Accumulated provision for value-added tax receivable		**-**		(2,129,772)
Other receivables		**216,226**		343,346
	$	**12,240,874**	$	8,045,977

a) Value-added tax receivable provision

The Company's Mexican subsidiaries pay value-added tax, Impuesto al Valor Agregado ("IVA") on the purchase of goods and services. The amount of IVA paid is recoverable but is subject to review and assessment by the Mexican tax authority ("SAT").

During the third quarter of 2022, the Company filed a cumulative IVA return for months previously not filed totaling approximately $8.0 million. The Company provided the supporting documentation required to substantiate and validate the cumulative IVA claim and responded to all of SAT's inquiries and requests for additional documentation. Subsequent to the reporting period, the Company completed an in-person audit with SAT and received a refund of $8.0 million for the cumulative IVA return filed, including interest and inflationary adjustments.

b) Current and non-current value-added tax receivables

The complex application process and detailed review by SAT can impact the collectability and timing of refunds. During the last two years the Company has been successful in recovering some of the amounts owed to its operating Mexican subsidiaries. Due to the increased confidence in collectability and collection of the cumulative IVA return, the Company has reversed the previously recorded provision for the IVA paid during the second half of 2022 and 2023 and recorded it as a current IVA receivable. The Company has exercised judgement in classifying the current and non-current portions of the IVA receivables. The Company believes that the IVA balance is fully recoverable and has not provided an allowance. As the Company is uncertain of the timing of the recovery of IVA, it has recorded $12,024,648 as the current portion of the IVA receivable expected to be received within twelve months, and $2,029,881 as a non-current receivable.

The $8.0M IVA refund received after the reporting period is included in the current IVA receivable balance at September 30, 2023.

8. PREPAIDS AND DEPOSITS

		September 30, 2023		December 31, 2022
Insurance	**$**	**236,074**	$	133,009
Office and other prepaid deposits		**126,646**		126,270
	$	**362,720**	$	259,279

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

9. INVESTMENTS

During 2020 and 2021, as consideration for the sale and transfer of certain non-core properties, the Company received common shares of Talisker Resources Ltd. and Monumental Minerals Corp.

At September 30, 2023, the fair value of the investments was $195,638 and is comprised of the following:

Investment in common shares of Talisker Resources Ltd.		**Amount**
At January 1, 2023	$	140,000
Net unrealized loss on fair value remeasurement		(71,000)
At September 30, 2023	**$**	**69,000**

Investment in common shares of Monumental Minerals Corp.		**Amount**
At January 1, 2023	$	380,606
Net unrealized loss on fair value remeasurement		(253,968)
At September 30, 2023	**$**	**126,638**

10. EQUIPMENT

		Equipment		**Vehicles**		**Office & Furniture**		**Computer**		**Total**
Cost										
Balance at January 1, 2023	**$**	991,834	$	380,291	$	780,902	$	290,718	$	2,443,745
Additions		**256,191**		**41,691**		**27,531**		**120,128**		**445,541**
Currency translation adjustment		**(44,280)**		**1,408**		**1,494**		**3,433**		**(37,945)**
Balance at September 30, 2023	**$**	**1,203,745**	**$**	**423,390**	**$**	**809,927**	**$**	**414,279**	**$**	**2,851,341**
Accumulated depreciation										
Balance at January 1, 2023	**$**	(170,304)	$	(216,777)	$	(234,280)	$	(182,763)	$	(804,124)
Additions		**(128,547**		**(108,734)**		**(80,157)**		**(70,042)**		**(387,480)**
Currency translation adjustment		**24,601**		**17,167**		**(164)**		**9,462**		**51,066**
Balance at September 30, 2023	**$**	**(274,250)**	**$**	**(308,344)**	**$**	**(314,601)**	**$**	**(243,343)**	**$**	**(1,140,538)**

Carrying amount		**Equipment**		**Vehicles**		**Office & Furniture**		**Computer**		**Total**
At January 1, 2023	$	821,530	$	163,514	$	546,622	$	107,955	$	1,639,621
At September 30, 2023	**$**	**929,495**	**$**	**115,046**	**$**	**495,326**	**$**	**170,936**	**$**	**1,710,803**

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

		Equipment		Vehicles		Office & Furniture		Computer		Total
Cost										
Balance at January 1, 2022	$	765,456	$	268,195	$	212,635	$	207,574	$	1,453,861
Additions		217,101		102,378		568,938		78,056		966,473
Currency translation adjustment		9,277		9,718		(671)		5,088		21,461
Balance at December 31, 2022	$	991,834	$	380,291	$	780,902	$	290,718	$	2,443,745
Accumulated depreciation										
Balance at January 1, 2022	$	(66,985)	$	(128,624)	$	(177,250)	$	(120,152)	$	(493,011)
Additions		(98,185)		(78,692)		(55,156)		(57,305)		(289,338)
Currency translation adjustment		(5,134)		(9,641)		(1,874)		(5,306)		(21,775)
Balance at December 31, 2022	$	(170,304)	$	(216,777)	$	(234,280)	$	(182,763)	$	(804,124)

The Company following table summarizes the changes in right-of-use assets within office and furniture:

Leased assets		**Total**
At January 1, 2022	$	38,275
Additions		557,900
Depreciation		(47,981)
At December 31, 2022	$	548,194
Depreciation		**(76,076)**
At September 30, 2023	**$**	**472,118**

11. MINERAL PROPERTIES

At January 1, 2022	$	32,633,848
Write-off of mineral properties(1)		(1,124,398)
Currency translation adjustment		1,357,574
At December 31, 2022	$	32,867,024
Currency translation adjustment		**623,943**
Acquisition of land(2)		**23,037,798**
Deferred land acquisition costs(3)		**876,000**
Additions(4)		**16,895,059**
At September 30, 2023	**$**	**74,299,824**

(1) During the year ended December 31, 2022, the option agreements associated with the Minerva, and La Kika properties expired, and were not renewed. In addition, due to the Company's continued focus on the Cordero Project and no planned expenditures on the Puerto Rico property during 2023, it was decided to cancel the option agreement.

(2) The Company purchased the titles and deeds to various parcels of land on the Cordero property during the nine months ended September 30, 2023. The land acquisition includes the surface rights and national water concessions associated with the various land packages. The acquisition agreement required an initial cash payment to be made during May 2023 of USD$7,500,000, with a second and third instalment of USD$6,750,000 and USD$2,500,000 due in May 2024 and 2025. These amounts have been recorded as a current and non-current liability, respectively, on the Company's Statement of Financial Position as at September 30, 2023 (note 23).

(3) These deferred costs are related to the provision recorded in other long-term liabilities for the remaining annual payments that become due on declaration of commercial production as per the land acquisition agreement.

(4) Due to the completion of the pre-feasibility study in January 2023, the Company began capitalizing eligible exploration and evaluation expenditures in accordance with the accounting policy set out in note 3(f) of the audited annual financial statements. The capitalization of exploration and evaluation expenditures requires judgment of whether the costs are likely to be recoverable by future exploration and development, which may be based on assumptions about future events and circumstances. The Company has included this in its critical accounting judgments note 5(a)(ii) of the audited annual financial statements.

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

Costs Capitalized to the Cordero Mineral Property		**September 30, 2023**
Permitting	$	552,614
Mining duties		811,823
Surface access		391,737
Drilling		4,573,116
Mapping, sampling, and assays		2,799,146
Salaries and benefits		5,051,492
Travel		111,448
Project evaluation		2,603,682
	$	**16,895,059**

The carrying value of the Company's mineral property is as follows:

		September 30, 2023		December 31, 2022
Cordero	**$**	**73,333,219**	$	32,524,362
Cumulative Translation Adjustment		**966,605**		342,662
	$	**74,299,824**	$	32,867,024

12. ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

		September 30, 2023		December 31, 2022
Trade and other payables[1]	**$**	**3,417,567**	$	**573,452**
Salaries and benefits payable		**967,274**		**1,139,886**
Accrued and other liabilities[2]		**8,846,859**		**162,119**
	$	**13,231,700**	$	**1,875,457**

(1) At September 30, 2023, trade and other payables were comprised primarily of amounts payable for contract drilling and related services.
(2) At September 30, 2023, other liabilities were comprised primarily of the second instalment payment owed for the land acquisition of USD$6,750,000 due in May 2024.

13. LEASE LIABILITIES

		September 30, 2023		December 31, 2022
Lease liabilities	**$**	**484,074**	$	549,799
Less: current portion		**96,161**		89,411
Non-current portion	**$**	**387,913**	$	460,388

(1) During 2022, the Company renewed the corporate office lease for an additional five-year term at an incremental borrowing rate of 3.95%.

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

14. OTHER LONG-TERM LIABILITIES

		September 30, 2023		December 31, 2022
Land acquisition payable[1]	**$**	**3,285,516**	$	-
Long-term provision for future land payment obligation[2]		**867,000**		-
	$	**4,152,516**	$	-

[1] At September 30, 2023, other long-term liabilities were comprised of the final instalment payment of USD$2,500,000 due in May 2025 for the land acquisition.

[2] This provision is the minimum amount payable annually under the land acquisition agreement (the "Agreement"), if commercial production is not achieved within five years from the date the contract was executed. The penalty clause requires payment of USD$50,000 for each year delayed (with an annual increase of USD$5,000 to this amount until commercial production is reached) (the "annual payments"). This provision was calculated as the present value of the annual payments, using a discount rate of 8% with the accretion expense being recognized over the 25 years of payments per the Agreement.

15. SHARE CAPITAL AND WARRANTS

a) Authorized

i. Unlimited common shares with no par value; and
ii. Unlimited preferred voting shares with no par value.

b) Shares issued and outstanding

	Note	**Common Shares**		**Amount**
At December 31, 2022		351,941,580	$	166,732,378
Shares issued for marketed public offering[1]		**43,125,000**		**51,750,000**
Finders' fees incurred for marketed public offering[1]		**-**		**(3,008,444)**
Shares issued on exercise of options	**14c**	**528,650**		**374,642**
Shares issued on exercise of RSU's	**14d**	**125,000**		**156,250**
At September 30, 2023		**395,720,230**	**$**	**216,004,826**

[1] On April 19, 2023, the Company announced the closing of its marketed public offering of common shares of the Company for aggregate gross proceeds of approximately $51,750,000. The offering consisted of the sale of 43,125,000 common shares that included the full exercise of the Agents' option at a price of $1.20 per share.

c) Stock Options

The Company has adopted a rolling 10% stock option plan (the "Option Plan") which provides that the directors of the Company may grant options to purchase common shares of the Company to directors, officers, employees and service providers, with the number of options being limited to 10% of the issued common shares at the time of granting of options. This 10% limit is in aggregate and is shared with the Company's RSU and DSU plans (note 14d)). The Board in its sole discretion may determine any vesting provisions for options. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the provisions of the Plan. The expiry date for an option shall not be more than ten years from the grant date.

There were 1,600,000 stock options granted during the nine months ended September 30, 2023, with a weighted average exercise price of $1.42 and a five-year term to expiry (nine months ended

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September 30, 2022 – 8,450,000 options granted with a weighted-average exercise price of $2.01 and five-year term to expiry). The options granted vest annually in three equal tranches beginning on the first anniversary of the grant date of January 26, 2023. The Options will expire on January 26, 2028, five years after the grant date.

Option transactions and the number of options outstanding are summarized as follows:

	Outstanding		Weighted Average Exercise Price
At January 1, 2022	18,178,975	$	1.01
Options granted	8,450,000		2.01
Options exercised	(4,598,333)		0.51
Options forfeited	(1,565,625)		1.98
At December 31, 2022	20,465,017	$	1.46
Options granted	**1,600,000**		**1.42**
Options exercised	**(528,650)**		**0.48**
Options forfeited	**(309,375)**		**2.05**
At September 30, 2023	**21,226,992**	**$**	**1.48**

The non-cash share-based compensation expense for the three and nine months ended September 30, 2023, was $2,418,966 and $4,614,654, respectively (three and nine months ended September 30, 2022 - $1,672,190 and 7,763,023, respectively).

At September 30, 2023, the options outstanding and exercisable are as follows:

	Options Outstanding			Options Exercisable		
Exercise Price	**Number**	**Weighted average remaining life**	**Weighted average exercise price**	**Number**	**Weighted average remaining life**	**Weighted average exercise price**
$0.48	2,568,450	0.88	$0.48	2,568,450	0.88	$0.48
$0.65	360,000	1.27	$0.65	360,000	1.27	$0.65
$0.47	3,520,000	1.58	$0.47	3,520,000	1.58	$0.47
$1.84	200,000	2.04	$1.84	200,000	2.04	$1.84
$1.89	4,796,875	2.29	$1.89	4,042,708	2.29	$1.89
$1.85	206,667	2.34	$1.85	123,334	2.34	$1.85
$2.08	300,000	2.45	$2.08	300,000	2.45	$2.08
$1.77	200,000	3.09	$1.77	133,333	3.09	$1.77
$2.05	5,975,000	3.27	$2.05	2,367,708	3.27	$2.05
$1.93	1,000,000	3.45	$1.93	-	3.45	$1.93
$1.76	400,000	3.53	$1.76	200,000	3.53	$1.76
$1.38	100,000	3.65	$1.38	33,333	3.65	$1.38
$1.42	1,600,000	4.33	$1.42	-	4.33	$1.42
	21,226,992	**2.51**	**$1.48**	**13,848,867**	**2.05**	**$1.28**

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

The fair value of the option grants issued during the three and nine months ended September 30, 2023, have been estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant date		**January 26, 2023**
Number granted		**1,600,000**
Exercise price	$	**1.42**
Share price	$	**1.42**
Expected life (years)		**4.23**
Risk free interest rate		**3.50%**
Expected volatility		**87.0%**
Expected forfeiture rate		**5.3%**
Dividend yield		**-**
Fair Value	$	**0.75**

Black-Scholes pricing models require the input of highly subjective assumptions. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant.

d) Deferred Share Units and Restricted Share Units

The Company has adopted rolling 10% DSU and RSU Plans, that share the 10% threshold with the 10% rolling Option Plan. The combined aggregate total Options, DSUs, and RSUs granted cannot exceed 10% of the issued and outstanding common shares of the Company.

The DSU Plan provides that the Board of Directors (the "Board") of the Company may grant DSUs to non-executive directors of the Company, to be settled in cash or common shares of the Company, at the discretion of the Board. The RSU Plan provides that the Board may grant RSUs to eligible officers, and employees, to be settled in cash or common shares of the Company, at the discretion of the Board. The Board in its sole discretion may determine any vesting provisions for DSUs and RSUs.

Pursuant to the Company's restricted share unit plan, an aggregate total of 3,731,113 RSUs were granted to certain officers and employees during the nine months ended September 30, 2023 (nine months ended September 30, 2022 – 250,000 RSU's granted). The RSUs, each redeemable for one common share of the Company, vest annually in three equal tranches beginning on the first anniversary of the grant date of January 26, 2023.

Pursuant to the Company's deferred share unit plan, an aggregate total of 1,475,997 DSUs were granted to non-executive directors during the nine months ended September 30, 2023. The DSUs vest on the first anniversary of the grant date of January 26, 2023, but may only be redeemed on the termination date of a director, in accordance with the DSU plan. There were no DSU's granted during the nine months ended September 30, 2022.

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

The following tables reflect the continuity of RSU's and DSU's granted and redeemed during the nine months ended September 30, 2023, and 2022.

	Number of RSU's	Weighted average grant date fair value ($)
At January 1, 2022	-	-
RSU's granted	250,000	-
RSU's redeemed	(125,000)	1.92
At December 31, 2022	125,000	-
RSU's granted	**3,731,113**	**-**
RSU's redeemed	**(125,000)**	**1.25**
RSU's forfeited	**(32,570)**	**2.05**
At September 30, 2023	**3,698,543**	**-**

	Number of DSU's	Weighted average exercise price ($)
At January 1, 2023		-
DSU's granted	**1,475,997**	**-**
At September 30, 2023	**1,475,997**	**-**

e) Warrants

The Company had issued warrants as part of certain subscription agreements and finders' fees for certain non-brokered private placements that closed during 2017, 2019 and 2020. The warrants were exchangeable for Common Shares of the Company at a ratio and an exercise price determined at the time of the individual private placement. Warrants are classified as equity, separately from common shares and are valued at their fair value on grant date using the Black-Scholes pricing model. There were no warrants issued during the nine months ended September 30, 2023, and no warrants outstanding at September 30, 2023.

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

16. GENERAL OFFICE AND OTHER EXPENSES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	**2023**	2022
Travel	**$ 148,158**	$ 66,629	**$ 365,556**	$ 182,132
Salaries and benefits	**733,553**	652,215	**2,074,014**	2,115,909
Shareholder communication and investor relations	**92,310**	67,930	**397,811**	311,993
Filing and transfer agent fees	**33,860**	22,523	**609,492**	296,311
Business development	**389,979**	-	**389,979**	1,955
Rent	**29,039**	16,195	**75,700**	54,228
Depreciation	**30,540**	15,850	**88,939**	48,881
General office, insurance and other	**430,475**	235,194	**1,177,673**	906,464
	$ 1,887,914	$ 1,076,536	**$ 5,179,164**	$ 3,917,873

(1) Filing and transfer agent fees include costs related to the graduation from the TSXV to the TSX in February 2023.

17. PROFESSIONAL FEES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	**2023**	2022
Legal	**$ 46,557**	$ 66,787	**$ 400,643**	$ 175,804
Audit, tax and accounting	**53,918**	23,242	**257,495**	118,615
Consulting and other	**55,274**	290,472	**588,192**	612,550
	$ 155,749	$ 380,501	**$ 1,246,330**	$ 906,969

18. CAPITAL MANAGEMENT

The Company's capital management objectives are intended to maintain financial flexibility to continue as a going concern while optimizing growth and maximizing returns on investments from shareholders. The Company monitors its capital structure and, based on changes in operations and economic conditions, may adjust the structure by issuing new shares or debt. Management reviews its capital management approach on an ongoing basis, facilitated by the preparation of annual budgets and forecasts that are approved by the Board of Directors.

The Company defines capital as shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's investment policy is to invest cash in highly liquid short-term investments with maturities of days or less, selected with regards to the expected timing of expenditures from operations. The Company expects that its available capital resources will be sufficient to carry out its development and growth plans for at least the next twelve months.

At September 30, 2023, the Company is not subject to any externally imposed capital requirements or debt covenants, with the exception of complying with the terms under the lease liabilities. There was no change to the Company's approach to capital management during the three and nine months ended September 30, 2023.

19. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, other receivable and deposits, investments in marketable securities, accounts payable and accrued liabilities and lease liabilities.

Cash and cash equivalents, accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Investments in marketable securities are classified as receivables and are measured at fair value through profit and loss. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments are classified into one of three levels in the fair value hierarchy according to the degree to which the inputs used in the fair value measurement are observable.

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

At September 30, 2023 the Company had no financial instruments classified as Level 2 or 3.

20. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and price risk. The aim of the Company's overall risk management strategy is to reduce the potential adverse effect that these risks may have on the Company's financial position and results. The Company's Board of Directors has overall responsibility and oversight of management's risk management practices. Risk management is carried out by the Board through the Nominating and Corporate Governance Committee with the policies being recommended for approval by the Board of Directors at least annually or when changes are required.

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial obligations as they arise. The Company manages liquidity risk by monitoring actual projected cash outflows and matching the maturity profile of financial assets and liabilities. At September 30, 2023, the Company had a cash and cash equivalents balance of $59,931,068 (December 31, 2022 – $46,220,938) to settle current liabilities of $13,231,700 (December 31, 2022 – $1,964,868). The Company's trade payable liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

The following table summarizes the maturities of the Company's financial liabilities at September 30, 2023 based on the undiscounted contractual cash flows:

	< 1 year	1 – 2 years	3 – 5 years	Over 5 years
Accounts payable and accrued liabilities	$13,231,700	-	-	-
Lease liabilities	$96,161	$213,045	$174,868	-
Other long-term liabilities	-	$4,152,516	-	-
Total	$13,327,861	$4,365,561	$174,868	-

At September 30, 2023, the Company has no sources of revenue to fund its operating and development expenditures and has historically relied solely on equity financings to fund its operations. The Company believes that its current cash balance is sufficient to fund work programs for the next twelve months as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of an equity or debt financing or a combination of both.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, short-term investments, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents and short-term investments as low as its funds are held in several highly rated Canadian financial institutions.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Company's condensed interim consolidated statements of financial position.

	September 30, 2023	December 31, 2022
Cash and cash equivalents	**$ 59,931,068**	$ 46,220,938
Other receivables	**216,226**	343,346
Deposits	**126,646**	126,270
	$ 60,273,940	**$** 46,690,554

c) Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

i. Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts or other highly liquid interest-bearing short-term investments. The Company regularly monitors its cash management policy.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At September 30, 2023, cash balances were held primarily in Canadian and US dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk, however exchange rates are continually monitored for any significant changes. A portion of the Company's exploration expenses are paid in USD, and over the past two years the Company converted a portion of its CAD cash balances into USD to reduce its currency risk exposure related to the CAD.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP.

At September 30, 2023 and December 31, 2022, the Company had the following foreign currency denominated trade payables and other liabilities:

		September 30, 2023		December 31, 2022
United States dollar	**$**	**7,146,965**	$	102,028
Mexican Peso		**806,695**		360,325
	$	**7,953,660**	$	462,353

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Peso against the Canadian Dollar would affect net loss at September 30, 2023 by approximately $795,355 (December 31, 2022: $45,735).

iii. Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movement and volatility. The Company closely monitors commodity prices, particularly as they relate to base and precious metals, and movements in the price of individual equity securities, and movements in the stock market generally, to assist in determining the appropriate course of action to be taken by the Company.

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

21. SEGMENTED INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has one operating segment, which is involved in the exploration and development of polymetallic mineral deposits. All of the Company's mineral properties are located in Mexico.

Segment performance is evaluated based on several operating and financial measures, including net loss and total comprehensive loss, which is measured consistently with net loss and total comprehensive loss in the condensed interim consolidated financial statements.

The net loss and total comprehensive loss are distributed by geographic region as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	**2023**	2022
Canada	**$ (3,047,659)**	$ (1,813,046)	**$ (8,734,241)**	$ (9,814,725)
Mexico	**(12,107)**	(3,180,931)	**(1,129,217)**	(20,636,593
Net loss and total comprehensive loss	**$ (3,059,766)**	$ (4,993,977)	**$ (9,863,458)**	$ (30,451,318

22. RELATED PARTY TRANSACTIONS

a) Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as well as those personnel with responsibility for the oversight of the Company's activities. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

Related party transactions for the three and nine months ended September 30, 2023 and 2022 are as follows:

		Three Months Ended September 30,	
Transaction Type	**Nature of Relationship**	**2023**	2022
Non-cash share-based payments	Directors and officers	**$ 1,845,785**	$ 1,170,533
Salaries and benefits	Officers	**508,750**	422,500
Director fees	Directors	**81,250**	81,250
		$ 2,435,785	$ 1,674,283

		Nine Months Ended September 30,	
Transaction Type	**Nature of Relationship**	**2023**	2022
Non-cash share-based payments	Directors and officers	**$ 3,602,335**	$ 6,374,651
Salaries and benefits	Officers	**1,526,250**	1,087,000
Director fees	Directors	**243,750**	243,750
		$ 5,372,335	$ 7,705,401

23. CONTINGENCIES

Cordero Project

The Company purchased the titles and deeds to various parcels of land on the Cordero property that included surface rights and national water concessions (notes 11, 12 and 14). In addition to the remaining two cash instalments to be made during the next 24 months, the agreement includes a requirement for 25 annual payments of USD$600,000 to be made starting once the Company declares commercial production at Cordero. Additionally, a USD$2,000,000 payment is required immediately once commercial production has officially been declared. However, if commercial production is not achieved within five years from the date the contract was executed, a penalty clause will be enforced, and a payment of USD$50,000 will be due for each year delayed (with a USD$5,000 increase in this payment until commercial production is reached) (the “Penalty Payment”).

Management has recorded a provision for the minimum payment due in the amount of $867,000. However, once commercial production is reached, the provision will be increased to reflect the full USD$600,000 annual payment due when commercial production commences.

24. EVENTS AFTER THE REPORING PERIOD

Subsequent to September 30, 2023, the Company received a refund for the cumulative IVA return filed of approximately $8.0M, including interest and inflationary adjustments.