



**Condensed Interim Consolidated Financial Statements**

**March 31, 2023 and 2022**

**Unaudited**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited condensed interim consolidated financial statements of Minera Alamos Inc. ("Minera Alamos" or the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	Notes	March 31, 2023	December 31, 2022
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		10,200,029	13,153,828
Restricted cash		30,857	30,781
Marketable securities	6	-	-
Accounts receivable	16	450,931	424,004
Leach pad ore inventory	7	5,745,652	6,022,716
Work-in-process inventory	7	1,680,524	2,789,558
Supplies inventory	7	405,287	335,051
Prepaid and other		3,107,949	2,668,761
Taxes receivable		2,437,816	2,155,551
<b>Total current assets</b>		<b>24,059,045</b>	<b>27,580,249</b>
Taxes receivable		6,416,363	5,707,040
Mineral Properties and Property, Plant, and Equipment	8, 9	20,011,921	19,995,503
		<b>50,487,329</b>	<b>53,282,792</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	16	1,623,036	3,699,024
Current portion of lease payable	10	84,543	82,920
Deferred revenue	7	2,460,659	5,514,069
<b>Total current liabilities</b>		<b>4,168,238</b>	<b>9,296,013</b>
Lease payable	10	267,227	289,046
Provision for Asset Retirement Obligation	13	539,136	491,217
		<b>4,974,601</b>	<b>10,076,276</b>
<b>Shareholders' Equity</b>			
Share capital	11	104,863,540	104,863,540
Contributed surplus		3,769,713	3,769,713
Options reserve	12	3,309,542	2,944,704
Cumulative translation adjustment		(639,076)	(1,094,566)
Deficit		65,790,991	(67,276,875)
		<b>45,512,728</b>	<b>43,206,516</b>
		<b>50,487,329</b>	<b>53,282,792</b>

Basis of Presentation and Going Concern (note 2)  
Work-in-process inventory and deferred revenue (note 7)

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 Income and Comprehensive Income**  
**(Expressed in Canadian dollars)**

	Notes	For the three months ended March 31,	
		2023	2022
<b>Revenues</b>	4c	<b>6,784,379</b>	5,160,026
<b>Cost of sales:</b>			
Mining, processing, royalties		<b>3,891,694</b>	2,255,305
Depletion		<b>63,137</b>	-
		<b>3,954,831</b>	2,255,305
<b>Gross Profit</b>		<b>2,829,548</b>	2,904,721
<b>Expenses</b>			
Depreciation		<b>32,256</b>	19,528
Accretion	13	<b>12,123</b>	-
Exploration and evaluation	8	<b>511,679</b>	325,937
Insurance		<b>22,680</b>	19,825
Interest on lease liability		<b>7,188</b>	8,714
Investor relations		<b>82,583</b>	57,538
Office and administration		<b>185,573</b>	163,823
Professional fees		<b>231,136</b>	116,639
Salaries and compensation	16	<b>376,586</b>	278,672
Share-based compensation	12, 16	<b>364,838</b>	295,477
Transfer agent regulatory fees		<b>38,229</b>	40,632
Travel		<b>35,155</b>	48,809
		<b>1,900,026</b>	1,375,593
<b>Income from operations</b>		<b>929,522</b>	1,529,128
<b>Other Items</b>			
FVTPL adjustment on marketable securities	6	-	265,500
Foreign exchange (gain) loss		<b>(514,099)</b>	196,450
Other income		<b>(42,263)</b>	674
		<b>(556,362)</b>	461,276
<b>Net income for the period</b>		<b>1,485,884</b>	1,067,853
Foreign currency translation		<b>455,490</b>	-
<b>Net income and comprehensive income for the period</b>		<b>1,941,375</b>	1,067,853
<b>Net Income (loss) per share:</b>			
Basic		<b>0.003</b>	0.002
Diluted		<b>0.003</b>	0.002
<b>Weighted average number of common shares outstanding:</b>			
Basic		<b>461,883,853</b>	444,435,207
Diluted		<b>467,036,544</b>	444,435,207

*Please see accompanying notes to the consolidated financial statements*

**Minera Alamos Inc.**  
**Consolidated Statement of Changes in**  
**Equity (Expressed in Canadian Dollars)**

		<u>Share capital</u>					Cummulative		
	<i>Note</i>	Number of shares	Amount	Warrants reserve	Contributed surplus	Options reserve	translation reserve	Deficit	Total equity
<b>Balance, January 1, 2022</b>		<b>446,196,353</b>	<b>\$ 98,183,612</b>	<b>\$ 3,711,913</b>	<b>\$ 3,243,475</b>	<b>\$ -</b>	<b>(72,886,268)</b>	<b>\$ 32,252,732</b>	
Shares issued for mineral property	11	-	-	-	-	-	-	-	
Options issued	12	-	-	-	295,477	-	-	295,477	
Options exercised	11, 12	2,287,500	560,996	-	(268,500)	-	-	292,496	
Net income for the period		-	-	-	-	-	1,067,853	1,067,853	
<b>Balance, March 31, 2022</b>		<b>448,483,853</b>	<b>\$ 98,744,608</b>	<b>\$ 3,711,913</b>	<b>\$ 3,270,452</b>	<b>\$ -</b>	<b>(71,818,415)</b>	<b>\$ 33,908,558</b>	
<b>Balance, January 1, 2023</b>		<b>461,883,853</b>	<b>\$ 104,863,540</b>	<b>\$ 3,769,713</b>	<b>\$ 2,944,704</b>	<b>\$ (1,094,566)</b>	<b>(67,276,875)</b>	<b>43,206,516</b>	
Shares issued for mineral property	11	-	-	-	-	-	-	-	
Options issued	12	-	-	-	364,838	-	-	364,838	
Net income for the period		-	-	-	-	455,490	1,485,884	1,941,374	
<b>Balance, March 31, 2023</b>		<b>461,883,853</b>	<b>\$ 104,863,540</b>	<b>\$ 3,769,713</b>	<b>\$ 3,309,542</b>	<b>\$ (639,076)</b>	<b>(65,790,991)</b>	<b>\$ 45,512,728</b>	

*Please see accompanying notes to the consolidated financial statements*

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

	Notes	For the three months ended March 31,	
		2023	2022
<b>Cash flows from operating activities</b>			
Net income for the period		1,485,884	1,067,853
<b>Adjustments to reconcile net loss to net cash flows:</b>			
<b>Non-cash adjustments:</b>			
Depreciation	9	32,256	41,678
Accretion	13	12,123	-
Depletion		63,137	-
Interest on lease liability	1	7,188	8,714
	0		
Share-based compensation		364,838	295,477
FVTPL adjustment on marketable securities	6	-	265,500
Unrealized foreign exchange gain		465,258	
		<b>2,430,684</b>	<b>1,679,222</b>
<b>Changes in non-cash operating adjustments:</b>			
Accounts receivable		(26,927)	(153,485)
Prepaid expenses		(439,188)	228,287
Inventory		1,315,861	(1,628,576)
Taxes receivable		(991,588)	767,859
Accounts payable and accrued liabilities		(2,075,987)	(39,866)
Deferred revenue		(3,058,410)	-
<b>Net cash flows from (used in) operating activities</b>		<b>(2,840,555)</b>	<b>(682,278)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property plant and equipment	9	(85,936)	(526,128)
Restricted cash		76	75
<b>Net cash flows from (used in) investing activities</b>		<b>(85,860)</b>	<b>(526,053)</b>
<b>Cash flows from financing activities</b>			
Lease payments	10	(27,384)	(20,345)
Exercise of options	12	-	292,496
<b>Net cash flows from financing activities</b>		<b>(27,384)</b>	<b>272,151</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(2,953,799)</b>	<b>(936,180)</b>
Cash and cash equivalents, beginning of period		13,153,828	7,042,790
<b>Cash and cash equivalents, end of period</b>		<b>10,200,029</b>	<b>6,106,610</b>

*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, and development 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 condensed interim 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.

Although the Company has demonstrated positive cash flows during the current reporting period there is no guarantee that the Company won’t incur further losses going forward as the Company pursues its 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 condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 30, 2023, the date the Board of Directors approved these condensed interim consolidated financial statements.

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2022.

**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 first quarter of 2022, the Company adopted Amendments to International Accounting Standard (“IAS”) 16, Property, Plant & Equipment, Proceeds Before Intended Use (“IAS 16”). The amended standard prohibits the Company from deducting any proceeds from selling items produced from the cost of building an item of mineral interest, plant, and equipment, while bringing that asset to be capable of operating in the manner intended by management. The Company adopted the accounting policy retrospectively with respect to applicable transactions occurring on or after the earliest period presented herein, being January 1, 2021. With the adoption of the amended standard, pre-commercial production sales of gold and silver produced and sold, and related costs while bringing a mine into a condition necessary for it to be capable of operating in the manner intended by management, are recognized in profit or loss in accordance with applicable standards to the extent those sales occurred on or after January 1, 2021. The entity measures the cost of those items applying the measurement requirements of IAS 2, Inventories (“IAS 2”). Prior to adoption of this amendment, all costs and proceeds from sale were capitalized to mineral properties and property, plant, and equipment.



Minera Alamos Inc.  
Notes to the Condensed Interim Consolidated Financial Statements  
For the periods ended March 31, 2023 and 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Adoption of New Accounting Policy and Reinstated Comparative Information (Continued)

	As previously presented, December 31, 2021	Effect of restatement	As restated, December 31, 2021
<b>Statement of Financial Position</b>			
Inventories	\$ -	\$ 6,634,997	\$ 6,634,997
Mineral Properties and Property, Plant and Equipment	20,410,219	(6,329,663)	14,080,556
<b>Total Assets</b>	<b>36,415,777</b>	<b>305,334</b>	<b>36,721,111</b>
Retained Earnings	(73,191,602)	305,334	(72,886,268)
Total Shareholders' Equity	31,947,398	305,334	32,252,732
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 36,415,777</b>	<b>\$ 305,334</b>	<b>\$ 36,721,111</b>
<b>Statement of Income (Loss) and Comprehensive Income (Loss)</b>			
Revenue	\$ -	\$ 897,910	\$ 897,910
Costs of sales	-	(592,576)	(592,576)
<b>Net Loss and Comprehensive Loss for the year</b>	<b>\$ (2,058,554)</b>	<b>\$ 305,334</b>	<b>\$ (1,753,220)</b>
<b>Statement of Cash Flows</b>			
Net Loss and Comprehensive Loss for the year	\$ (2,058,554)	\$ 305,334	\$ (1,753,220)
Depletion	-	18,478	18,478
Changes in inventory	-	(5,851,647)	(5,851,647)
<b>Net cash flows from (used in) operating activities</b>	<b>(5,445,614)</b>	<b>(5,527,835)</b>	<b>(10,973,449)</b>
Acquisition of property plant and equipment	(12,769,963)	5,527,835	(7,242,128)
<b>Net cash flows from (used in) investing activities</b>	<b>(8,237,441)</b>	<b>5,527,835</b>	<b>(2,709,606)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>\$ (12,868,014)</b>	<b>\$ -</b>	<b>\$ (12,868,014)</b>

#### **4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **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.

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) Accounting standards and interpretations effective in future periods

IAS 1, Presentation of Financial Statements (“IAS 1”) and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in January 2020 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after November 1, 2023. Earlier adoption is permitted.

##### f) 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

##### g) 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. During the prior year, the Company changed its judgment of the stage of the project and prospectively, began to capitalize expenditures incurred on the Santana project.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **h) 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.

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

- a. Assets and liabilities are translated at the closing rate at the end of the financial reporting period;
- b. 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);
- c. Equity transactions are translated using the exchange rate at the date of the transaction; and
- d. 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.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **i) 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) and comprehensive 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.

#### **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:

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)**

**Income taxes**

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions for the period in which such determination is made.

**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.

**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 reserves 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.

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)**

**Mineral resources**

Mineral reserves are estimates of the amount of minable 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 intercompany loans are recognized in income (loss).

**6. MARKETABLE SECURITIES**

In June, 2022, the Company sold 590,000 (December 31, 2021 – 1,250,000) common shares of Prime Mining Inc. (“Prime”) (formerly ePower Corp.) for net proceeds of \$2,056,150 (2021 - \$4,532,500).

	<b>Shares</b>
	<b>\$</b>
Fair Value Hierarchy	Level 1
Balance, December 31, 2022	2,336,400
Sale of shares	(2,056,150)
Fair value adjustments	(280,250)
<b>Balance, March 31, 2023</b>	<b>-</b>

## 7. DEFERRED REVENUE AND INVENTORIES

In late March 2023, the Company received \$2,460,659 in exchange for the sale of gold which had been extracted from the leach pad and was undergoing further refinement. The proceeds are recorded in deferred revenue until the gold has been delivered, in full, to the customer. The carrying value of the respective inventory was \$1,412,600 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	March 31, 2023	December 31, 2022
Leach pad ore	\$ 5,745,652	6,022,716
Work-in-process	1,680,524	2,789,558
Supplies	405,287	335,051
Total	\$ 7,831,463	9,147,324

## 8. MINERAL PROPERTIES AND EXPLORATION EXPENSE

	For the three months ended March 31,	
	2023	2022
	\$	\$
Santana, Mexico <sup>(i)</sup>	-	-
Cerro de Oro, Mexico	294,453	137,386
La Fortuna, Mexico	99,388	72,956
Los Verdes, Mexico	117,838	93,922
Other	-	21,673
Total	511,679	325,937

(i) All development costs incurred related to the project are capitalized.

### Santana project, State of Sonora, Mexico

The Santana Property consists of nine mining claims and covers approximately 3,100 hectares and is located approximately 200 kilometers east-southeast of Hermosillo, Sonora, Mexico. Additionally, the Company holds a 100% interest in two contiguous mining concessions that cover approximately 350 hectares, 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 period ended March 31, 2023, the Company continued the advancement of the ramp-up of mining operations towards commercial production levels.



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

**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 acquisition of the two core claims increases the Company’s total claim holdings to approximately 6,500 ha in the Concepcion del Oro district which contains a significant gold prospect.

Upon completion of the option payments, 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 <sup>(b)</sup>	Paid on Closing
300,000 cash <sup>(a)</sup> + 500,000 shares <sup>(b)</sup>	Paid in 2021
400,000 cash <sup>(a)</sup> + 500,000 shares <sup>(b)</sup>	Paid in 2022
800,000 cash <sup>(a)</sup> + 500,000 shares <sup>(b)</sup>	36 months from Closing
1,000,000 cash <sup>(a)</sup> + 500,000 shares <sup>(b)</sup>	48 months from Closing

**Cerro de Oro, State of Sonora, Mexico**

- 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 \$400,000 USD 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.

The Company paid \$300,000 USD and issued 500,000 shares on September 17, 2021. The fair value of these shares was \$285,000.

The Company paid \$400,000 USD and issued 500,000 shares on August 4, 2022. The fair value of these shares was \$242,500.

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.

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

**La Fortuna project, State of Durango, Mexico**

On May 4, 2016, the Company announced the completion of the acquisition, by its subsidiary Minera Alamos de Sonora S.A. de C.V., of 100% of the mineral claims known as the “La Fortuna” gold project located in the State of Durango, Mexico from Argonaut Gold Inc., consisting of 4 claims totaling 994 hectares.

**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 totaling 55 hectares acquired on January 31, 2007. 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 approximately 2 km to the north of the Los Verdes property and referred to as the North Deposit. The Company is currently considering strategic alternatives for this project based on current industry/market expectations and a resizing of the planned operation.

**Minera Alamos Inc.**  
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**9. MINERAL PROPERTIES AND PROPERTY PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Mineral Properties</b>	<b>Plant Equipment</b>	<b>Office Equipment</b>	<b>Vehicles</b>	<b>Right of Use Building</b>	<b>Total</b>
Balance at January 1, 2022	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)
Change in provision asset retirement obligation	442,817	-	-	-	-	442,817
Additions (disposals)	3,951,449	419,267	-	-	-	4,370,716
Effect of change in functional currency	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)	85,936	-	-	-	-	85,936
<b>Balance at March 31, 2023</b>	<b>19,293,295</b>	<b>1,391,363</b>	<b>201,222</b>	<b>217,231</b>	<b>739,030</b>	<b>21,842,141</b>

<b>Accumulated Depreciation &amp; Depletion</b>	<b>Mineral Properties</b>	<b>Plant Equipment</b>	<b>Office Equipment</b>	<b>Vehicles</b>	<b>Right of Use Building</b>	<b>Total</b>
Balance at January 1, 2022	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	(31,022)	-	(30,140)
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	131,350	392,021	1,760,703
Depreciation	-	18,183	4,335	9,738	22,150	54,406
Depletion	15,111	-	-	-	-	15,111
<b>Balance at March 31, 2023</b>	<b>974,559</b>	<b>124,110</b>	<b>176,292</b>	<b>141,088</b>	<b>414,171</b>	<b>1,830,220</b>

**Carrying amounts**

Balance at January 1, 2022	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	85,881	347,009	19,995,502
<b>Balance at March 31, 2023</b>	<b>18,318,736</b>	<b>1,267,253</b>	<b>24,930</b>	<b>76,143</b>	<b>324,859</b>	<b>20,011,921</b>

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**10. LEASE PAYABLE**

	March 31, 2023	December 31, 2022
Maturity Analysis – contractual undiscounted cash flows	\$	\$
Less than one year	101,864	101,864
Remaining life	304,160	331,544
Total undiscounted lease liabilities	406,024	440,408
Effect of discounting	(54,254)	(61,442)
Present value of lease payments	351,770	371,966
Less current portion	(84,543)	(82,920)
Long-term lease liabilities	267,227	289,046

The following table summarizes the lease activity:

	March 31, 2023	December 31, 2022
	\$	\$
Balance, beginning of year	371,966	440,744
Additions	-	-
Accretion	7,188	33,086
Lease payments	(27,384)	(101,864)
Balance, end of year	351,770	371,966

**11. SHARE CAPITAL AND OTHER EQUITY**

**(a) Authorized, issued and outstanding common shares**

Authorized – unlimited number of common shares without par value

Issued and outstanding – 461,883,853 at March 31, 2023, and 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).

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**12. 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 January 13, 2022. The number of common shares is limited to 10% of the Company’s issued and outstanding shares.

During the period ended March 31, 2023, the Company issued 9,150,000 stock options (December 31, 2022 – Nil). The grant date fair value of the stock options granted will be recognized as the options achieve the vesting requirements.

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

<b>Grant Date</b>	<b>Number of Stock Options</b>	<b>Exercise Price</b>	<b>Expiration</b>	<b>Remaining Years</b>	<b>Grant Date Fair Value</b>	<b>Number Exercisable Stock Options</b>
October 24, 2018	842,000	\$0.15	October 24, 2023	0.81	\$0.08	842,000
July 30, 2019	7,650,000	\$0.16	July 30, 2024	1.54	\$0.09	7,650,000
July 14, 2020	700,000	\$0.54	July 14, 2025	2.54	\$0.38	700,000
August 10, 2020	600,000	\$0.67	August 10, 2025	2.61	\$0.47	600,000
March 18, 2021*	7,250,000	\$0.72	March 18, 2026	3.21	\$0.44	-
July 26, 2021*	500,000	\$0.72	July 26, 2026	3.58	\$0.36	-
February 23, 2023*	2,250,000	\$0.51	February 23, 2028	4.85	\$0.18	-
February 23, 2023*	6,900,000	\$0.45	February 23, 2028	4.85	\$0.19	-
	26,692,000	\$0.45				9,792,000

\*Grant date fair value will be recognized as the vesting conditions are met.

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

	<b>March 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Number of Stock Options #</b>	<b>Average Exercise Price \$</b>	<b>Number of Stock Options #</b>	<b>Average Exercise Price \$</b>
Outstanding beginning of year	17,542,000	0.44	25,219,500	0.35
Granted	9,150,000	0.46	-	-
Expired	-	-	(440,000)	0.15
Exercised	-	-	(7,237,500)	0.16
Outstanding end of year	26,692,000	0.45	17,542,000	0.44

**13. 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 January 1, 2022	48,400
Change in Estimate	442,817
Closing December 31, 2022	491,217
Accretion	12,123
Change in foreign exchange	35,796
Closing March 31, 2023	539,136

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 \$539,136 as at March 31, 2023 (December 31, 2022 – \$491,217).

As at March 31, 2023, estimates include inflation rate of 7.86% and a discount rate of 10.5.

**14. 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.

**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.

14. FINANCIAL RISK MANAGEMENT (Continued)

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 of 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 March 31, 2023, the Company had a cash and cash equivalents balance of 10,200,029 and other current assets of \$13,859,016 (December 31, 2022 – \$13,153,828 and \$14,426,421 respectively) to settle current accounts payable, accrued liabilities of \$1,623,036 (December 31, 2022 – \$3,699,024).

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

	Contractual cash flows \$	Less than 1 year \$	1 -3 years \$	4 – 5 years \$	After 5 years \$
Accounts payable	1,623,036	1,623,036	-	-	-
Lease payable	406,024	101,864	304,160	-	-
	<b>2,029,060</b>	<b>1,724,900</b>	<b>304,160</b>	-	-

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.

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 three month period ended March 31, 2023 would have resulted in a change in the value of revenue recognized by approximately \$650,000 (December 31, 2022 – \$2,100,000).

**14. FINANCIAL RISK MANAGEMENT (Continued)**

**d) Market risk (Continued)**

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 March 31, 2023, the Company has monetary assets denominated in US dollars of approximately USD \$4,300,000 (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 \$580,000 (December 31, 2022 – \$800,000).

Additionally, the Company has intercompany 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 \$5,200,000.

**e) Fair values**

Financial assets include cash and cash equivalents, restricted cash, marketable securities, and accounts receivable. Financial liabilities include accounts payable and accrued liabilities. 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 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.

Cash and cash equivalents, restricted cash, and marketable securities (shares) are classified as Level 1 and marketable securities (warrants) were classified as Level 3.



**15. 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 mineral deposits.

The Company considers its capital structure to consist of capital stock and contributed surplus. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support the acquisition, exploration, development and operation of mineral properties; in relation to the risk it faces; and in consideration of changes in economic conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to maintain or adjust the capital structure, the Company may issue new shares, undertake debt, sell its ownership or an interest in its assets or joint venture its projects.

The Company has interest in properties in both, development and exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There are no externally imposed capital requirements for the Company.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three month period ended March 31, 2023.

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**16. 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 periods ended March 31, 2023 and 2022 was as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Aggregate compensation	150,000	120,000
Stock-based compensation	207,965	150,008
	<u>357,965</u>	<u>270,008</u>

Included in accounts payable and accrued liabilities at March 31, 2023, payable to key management of the Company was \$30,000 (December 31, 2022 – \$135,600) in relation to outstanding compensation.

Included in accounts receivable as at March 31, 2023, is an amount of \$176,400 (December 31, 2022 – \$281,837) due from key management of the Company.