Consolidated Financial Statements

December 31, 2023 and 2022

(Expressed in Canadian Dollars)

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Minera Alamos Inc.

Opinion

We have audited the consolidated financial statements of Minera Alamos Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023, and the consolidated statements of (loss) income and comprehensive (loss) income, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on May 1, 2023.

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of during the year ended December 31, 2023. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of decommissioning liability	
As a result of its mining and processing operations, the Company is obliged to restore and rehabilitate the environment disturbed by these operations. Rehabilitation activities are governed by a combination of legislative and license requirements. This was a key audit matter given the determination of these provisions required judgment in the assessment of the nature and extent of future work to be performed, the future cost of performing the work, the timing of when the rehabilitation will take place and economic assumptions such as the discount rate and inflation rates applied to future cash outflows associated with rehabilitation activities to bring them to their present value.	In this regard, our audit procedures included: Comparing the rehabilitation costs being estimated to an external expert's assessment of the rehabilitation obligation. Evaluating the competency and independence of the expert retained by the Company to assist with the assessment of the obligation. Examining the supporting information for any significant changes in future cost estimates from the prior year. Assessing the timing of work to be performed by comparison to mine plans and environmental rehabilitation plans submitted to relevant authorities. Considering the appropriateness of the discount rates and inflation rates utilized in calculating the provision by comparing them to current market consensus rates.

Other information

Management is responsible for the other information. The other information comprises 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, 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 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 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 judgement and maintain professional skepticism throughout the audit. We also:

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- 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 risks 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.

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

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

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 29, 2024

Minera Alamos Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	**December 31, 2023** $	December 31, 2022 $
Assets			
Current assets			
Cash and cash equivalents		**13,754,272**	13,153,828
Restricted cash		**31,635**	30,781
Accounts receivable	15	**399,607**	424,004
Leach pad ore inventory	7	**5,869,856**	6,022,715
Work-in-process inventory	7	**1,354,516**	2,789,558
Supplies inventory	7	**296,066**	335,051
Prepaid and other		**3,116,497**	2,668,761
Taxes receivable		**3,144,405**	2,155,551
Total current assets		**27,966,854**	27,580,249
Taxes receivable		**1,371,276**	5,707,040
Mineral properties and property, plant, and equipment	8, 9	**22,282,025**	19,995,503
Total assets		**51,620,155**	53,282,792
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	**4,637,505**	3,699,024
Current portion of lease payable	10	**90,086**	82,920
Deferred revenue	7	**2,419,290**	5,514,069
Current portion of debt	11	**851,873**	-
Total current liabilities		**7,998,754**	9,296,013
Long term debt	11	**5,129,973**	-
Lease payable	10	**198,960**	289,046
Provision for asset retirement obligation	14	**603,738**	491,217
Total liabilities		**13,931,425**	10,076,276
Shareholders' equity			
Share capital	12	**105,151,540**	104,863,540
Contributed surplus		**3,809,073**	3,769,713
Options reserve	13	**3,508,667**	2,944,704
Cumulative translation adjustment		**(4,648,123)**	(1,094,566)
Deficit		**(70,132,427)**	(67,276,875)
Total shareholders' equity		**37,688,730**	43,206,516
Total liabilities and shareholders' equity		**51,620,155**	53,282,792

Basis of Presentation and Going Concern (note 2)
Commitments and contingencies (note 18)

Approved by the Board:

Signed: *"Bruce Durham"* — Director

Signed: *"Darren Koningen"* — Director

Please see accompanying notes to the consolidated financial statements

Minera Alamos Inc.
Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
For the years ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

	Notes	**2023** $	2022 $
Revenues	4c	13,419,899	21,726,211
Cost of sales:			
Mining, processing, royalties		12,614,920	13,074,958
Depletion		315,105	472,326
		12,930,025	13,547,284
Income from mine operations		489,874	8,178,927
Expenses			
Depreciation		140,990	96,688
Accretion	14,11	300,851	-
Exploration and evaluation	8	4,749,205	2,604,214
Insurance		93,772	81,612
Interest on lease liability		26,616	33,086
Investor relations		371,863	345,238
Office and administration		826,533	591,219
Professional fees		1,762,196	765,094
Salaries and compensation	19	2,143,091	1,453,147
Share-based compensation	13, 19	644,823	728,029
Transfer agent regulatory fees		102,645	118,095
Travel		234,645	165,138
		11,397,230	6,981,560
(Loss) income before the undernoted		(10,907,356)	1,197,367
Other Items			
FVTPL adjustment on marketable securities	6	-	280,250
Foreign exchange gain		(7,319,954)	(4,586,351)
Other income		(731,850)	(105,925)
		(8,051,804)	(4,412,026)
Net (loss) income for the year		(2,855,552)	5,609,393
Foreign currency translation		(3,553,557)	(1,094,566)
Net (loss) income and comprehensive (loss) income for the year		(6,409,109)	4,514,827
Net Income per share:			
Basic and diluted		(0.006)	0.012
Weighted average number of common shares outstanding:			
Basic		462,100,291	452,687,006
Diluted		462,100,291	461,431,280

Please see accompanying notes to the consolidated financial statements

Minera Alamos Inc.

Consolidated Statement of Changes in Equity (Deficiency)

(Expressed in Canadian Dollars)

	Note	Share capital							
		Number of shares	Amount	Contributed surplus	Options reserve	Cummulative translation reserve	Deficit	Total equity
Balance, December 31, 2021		**446,196,353**	**$ 98,183,612**	**$ 3,711,913**	**$ 3,243,475**	**$ -**	**(72,886,268)**	**32,252,732**
Shares issued for mineral property	*12*	500,000	242,500	-	-	-	-	242,500
Shares issued	*12*	7,950,000	4,372,500	-	-	-	-	4,372,500
Share issue cost		-	(38,072)	-	-	-	-	(38,072)
Share-based compensation	*13*	-	-	-	728,029	-	-	728,029
Options exercised	*12, 13*	7,237,500	2,103,000	-	(969,000)	-	-	1,134,000
Options expired	*13*	-	-	57,800	(57,800)	-	-	-
Net income for the year		-	-	-	-	(1,094,566)	5,609,393	4,514,827
Balance, December 31, 2022		**461,883,853**	**$ 104,863,540**	**$ 3,769,713**	**$ 2,944,704**	**$ (1,094,566)**	**$ (67,276,875)**	**$ 43,206,516**
Balance, December 31, 2022		**461,883,853**	**$ 104,863,540**	**$ 3,769,713**	**$ 2,944,704**	**$ (1,094,566)**	**$ (67,276,875)**	**43,206,516**
Shares issued for mineral property	*12*	500,000	170,000	-	-	-	-	170,000
Share-based compensation	*13*	-	-	-	644,823	-	-	644,823
Options exercised	*12, 13*	500,000	118,000	-	(41,500)	-	-	76,500
Options expired	*13*	-	-	39,360	(39,360)	-	-	-
Net loss for the year		-	-	-	-	(3,553,557)	(2,855,552)	(6,409,109)
Balance, December 31, 2023		**461,883,853**	**$ 105,151,540**	**$ 3,809,073**	**$ 3,508,667**	**$ (4,648,123)**	**$ (70,132,427)**	**$ 37,688,730**

Please see accompanying notes to the consolidated financial statements

Minera Alamos Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		For the years ended December 31,	
		2023	**2022**
Cash flows from operating activities	Notes	$	$
Net (loss) income for the year		**(2,855,552)**	5,609,393
Adjustments to reconcile net loss to net cash flows:			
Non-cash adjustments:			
Shares issued for property acquisition	8	**170,000**	242,500
Depreciation	9	**140,990**	96,100
Depletion		**315,105**	472,326
Accretion		**300,851**	-
Interest on lease liability		**26,616**	33,086
Share-based compensation		**644,823**	728,029
FVTPL adjustment on marketable securities	6	**-**	280,250
Unrealized foreign exchange gain		**(5,705,689)**	(4,766,835)
		(6,962,856)	2,694,849
Changes in non-cash operating adjustments:			
Accounts receivable		**24,397**	(135,096)
Prepaid expenses		**(447,736)**	(561,278)
Inventory		**1,626,886**	(1,483,521)
Taxes receivable		**3,346,910**	(2,782,385)
Accounts payable and accrued liabilities		**938,481**	(633,838)
Deferred revenue		**(3,094,779)**	5,514,069
Net cash (used in) from operating activities		**(4,568,697)**	2,612,800
Cash flows from investing activities			
Acquisition of property plant and equipment	9	**(356,637)**	(4,370,716)
Proceeds on sale of marketable securities		**-**	2,056,150
Restricted cash		**(853)**	-
Net cash (used in) investing activities		**(366,490)**	(2,314,566)
Cash flows from financing activities			
Issuance of debt	11	**6,928,000**	-
Debt issue costs	11	**(703,266)**	-
Issuance of common shares		**-**	4,372,500
Share issue costs		**-**	(38,072)
Lease payments	10	**(109,536)**	(101,864)
Exercise of options	13	**76,500**	1,134,000
Net cash from financing activities		**6,191,698**	5,366,564
Effect of changes in foreign exchange		**(656,067)**	446,240
Net increase in cash and cash equivalents		**600,444**	6,111,038
Cash and cash equivalents, beginning of year		**13,153,828**	7,042,790
Cash and cash equivalents, end of year		**13,754,272**	13,153,828

Please see accompanying notes to the consolidated financial statements

1. GENERAL INFORMATION

Minera Alamos Inc. (the "Company") is a junior mining and exploration company engaged directly and indirectly through its subsidiaries in the acquisition, exploration, development and operation of mineral properties located in Mexico.
These consolidated financial statements include the accounts of the Company, its Mexican subsidiaries Minera Alamos de Sonora S.A. de C.V., Molibdeno Los Verdes S.A. de C.V., Cobre 4H S.A. de C.V., Minera Mirlos, S. de R.L. de C.V., and Corex Global S de RL de SV. The Company's head office is located at 55 York Street East, Suite 402, Toronto, Ontario, Canada, M5J 1R7.

2. BASIS OF PRESENTATION AND GOING CONCERN

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current development and exploration programs will result in profitable mining operations. This is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise financing, the achievement of profitable operations or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue to do so is dependent on the ability of the Company to raise equity financing and the attainment of profitable operations. There are no assurances that the Company will be successful in achieving these goals.

There is no guarantee that the Company won't incur further losses going forward as the Company pursues its ramp up of operations and exploration activities on its other properties. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

3. STATEMENT OF COMPLIANCE

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations set by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee, "IFRIC"). The Company has consistently applied the same accounting policies for all periods reported in these consolidated financial statements.

The policies applied in these consolidated financial statements are presented in Note 4 and are based on IFRS issued and outstanding as of December 31, 2023. The Board of Directors approved these consolidated financial statements on April 29, 2024.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of measurement

These consolidated financial statements are presented in Canadian dollars and are prepared on the historical cost basis, modified by the measurement at fair value of certain financial instruments.

b) Adoption of New Accounting Policy and Restated Comparative Information

During the year ended December 31, 2023, the Company adopted several new and revised IFRS pronouncements. These included IAS 1 and IAS 8. The adoption of these new and revised standards did not have any material impact on the financial statements of the Company.

c) Revenue Recognition

The Company earns revenue primarily from the sale of gold. Other metals, such as silver, produced as part of the extraction process are considered to be by-products arising from the production of gold. Revenue relating to the sale of metals is recognized when control of the metal is transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for the metal. On transfer of control, economic benefits associated with the transaction will flow to the Company as payment is received on the date of or within a few days of transfer of control.

When considering whether the Company has satisfied its performance obligation, it considers performance indicators of the transfer of control, which include, but are not limited to, whether the Company has a present right to payment; the customer has legal title to the metal; the Company has transferred physical possession of the metal to the customer; and the customer has the significant risks and rewards of ownership of the metal.

d) Inventory

The Company predominantly produces gold. The recovery of gold from the ore is achieved through a heap leach process. Costs are added to leach pad inventory based on current mining costs, including applicable overhead, depletion, and depreciation relating to mining operations. Costs are removed from leach pad inventory as ounces are recovered, based on the average cost per ounce of recoverable gold stacked and are carried as work-in-process inventory as the recovered gold undergoes the final stages of refinement. The costs of extracting the gold from the ore on the leach pads and refining the recovered gold are included in work-in-process inventory.

The value of all production inventories includes direct production costs and attributable overhead incurred to bring the materials to their current point in the processing cycle. All inventories are valued at the lower of cost and net realizable value, with net realizable value determined with reference to market prices, less estimated future production costs to convert inventories into saleable form. If carrying value exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exists.

Quantities of gold ore are assessed primarily through surveys and assays. Certain estimates, including expected metal recoveries, are calculated using available industry, engineering, and scientific data, and are periodically reassessed, taking into account technical analysis and historical performance.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Share-based payment

The Company's share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity. The fair value of the option grant is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in share-based payments reserve, is recorded as an increase in common shares.

f) Deferred taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in consolidated statement of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous year.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the consumption of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net income (loss) and comprehensive income (loss) or in equity depending on the item to which the adjustment relates.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Accounting standards and interpretations effective in future periods

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company has not yet assessed the impact of these new standards on the financial statements.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

h) Property, Plant, and Equipment

Property, Plant, and Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of property, plant, or equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of income (loss) and comprehensive income (loss).

Where an item of property, plant, and equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, are capitalized. The Company provides for depreciation of its equipment at the following annual rates:

Mineral property and project costs	-	Units of production based on mineral resource
estimate Mining equipment	-	5 to 10 years straight line basis
Office equipment	-	20% to 45% declining balance and 10 years straight line basis
Vehicles	-	30% declining balance and 4 years straight line basis
Leasehold improvements	-	Lesser of 5 years or lease term, straight line basis
Right-of-use assets	-	Lesser of expected useful life or the lease term (including expected renewal periods), straight line basis

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Mineral properties and exploration and evaluation costs

The Company expenses all costs relating to the acquisition of, exploration for, and development of mineral properties in the exploration stage. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling, and sampling. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized; this includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

j) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of income (loss) and comprehensive income (loss) for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of income (loss) and comprehensive income (loss).

k) Foreign currencies

The functional and presentation currency of the Company is the Canadian dollar and the functional currency of the Company's Mexican subsidiaries is the Mexican Peso.

Transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statements of income (loss) and comprehensive income (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Foreign currencies (Continued)

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the end of the financial reporting period;
- Income, expenses, and cash flows are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions);
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as reserve for foreign exchange.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which is considered to form part of the net investment in the foreign operation, are recognized in the reserve for foreign exchange.

On January 1, 2022, commensurate with the significant increase in the Company's extraction operations, the Company re-evaluated the functional currency of its Mexican subsidiaries and determined that a change in their functional currency from Canadian dollars to Mexican pesos was appropriate. Accordingly, the Company recorded a translation adjustment on January 1, 2022, to reflect the impact of translating the Company's Mexican assets and liabilities into Canadian Dollars (the presentation currency) at the opening spot rate for the year.

l) Financial Instruments

The Company applies IFRS 9, Financial Instruments includes for the recognition and measurement, impairment, de-recognition, of financial instruments.

The Company determines the classification of its financial instruments at initial recognition.

<u>Financial assets</u>

i. Financial assets recorded at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or fair value through other comprehensive income ("FVOCI"). Gains or losses on these items are recognized in consolidated statement of income (loss) and comprehensive income (loss).

The Company's cash and cash equivalents and restricted cash are classified as financial assets measured at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Financial Instruments (Continued)

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities measured at amortized cost, are measured at fair value, net of transaction cost. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis. The effective yield basis is a method of calculating the unamortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flow payments over the expected life of the financial liability to the net carrying amount on initial recognition.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in consolidated statement of income (loss). Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Financial Instruments (Continued)

Derecognition of financial liability

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income (loss).

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

The Company recognizes expected credit loss for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Classification

The following table shows the classification of the Company's financial instruments:

Financial assets and liabilities	**Classification Under IFRS 9**
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Accounts receivable, excluding HST receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease payable	Amortized cost
Debt	Amortized cost

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is based on the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as fair value through profit and loss. 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 at fair value through other comprehensive income. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Leases

The Company applies IFRS 16 Leases to assess whether a contract is, or contains, a lease at the inception of a contract. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether:

- the contract involves the use of an explicitly or implicitly identified asset;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract term; and
- the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company presents right-of-use assets in the mineral properties and property, plant and equipment line item on the consolidated statement of financial position and lease liabilities in the lease payable line item on the consolidated statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low value assets. Lease payments on short-term leases and leases of low value assets are recognized as an expense in the consolidated statement of income (loss).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits in banks, certificates of deposit and short-term investments with remaining maturities of three months or less at time of acquisition.

o) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

p) Provisions

A provision is recognized in the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Asset retirement obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against consolidated statement of income (loss). over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

q) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. Convertible instruments including stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

s) Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration, and two geographical segments, Canada and Mexico.

t) Deferred Stripping

In open pit mining operations, overburden and other waste materials must be removed to access ore from which minerals can be extracted economically. The process of removing overburden and waste materials is referred to as stripping. During the development of a mine (or, in some instances, a pit; see below), before production commences, stripping costs related to a component of an orebody are capitalized as part of the cost of construction of the mine (or pit) and are subsequently amortized over the life of the mine (or pit) on a units of production basis.

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, initial stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e. overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping (see below).

It is the Company’s judgment as to whether multiple pit mines are considered separate or integrated operations depends on each mine’s specific circumstances.

The following factors would point towards the initial stripping costs for the individual pits being accounted for separately:

- If mining of the second and subsequent pits is conducted consecutively following that of the first pit, rather than concurrently;
- If separate investment decisions are made to develop each pit, rather than a single investment decision being made at the outset;
- If the pits are operated as separate units in terms of mine planning and the sequencing of overburden removal and ore mining, rather than as an integrated unit;
- If expenditures for additional infrastructure to support the second and subsequent pits are relatively large; and
- If the pits extract ore from separate and distinct orebodies, rather than from a single orebody

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Deferred Stripping (Continued)

If the designs of the second and subsequent pits are significantly influenced by opportunities to optimize output from several pits combined, including the co-treatment or blending of the output from the pits, then this would point to treatment as an integrated operation for the purposes of accounting for initial stripping costs. The relative importance of each of the above factors is considered in each case.

In order for production phase stripping costs to qualify for capitalization as a stripping activity asset, three criteria must be met:

- It must be probable that there will be an economic benefit in a future accounting period because the stripping activity has improved access to the orebody;
- It must be possible to identify the “component” of the orebody for which access has been improved; and
- It must be possible to reliably measure the costs that relate to the stripping activity.

A “component” is a specific section of the orebody that is made more accessible by the stripping activity. It will typically be a subset of the larger orebody that is distinguished by a separate useful economic life (for example, a pushback).

Production phase stripping can give rise to two benefits: the extraction of ore in the current period and improved access to ore which will be extracted in future periods. When the cost of stripping which has a future benefit is not distinguishable from the cost of producing current inventories, the stripping cost is allocated to each of these activities based on a relevant production measure using a life-of-component strip ratio. The ratio divides the tonnage of waste mined for the component for the period either by the quantity of ore mined for the component or by the quantity of minerals contained in the ore mined for the component. In some operations, the quantity of ore is a more appropriate basis for allocating costs, particularly where there are significant by-products. Stripping costs for the component are deferred to the extent that the current period ratio exceeds the life of component ratio. The stripping activity asset is depreciated on a units of production basis based on expected production of either ore or minerals contained in the ore over the life of the component unless another method is more appropriate.

The life-of-component ratios are based on the ore reserves of the mine (and for some mines, other mineral resources) and the annual mine plan; they are a function of the mine design and, therefore, changes to that design will generally result in changes to the ratios. Changes in other technical or economic parameters that impact the ore reserves (and for some mines, other mineral resources) may also have an impact on the life-of-component ratios even if they do not affect the mine design. Changes to the ratios are accounted for prospectively.

It may be the case that subsequent phases of stripping will access additional ore and that these subsequent phases are only possible after the first phase has taken place. Where applicable, the Company considers this on a mine-by-mine basis. Generally, the only ore attributed to the stripping activity asset for the purposes of calculating a life-of-component ratio, and for the purposes of amortization, is the ore to be extracted from the originally identified component.

As at December 31, 2023, the Company has recorded deferred stripping costs of $206,000 (2022 - $3,632,000).

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.
Significant estimates and judgments about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Share-based payments

Management determines costs for share-based payments using market based valuation techniques. The fair value of the market-based and performance based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates (if applicable) and future employee stock option exercise behaviors and corporate performance (if applicable). Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Estimated useful life of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company’s property, plant and equipment in the future.

Impairment of non-current assets

Management applies significant judgment in its assessment and evaluation of asset or cash generating units at each reporting date to determine whether there are any indicators that the Company’s mineral property and property and plant and equipment assets are impaired. For mineral property assets, the Company considers indicators including the Company’s continued ability and plans to further develop the projects, the potential commercial viability of the projects, evidence indicating that licenses required to advance the projects have expired, and whether exploration results have not led to the discovery of commercially viable quantities of mineral resources. For property, plant and equipment, the Company considers changes in estimated future production, commodity prices, operating cost and capital expenditure estimates, and estimates of recoverable reserves and the Company’s ability to convert resources to reserves. Where an indicator of impairment exists for its long-lived assets, the Company performs an analysis to estimate the recoverable amount, which includes various key estimates and assumptions as discussed above. Management has assessed no indicators of impairment at December 31, 2023 and 2022.

Asset retirement obligation

Asset retirement obligations have been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual rehabilitation costs ultimately depend on actual future settlement amount for rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Deferral of stripping costs

Stripping of waste materials takes place throughout the production phase of a surface mine or pit. The identification of components within a mine and of the life of component strip ratios requires judgment and is dependent on an individual mine's design and the estimates inherent within that. Changes to that design may introduce new components and/or change the life of component strip ratios. Changes in other technical or economic parameters that impact ore resources may also have an impact on the life of component strip ratios, even if they do not affect the mine's design. Changes to the life of component strip ratios are accounted for prospectively.

The Company's judgment as to whether multiple pit mines are considered separate or integrated operations determines whether initial stripping of a pit is deemed to be pre-production or production phase stripping and, therefore, the amortization base for those costs. The analysis depends on each mine's specific circumstances and requires judgment: another mining company could make a different judgment even when the fact pattern appears to be similar.

Mineral resources

Mineral reserves are estimates of the amount of mineable ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its mineral resources based on information compiled by Qualified Persons as defined by Canadian Securities Administrators National Instrument 43-101, Standards for Disclosure of Mineral Projects. Such information includes geological data on the size, depth and shape of the mineral deposit, and requires complex geological judgments to interpret the data. The estimation of recoverable resources is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade that comprise the mineral reserves or resources. Changes in the mineral resource estimates may impact the carrying value of mineral properties and deferred development costs, property, plant and equipment, provision for site reclamation and closure, recognition of deferred income tax assets and depreciation and amortization charges.

Net investment in foreign operation

The Company has determined that the funding provided to its subsidiary Corex Global S de RL de SV, which is operating the Santana mine, is likely to be repaid in the foreseeable future. Accordingly, the unrealized foreign exchange gains or losses on these inter-company loans are recognized in income (loss).

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES

In 2022, the Company sold 590,000 common shares of Prime Mining Inc. ("Prime") (formerly ePower Corp.) for net proceeds of $2,056,150.

	Shares $
Fair Value Hierarchy	Level 1
Balance, December 31, 2021	2,336,400
Sale of shares	(2,056,150)
Fair value adjustments	(280,250)
Balance, December 31, 2023 and 2022	**-**

7. DEFERRED REVENUE AND INVENTORIES

In late December 2023, the Company received $2,419,290 (December 2022 - $5,514,069) in exchange for the sale of gold which had been extracted from the Santana gold mine leach pad and was undergoing further refinement. The gross proceeds are recorded as deferred revenue until the gold has been recovered through the stripping and refinement process and then delivered, in full, to the customer. The carrying value of the respective inventory was $1,354,516 (December 2022 - $2,789,558) which is included in work-in-process inventory.

IAS 2 requires allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The following is a breakdown of items in inventory:

Inventory	**December 31, 2023 $**	December 31, 2022 $
Leach pad ore	**5,869,856**	6,022,715
Work-in-process	**1,354,516**	2,789,558
Supplies	**296,066**	335,051
Total	**7,520,438**	9,147,324

Inventory that was expensed in the year totaled to $6,775,700 (2022 - $11,104,000).

8. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENSE

	For the years ended December 31, 2023 $	2022 $
Santana, Mexico[(i)]	**1,723,897**	-
Cerro de Oro, Mexico	**2,371,078**	2,073,686
La Fortuna, Mexico	**412,224**	295,828
Los Verdes, Mexico	**232,998**	184,708
Other	**9,008**	49,992
Total	**4,749,205**	2,604,214

All development costs incurred related to the project are capitalized.

(Expressed in Canadian Dollars)

8. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENSE (Continued)

Santana project, State of Sonora, Mexico

The Santana Property consists of certain mining claims located approximately east-southeast of Hermosillo, Sonora, Mexico. Additionally, the Company holds a 100% interest in certain contiguous mining concessions referred to as Santa Lucia and Hilda 35 Fraccion 1, located in Sonora State, Mexico. The Hilda 35 Fraccion 1 is also subject to a 1% net smelter return royalty ("NSR").

During the year ended December 31, 2023, the Company continued mining and development activities at Santana and performed exploration drilling on target areas.

Cerro de Oro, State of Sonora, Mexico

In September 2020 the Company finalized definitive option agreements through its subsidiary Minera Mirlos S. De R.L. DE C.V., and an arm's length party (the "Vendor") to acquire 100% of the Cerro de Oro project comprising the Zacatecas I and Zacatecas II concessions near Concepcion del Oro, Zacatecas, Mexico.

The agreements convey 100% irrevocable ownership to the Company with no underlying royalties subject to meeting a schedule of payments. Failure by the Company to make any of the cash payments or share issuances would result in the property being returned to the vendors with no residual interest being retained by the Company.

The payment schedule is as follows:

Amount (USD)	Installment Due Date
400,000 cash + 2,000,000 shares[b]	Paid on Closing
300,000 cash[a] + 500,000 shares[c]	Paid in 2021
400,000 cash[a] + 500,000 shares[d]	Paid in 2022
800,000 cash[a] + 500,000 shares[e]	Paid in 2023
1,000,000 cash[a] + 500,000 shares	48 months from Closing

a) Installment payments will be in the form of cash. Alternately, should both parties, agree a portion or the entire cash amount can be replaced with the issuance of an equivalent dollar value of shares. Shares, if issued, will be priced at the prior days closing on the TSX Venture Exchange (the "Exchange"), ending on the installment date listed in the table above and in accordance with the rules and requirements of securities laws and the Exchange.

b) The Company paid USD$400,000 (CAD$531,600) on signing of this agreement and the Company issued 2,000,000 shares on September 17, 2020. The fair value of these shares was $1,440,000 based on the trading price of the shares.

c) The Company paid USD$300,000 (CAD$394,832) and issued 500,000 shares on September 17, 2021. The fair value of these shares was $285,000 based on the trading price of the shares.

d) The Company paid USD$400,000 (CAD$516,154) and issued 500,000 shares on August 4, 2022. The fair value of these shares was $242,500 based on the trading price of the shares.

8. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENSE (Continued)

Cerro de Oro, State of Sonora, Mexico (Continued)

e) The Company paid USD$800,000 (CAD$1,053,568) and issued 500,000 shares on July 26, 2023. The fair value of these shares was $170,000 based on the trading price of the shares.

In addition to the earn-in commitments in the table above, a final bonus payment of $1,000,000 USD will be payable to the Vendor upon the production of 50,000 ounces of gold from the Cerro de Oro project.

La Fortuna project, State of Durango, Mexico

The Company's subsidiary Minera Alamos de Sonora S.A. de C.V., owns 100% of the mineral claims known as the "La Fortuna" gold project located in the State of Durango, Mexico.

Los Verdes project, State of Sonora, Mexico

The Company holds a 100% interest in a mining property known as Los Verdes, a molybdenum-copper property located in the State of Sonora, Mexico. Included in the Los Verdes project is the Bacanora claim. Included in the consideration paid for the Bacanora claim is a 2% Net Smelter Royalty on the gross amount sold, less specific costs, of all or a portion of the ores or concentrate derived from the property. In 2012, the Company acquired title to the Potreritos molybdenum-copper deposit concessions in Sonora, Mexico. The property is situated to the north of the Los Verdes property and referred to as the North Deposit.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

(Expressed in Canadian Dollars)

9. MINERAL PROPERTIES AND PROPERTY PLANT AND EQUIPMENT

	Mineral Properties	Property, Plant and Equipment				
Cost	Santana Project (ii)	Mining Equipment	Office and Equipment	Vehicles	Right of Use Building (i)	Total
Balance at December 31, 2021	$ 13,022,802	$ 902,975	$ 185,651	$ 235,628	$ 739,030	$ 15,086,086
Effect of change in functional currency January 1, 2022	(92,436)	68,197	3,992	(31,759)	-	(52,006)
Additions (disposals)	3,951,449	419,267	-	-	-	4,370,716
Change in asset retirement obligation	442,817	-	-	-	-	442,817
Effect of changes in foreign exchange	1,882,727	924	11,579	13,362	-	1,908,592
Balance at December 31, 2022	19,207,359	1,391,363	201,222	217,231	739,030	21,756,205
Additions (disposals)	**200,500**	**115,998**	**-**	**40,139**	**-**	356,637
Effect of changes in foreign exchange	**2,279,387**	**82,075**	**4,988**	**11,611**	**-**	2,378,061
Balance at December 31, 2023	**21,687,246**	**1,589,436**	**206,210**	**268,981**	**739,030**	**24,490,903**
Accumulated depreciation						
Balance at December 31, 2021	358,835	70,918	148,023	124,333	303,421	1,005,530
Effect of change in functional currency January 1, 2022	-	(9,589)	10,471	(31,023)	-	(30,141)
Depreciation	-	44,598	13,463	38,039	88,600	184,700
Depletion	600,613	-	-	-	-	600,613
Balance at December 31, 2022	959,448	105,927	171,957	131,349	392,021	1,760,702
Depreciation	**-**	**80,255**	**15,611**	**45,124**	**88,600**	**229,590**
Depletion	**206,692**	**-**	**-**	**-**	**-**	**206,692**
Effect of changes in foreign exchange	**8,338**	**921**	**1,494**	**1,141**	**-**	**11,894**
Balance at December 31, 2023	**1,174,478**	**187,103**	**189,062**	**177,614**	**480,621**	**2,208,878**
Carrying amounts						
Balance at December 31, 2021	12,663,967	832,057	37,628	111,295	435,609	14,080,556
Balance at December 31, 2022	18,247,911	1,285,436	29,265	85,882	347,009	19,995,503
Balance at December 31, 2023	**$ 20,512,768**	**$ 1,402,333**	**$ 17,148**	**$ 91,367**	**$ 258,409**	**$ 22,282,025**

(i) Depreciation related to the right-of-use asset is included in office and administration expense.
(ii) Includes assets not ready for use.

10. LEASE PAYABLE

Maturity Analysis – contractual undiscounted cash flows	**December 31, 2023 $**	December 31, 2022 $
Less than one year	**109,536**	101,864
Remaining life	**214,336**	331,544
Total undiscounted lease liabilities	**323,872**	433,408
Effect of discounting	**(34,826)**	(61,442)
Present value of lease payments	**289,046**	371,966
Less current portion	**(90,086)**	(82,920)
Long-term lease liabilities	**198,960**	289,046

(Expressed in Canadian Dollars)

10. LEASE PAYABLE (Continued)

The following table summarizes the lease activity:

	December 31, 2023	December 31, 2022
	$	$
Balance, beginning of year	**371,966**	440,744
Additions	**-**	-
Accretion	**26,616**	33,086
Lease payments	**(109,536)**	(101,864)
Balance, end of year	**289,046**	371,966

11. DEBT

On October 30, 2023, the Company executed the documentation on a funding package for the Cerro de Oro project with Auramet International Inc. and Auramet Capital Partners LP ("Auramet"). The funding package is comprised of a loan facility for up to USD$15,000,000 and a USD$10,000,000 royalty for a 2.75% Net Smelter Royalty ("NSR"). Upon the execution of the documentation the Company completed a drawdown of an initial USD$5,000,000 under the loan facility. As per the funding facility, the Company may deliver a drawdown notice to Auramet for the remaining USD$10,000,000 under the loan facility upon the satisfactory completion of certain conditions which have not been met as of December 31, 2023.

If the Company does not meet the closing conditions or should not elect to deliver a drawdown notice for the remaining USD$10,000,000 under the loan facility by the earlier of i) October 30, 2024 and; ii) the date that is 31 days after all the closing conditions have been satisfied, the outstanding balance of the USD$5,000,000 initial drawdown shall mature and be payable in equal installments over the subsequent 10 month period and all obligations of Auramet to advance any part of the remaining USD$10,000,000 will immediately be cancelled and terminated. The outstanding principal amount drawn under the loan facility accrues interest and is payable monthly at a rate of 15% per annum calculated in arrears. As at December 31, 2023, the estimated maturity date was October 30, 2024.

The closing and funding under the royalty facility is conditional upon the same conditions under the loan facility and is also conditional upon the actual drawdown of the remaining amount under the loan facility and if this does not occur, any obligations under the royalty facility will also terminate. As at December 31, 2023, the closing conditions of the loan and royalty agreements have not occurred.

On October 30, 2023, the Company recorded receipt of USD$5,000,000 (CAD$6,928,000) and recorded transactions costs of CAD$703,266. As at December 31, 2023, the balance of the debt is CAD$5,981,846.

	CAD $
Total proceeds	6,928,000
Cost of issuance	(703,266)
Net proceeds	6,224,734
Accretion	(242,888)
Balance as at December 31, 2023	5,981,846
Current portion of debt	851,873
Long term portion of debt	5,129,973

(Expressed in Canadian Dollars)

12. SHARE CAPITAL

(a) Authorized, issued and outstanding common shares

Authorized – unlimited number of common shares without par value
Issued and outstanding – 462,883,853 at December 31, 2023, and 461,883,853 at December 31, 2022.

(b) Transactions

(i) On July 15, 2022, the Company issued 7,950,000 common shares of the Company at a price of $0.55 per common share for gross proceeds of $4,372,500.

(ii) On August 4, 2022, the Company issued 500,000 common shares in relation to the Cerro de Oro Project acquisition agreement. The fair value of the shares issued was $242,500 (see note 8).

(iii) On July 26, 2023, the Company issued 500,000 common shares in relation to the Cerro de Oro Project acquisition agreement. The fair value of the shares issued was $170,000 (see note 8).

(iv) During the year ended December 31, 2023, 500,000 (2022 – 7,237,500) stock options to acquire common shares at an average price of $0.15 were exercised for gross proceeds of $76,500 (2022 - $1,134,000).

13. SHARE-BASED PAYMENTS – STOCK OPTION PLAN

The Company has a stock option plan (the "Plan") available to its employees, officers, directors and consultants which has been approved as amended by the shareholders on December 14, 2023. The number of common shares is limited to 10% of the Company's issued and outstanding shares.

During the year ended December 31, 2023, the Company issued 9,150,000 stock options to acquire common shares (December 31, 2022 – Nil).

At December 31, 2023, the following options were outstanding:

Grant Date	Number of Stock Options	Exercise Price	Expiration	Remaining Years	Grant Date Fair Value	Number Exercisable Stock Options
July 30, 2019	7,500,000	$0.16	July 30, 2024	0.58	$0.09	7,650,000
July 14, 2020	700,000	$0.54	July 14, 2025	1.54	$0.38	700,000
August 10, 2020	600,000	$0.67	August 10, 2025	1.61	$0.47	600,000
March 18, 2021*	7,250,000	$0.72	March 18, 2026	2.17	$0.49	-
July 26, 2021*	500,000	$0.72	July 26, 2026	2.58	$0.50	-
February 23, 2023**	2,250,000	$0.51	February 23, 2028	4.15	$0.18	-
February 23, 2023**	6,900,000	$0.45	February 23, 2028	4.15	$0.19	-
	25,700,000	$0.46				8,800,000

* The stock options are subject to vesting terms of one quarter of granted stock options to each 50,000 ounces of production and will be recognized as exercisable when conditions have been met.

** The stock options are subject to vesting term of one half of granted stock options on the first anniversary date of grant and one half of granted stock options on the second anniversary date of grant.

(Expressed in Canadian Dollars)

13. SHARE-BASED PAYMENTS – STOCK OPTION PLAN (Continued)

A summary of stock option activity during the year ended December 31, 2023 and 2022, is as follows:

	December 31, 2023		December 31, 2022	
	Number of Stock Options #	**Average Exercise Price $**	Number of Stock Options #	Average Exercise Price $
Outstanding beginning of year	17,542,000	0.44	25,219,500	0.35
Granted	9,150,000	0.46	-	-
Expired	(492,000)	(0.15)	(440,000)	0.15
Exercised	(500,000)	(0.15)	(7,237,500)	0.16
Outstanding end of year	25,700,000	0.46	17,542,000	0.44

14. PROVISION FOR ASSET RETIREMENT OBLIGATION

The decommissioning liability is estimated based on the timing of costs to be incurred in future years. The Company made the following changes to its decommissioning liability:

	$
Opening December 31, 2021	48,400
Change in Estimate	442,817
Closing December 31, 2022	491,217
Accretion	55,683
Change in foreign exchange	56,838
Closing December 31, 2023	603,738

The provision for site reclamation and closure consists of mine closure costs, reclamation and retirement obligations for mine facilities and infrastructure.

The present value of the Santana Project future rehabilitation liability was estimated at $603,738 as at December 31, 2023 (December 31, 2022 – $491,217).

As at December 31, 2023, estimates include inflation rate of 9.2% and a discount rate of 11.5% (December 31, 2022 – 7.86% and 10.5%, respectively).

15. FINANCIAL RISK MANAGEMENT

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

(Expressed in Canadian Dollars)

15. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk management

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing to the Company. Management's assessment of the Company's credit risk is low as it is primarily attributable to funds held in Canadian banks, sales tax recoverable from the federal government of Canada and value added tax recoverable from the government of Mexico, where taxes are included in amounts receivable.

The maximum credit risk exposure of the financial assets is their carrying value.

b) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interest. The Company intends on fulfilling its obligations.

As of December 31, 2023, the Company had a cash and cash equivalents balance of $13,754,272 and other current assets of $14,212,5824 (December 31, 2022 – $13,153,828 and $14,426,421 respectively) to settle current accounts payable and accrued liabilities of $4,637,505 (December 31, 2022 – $3,699,024).

The following table details the Company's anticipated repayment schedule for its financial liabilities as at December 31, 2023:

	Contractual cash flows $	**Less than 1 year $**	**1 -3 years $**	**4 -5 years $**	**After 5 years $**
Accounts payable and accrued liabilities	4,637,505	4,637,505	-	-	-
Lease payable	289,046	90,086	198,960	-	-
Debt	5,981,846	851,873	5,129,973	-	-
	10,908,397	**5,579,464**	**5,328,933**	**-**	**-**

c) Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals.

Price risk

The Company is exposed to price risk with respect to commodity prices as the Company earns revenue from the sale of gold at market prices.

15. FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (Continued)

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period.

A 10% change in the price of gold during the year ended December 31, 2023 would have resulted in a change in the value of revenue recognized by approximately $940,000 (December 31, 2022 – $2,100,000).

Foreign exchange risk

The Company is subject to foreign exchange risk as the Company has certain assets and liabilities, and makes certain expenditures in US dollars. The Company is therefore subject to gains and losses due to fluctuations in the US dollar relative to the Canadian dollar. The Company does not hedge its foreign exchange risk.

Sensitivity analysis

As at December 31, 2023, the Company has monetary assets denominated in US dollars of approximately USD $6,800,000 (December 31, 2022 – USD$5,850,000). A 10% change in the value of the US dollar relative to the functional currency of the respective entity would result in a corresponding change in net income of approximately $220,000 (December 31, 2022 – $800,000). As at December 31, 2023, the Company has debt denominated in US dollars of approximately USD$5,000,000 (December 31, 2022 - $0). A 10% change in the value of the US dollar relative to the functional currency of the respective entity would result in a corresponding change in net income of approximately $160,000 (December 31, 2022 – $0).

Additionally, the Company has inter-company loans that do not form part of its net investment in foreign operations (see note 5). A 10% change between the Canadian dollar and the Mexican Peso would result in unrealized foreign exchange gains or losses of approximately $5,400,000.

d) Fair values

Financial assets include cash and cash equivalents, restricted cash, and accounts receivable. Financial liabilities include accounts payable and accrued liabilities and debt. The carrying value of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities is considered representative of their respective fair values due the to the short-term period to maturity.

IFRS 13, Fair value measurement (“IFRS 13”) establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – valuation based on quotes prices in active markets for identical assets or liabilities;
Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and
Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data.
The Company does not have any financial instruments measured at amortized cost and that require classification within the fair value hierarchy as at December 31, 2023 or 2022.

(Expressed in Canadian Dollars)

16. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% (2022 – 26.5%) to the effective tax rate is as follows:

	2023 $	2022 $
Net (loss) income before recovery of income taxes	(2,855,552)	5,609,393
Expected income tax (recovery) expense	(756,721)	1,486,490
Tax rate changes and other adjustments	(454,946)	278,130
Non-deductible expenses	(1,709,216)	243,301
Adjustments in respect of prior periods	111,599	(2,365,240)
Change in tax benefits not realized	2,923,426	357,313
Other	(114,142)	-
Income tax recovery	-	-

Deferred Tax

The following table summarizes the components of deferred tax:

	2023 $	2022 $
Deferred tax assets and liabilities		
Property, plant and equipment	(607,494)	(1,156,974)
Foreign Exchange	-	(165,152)
Right of use assets	(68,479)	98,571
Reserves	-	666,577
Inter-company loan	(206,890)	-
Non-capital losses	882,863	556,978
Net deferred tax assets and liabilities	-	-

Deferred tax assets and liabilities have been offset where they related to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

The Canadian operating tax losses carry forward expire as noted in the table below. The capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available against which the group can utilize the benefits therefrom.

(Expressed in Canadian Dollars)

16. INCOME TAXES (Continued)

The Company's Canadian non-capital income tax losses expire as follows:

Year	Canada
2024	295,930
2026	334,730
2027	1,594,490
2028	2,039,590
2029	1,790,060
2030	1,812,000
2031	2,208,490
2032	1,839,110
2033	1,613,170
2034	1,390,230
2035	1,084,010
2036	2,532,990
2037	3,044,840
2038	3,028,390
2039	2,110,040
2040	73,420
2041	144,580
2042	1,330,250
2043	2,793,360
Total	31,059,680

The Company also has available losses incurred in foreign jurisdictions which can be deducted from taxable income of future years in those jurisdictions. These losses have not been recognized in these financial statements as their realization is uncertain.

17. CAPITAL RISK MANAGEMENT

The Company's objectives for managing capital are:

a) to safeguard the Company's ability to continue as a going concern, so that it can continue to add value to its projects, acquire additional projects with potential for resources and provide returns for shareholders;

b) to provide an adequate return to shareholders by increasing the value of underlying assets through exploration and development of economic resources; and

c) to generate an adequate return to shareholders by constructing and operating economically viable mines.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements, other than those of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months.

(Expressed in Canadian Dollars)

18. COMMITMENTS AND CONTINGENCIES

On October 30, 2023, upon execution of the loan facility with Auramet, the Company entered into Master Purchase and Sale Agreement whereby the Company agrees to sell any precious metals from it's Corex Global and Minera Mirlos to Auramet, on a spot, forward, in-process or prepayment basis for a 36 month period.

On October 30, 2023, upon execution of the loan facility with Auramet, the Company entered into a Call Option Agreement whereby the Company agreed to deliver to Auramet, at their option, a total of 15,000 ounces of gold over a 15 month period beginning in February 2025 with a strike price of USD$2,175 per ounce.

The Company is party to agreements for key management of which the agreements contain clauses requiring additional payments of $3,075,000 to be made upon the occurrence of certain events such as a change of control or termination. As a triggering event has not yet taken place, the contingent payment has not been reflected in these financial statements.

The Company is party to a royalty agreement with Osisko Gold Royalties which holds a 3% net smelter royalty on the Santana property.

During the year, the Company's Mexican subsidiary Corex Global S de RL de SV received a notice for an imposed fine of 8,299,200 MXN (approximately CAD$649,000 at December 31, 2023) from the Ministry of Labor and Social Welfare on the basis of incorrect terms for the relationship between it's subcontractor. The Company believes this is a frivolous fine and has submitted the claim against the Federal Court of Administrative Justice to be resolved. As such, no amounts are accrued as it is believed to be without merit.

19. RELATED PARTY TRANSACTIONS AND BALANCES

Details of transactions between the Company and other related parties are disclosed below.

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company for the year ended December 31, is as follows:

	2023 $	2022 $
Aggregate compensation	963,500	490,000
Stock-based compensation	397,429	403,939

Included in accounts payable and accrued liabilities at December 31, 2023, payable to key management of the Company was $475,000 (December 31, 2022 – $135,600) in relation to outstanding compensation and expenses. These amounts are unsecured, non-interest bearing and due on demand.

Included in accounts receivable as at December 31, 2023, is an amount of $153,000 (December 31, 2022– $281,837) due from key management of the Company. These amounts are unsecured, non-interest bearing and due on demand.