



Consolidated Financial Statements

December 31, 2024 and 2023

(Expressed in Canadian Dollars)

## **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, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years 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.

### **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 during the year ended December 31, 2024. 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.

## 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
<p><i>Valuation of decommissioning liability</i></p> <p>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.</p> <p>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.</p>	<p>In this regard, our audit procedures included:</p> <p>Comparing the rehabilitation costs being estimated to an external expert's assessment of the rehabilitation obligation.</p> <p>Evaluating the competency and independence of the expert retained by the Company to assist with the assessment of the obligation.</p> <p>Examining the supporting information for any significant changes in future cost estimates from the prior year.</p> <p>Assessing the timing of work to be performed by comparison to mine plans and environmental rehabilitation plans submitted to relevant authorities.</p> <p>Considering the appropriateness of the discount rates and inflation rates utilized in calculating the provision by comparing them to current market consensus rates.</p>

**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:

- 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.
- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 30, 2025

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

	Notes	December 31, 2024 \$	December 31, 2023 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		11,760,355	13,754,272
Restricted cash		31,634	31,635
Accounts receivable	14	274,591	399,607
Leach pad ore inventory	6	8,878,248	5,869,856
Work-in-process inventory	6	1,056,581	1,354,516
Supplies inventory	6	370,811	296,066
Prepaid and other		2,731,143	3,116,497
Taxes receivable		1,550,653	3,144,405
Total current assets		26,654,016	27,966,854
Deferred transaction costs	19	559,102	-
Taxes receivable		661,982	1,371,276
Mineral properties and property, plant, and equipment	7, 8	19,556,488	22,282,025
Total assets		47,431,588	51,620,155
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	14	5,089,601	4,637,505
Current portion of lease payable	9	99,921	90,086
Deferred revenue	6	1,861,296	2,419,290
Current portion of debt	10	4,091,844	851,873
Total current liabilities		11,142,662	7,998,754
Long term debt	10	2,094,087	5,129,973
Lease payable	9	99,039	198,960
Provision for asset retirement obligation	13	669,959	603,738
Total liabilities		14,005,747	13,931,425
Shareholders' equity			
Share capital	11	114,845,699	105,151,540
Contributed surplus		3,827,073	3,809,073
Options reserve	12	2,228,175	3,508,667
Cumulative translation adjustment		225,251	(4,648,123)
Deficit		(87,700,357)	(70,132,427)
Total shareholders' equity		33,425,841	37,688,730
Total liabilities and shareholders' equity		47,431,588	51,620,155

Basis of Presentation and Going Concern (note 2)

Commitments and contingencies (note 16)

Subsequent Event (note 19)

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) and Comprehensive (Loss)  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

	Notes	2024 \$	2023 \$
Revenues	4b, 6	8,915,799	13,419,899
Cost of sales:			
Mining, processing and operations	4c, 6	7,041,152	12,614,920
Depletion		175,537	315,105
Total cost of sales		7,216,689	12,930,025
Income from mine operations		1,699,110	489,874
Expenses			
Depreciation		135,428	140,990
Accretion	10, 13	1,642,778	300,851
Exploration and evaluation	7	4,561,273	4,749,205
Insurance		98,977	93,772
Interest on lease liability		19,633	26,616
Investor relations		368,597	371,863
Office and administration		1,182,415	826,533
Professional fees		1,454,068	1,762,196
Salaries and compensation	17	1,569,652	2,143,091
Share-based compensation (recovered)	12, 17	(605,492)	644,823
Transfer agent regulatory fees		91,775	102,645
Travel		217,581	234,645
Total expenses		10,736,685	11,397,230
(Loss) before the undernoted		(9,037,575)	(10,907,356)
Other Items			
Foreign exchange loss (gain)		9,179,497	(7,319,954)
Other income		(356,264)	(731,850)
Gain on extension of debt	10	(292,878)	-
Total other items		8,530,355	(8,051,804)
Net (loss) for the year		(17,567,930)	(2,855,552)
Foreign currency translation		4,873,374	(3,553,557)
Net (loss) and comprehensive (loss) for the year		(12,694,556)	(6,409,109)
Net (loss) per share:			
Basic and diluted		(0.038)	(0.006)
Weighted average number of common shares outstanding:			
Basic and diluted		468,191,935	462,100,291

Please see accompanying notes to the consolidated financial statements



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

		Share capital						
	Note	Number of shares	Amount	Contributed surplus	Options reserve	Cummulative translation reserve	Deficit	Total equity
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	11	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		-	-	39,360	(39,360)	-	-	-
Net income for the year		-	-	-	-	(3,553,557)	(2,855,552)	(6,409,109)
Balance, December 31, 2023		462,883,853	\$ 105,151,540	\$ 3,809,073	\$ 3,508,667	\$ (4,648,123)	\$ (70,132,427)	\$ 37,688,730
Balance, December 31, 2023		462,883,853	\$ 105,151,540	\$ 3,809,073	\$ 3,508,667	\$ (4,648,123)	\$ (70,132,427)	37,688,730
Shares issued on financing		28,333,000	\$ 8,499,900					8,499,900
Share issue costs		-	\$ (778,241)					(778,241)
Shares issued for mineral property	11	500,000	170,000	-	-	-	-	170,000
Options exercised	12	7,300,000	1,802,500	-	(657,000)	-	-	1,145,500
Options expired	11, 12	-	-	18,000	(18,000)	-	-	-
Options issued	12	-	-	-	(605,492)	-	-	(605,492)
Net loss for the year		-	-	-	-	4,873,374	(17,567,930)	(12,694,556)
Balance, December 31, 2024		499,016,853	\$ 114,845,699	\$ 3,827,073	\$ 2,228,175	\$ 225,251	\$ (87,700,357)	\$ 33,425,841

Please see accompanying notes to the consolidated financial statement

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

		For the years ended December 31,	
	Notes	2024	2023
		\$	\$
Cash flows from operating activities			
Net (loss) for the year		(17,567,930)	(2,855,552)
Adjustments to reconcile net loss to net cash flows:			
Non-cash adjustments:			
Shares issued for property acquisition	7	147,500	170,000
Depreciation and depletion		310,965	456,095
Accretion		1,642,778	300,851
Interest on lease liability		19,633	26,616
Gain on modification of debt		(292,878)	-
Share-based compensation recovered		(605,492)	644,823
Unrealized foreign exchange loss (gain)	5	7,327,222	(5,705,689)
		(9,018,202)	(6,962,856)
Changes in non-cash operating activities:			
Accounts receivable		125,016	24,397
Prepaid and other		385,354	(447,736)
Deferred transaction costs		(559,102)	-
Inventory	6	(2,785,202)	1,626,886
Taxes receivable		2,303,046	3,346,910
Accounts payable and accrued liabilities		452,096	938,481
Deferred revenue	6	(557,994)	(3,094,779)
Net cash (used in) from operating activities		(9,654,988)	(4,568,697)
Cash flows from investing activities			
Acquisition of property plant and equipment		(347,678)	(366,490)
Net cash (used in) investing activities		(347,678)	(366,490)
Cash flows from financing activities			
Issuance of common shares		8,499,900	-
Share issuance costs		(778,241)	-
Debt issuance		-	6,928,000
Debt issuance costs		(603,520)	(703,266)
Lease payments		(109,719)	(109,536)
Exercise of options		1,168,000	76,500
Net cash provided by (used in) financing activities		8,176,420	6,191,698
Effect of changes in foreign exchange		(167,673)	(656,067)
Net decrease in cash and cash equivalents		(1,993,917)	600,444
Cash and cash equivalents, beginning of year		13,754,272	13,153,828
Cash and cash equivalents, end of year	18	11,760,355	13,754,272
Supplemental information:			
Interest paid		1,029,848	175,757

*Please see accompanying notes to the consolidated financial statement*

## 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., 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 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, 2024. The Board of Directors approved these consolidated financial statements on April 28, 2025.

#### 4. MATERIAL 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) 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.

The Company records deferred revenue relating to an advance sale of gold in an unrefined form (gold "in-process") once it has been extracted from the mine leaching operations and sent off-site for further refinement. The gross proceeds are recorded as deferred revenue from the time the advanced payment is received by the company until the time when the refinement process is complete and the final gold is delivered, in full, to the customer.

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.

##### c) 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 salable 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.

#### 4. MATERIAL ACCOUNTING POLICIES (Continued)

##### c) Inventory (continued)

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.

##### d) 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.

##### e) 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. MATERIAL ACCOUNTING POLICIES (Continued)

##### f) Adoption of New Accounting Policy and Restated Comparative Information

During the year ended December 31, 2024, the Company adopts several new and revised IFRS pronouncements. This included IAS 1. The adoption of these new revised standards did not have any material impact on these consolidated financial statements of the Company.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2025. 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 standard on the financial statements.

In August 2023, the IASB amended IAS 21, The effects of changes in foreign exchange rates, to clarify when a currency is exchangeable into another currency; and how a company estimates a spot rate when a currency lacks exchangeability. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on financial statements. The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted.

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments – Disclosures. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI.

The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

##### Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standards replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

#### 4. MATERIAL ACCOUNTING POLICIES (Continued)

##### g) 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

##### h) 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.

#### 4. MATERIAL ACCOUNTING POLICIES (Continued)

##### i) 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 the consolidated statement of income (loss).

##### j) 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:

- 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.



#### 4. MATERIAL ACCOUNTING POLICIES (Continued)

##### j) Foreign currencies (continued)

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.

##### k) 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.

##### Financial assets

##### 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).

##### 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.

#### 4. MATERIAL ACCOUNTING POLICIES (Continued)

##### k) Financial instruments (continued)

###### 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).

###### 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.

#### 4. MATERIAL ACCOUNTING POLICIES (Continued)

##### k) Financial instruments (continued)

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.

##### l) 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.

#### 4. MATERIAL ACCOUNTING POLICIES (Continued)

##### l) Leases (continued)

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).

##### m) 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.

##### n) 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.

#### 4. MATERIAL ACCOUNTING POLICIES (Continued)

##### o) 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.

##### p) Interest income

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

##### q) 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.

##### r) 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.

#### 4. MATERIAL ACCOUNTING POLICIES (Continued)

##### s) 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

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).

#### 4. MATERIAL ACCOUNTING POLICIES (Continued)

##### s) Deferred stripping (continued)

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, 2024, the Company has recorded deferred stripping costs of \$315,000 (2023 - \$206,000).

##### t) Joint Arrangements

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations ("JO") and joint ventures ("JV"). A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A JV is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The Company recognizes its direct right to the assets, liabilities, revenues and expenses of any Joint Operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interest in any JV is accounted for using the equity method. As at December 31, 2024 and 2023, the Company did not have any Joint Operation's. As at December 31, 2024, the Company had a JV in Cobre 4H, S.A. de C.V. "Cobre 4H" as detailed in Note 7.

## 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, 2024 and 2023.

### 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 subsidiaries Corex Global S de RL de SV and Minera Mirlos, S. de R.L. de C.V., is likely to be repaid in the foreseeable future. Accordingly, the unrealized foreign exchange losses or gains on these inter-company loans are recognized as (loss) income.

### Own-Use Exception

Management determines whether contracts meet the definition of the own-use exception within IFRS 9 relating to contracts which are entered into and continue to be held for the delivery of non-financial items in accordance with the Company's expected purchase, sale or usage requirements. Such contracts would fall outside the scope of IFRS 9 and would not be considered derivatives that need to be fair valued at each reporting period. In making the determination for the own-use exception, management considers factors such as expected production and the expected requirements of the contract. As at December 31, 2024, management believes that future production will be available to settle the amounts required under the contracts. If management did not believe that they could meet the production requirements, the contract would fail the exception and would be required to be fair valued as a derivative.

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

See Note 1 – Going Concern

See Note 16 - Contingencies

## 6. DEFERRED REVENUE AND INVENTORIES

As at December 31, 2024, the Company received payments that were recorded as deferred revenue of \$1,861,296 (December 2023 - \$2,419,290) 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 at December 31, 2024 was \$1,056,581 (December 2023 - \$1,354,516) 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, 2024 \$	December 31, 2023 \$
Leach pad mineralized material	8,878,248	5,869,856
Work-in-process	1,056,581	1,354,516
Supplies	370,811	296,066
Total	10,305,640	7,520,438

Inventory that was expensed in the twelve month period ended December 31, 2024 totalled to \$4,284,912 (December 31, 2023 - \$6,775,700).

## 7. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENSE

	For the years ended December 31,	
	2024 \$	2023 \$
Santana, Mexico <sup>(i) (ii)</sup>	1,250,322	1,723,897
Cerro de Oro, Mexico <sup>(ii) (iii)</sup>	2,760,783	2,371,078
La Fortuna, Mexico <sup>(ii)</sup>	310,168	412,224
Los Verdes, Mexico <sup>(ii)</sup>	240,000	232,998
Other	-	9,008
Total	4,561,273	4,749,205

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

(ii) Inclusive of property holding costs.

(iii) Inclusive of the final US\$1,000,000 (CAD\$1,442,750) property payment and share issuance resulting in the Company owning 100% of the property

## 7. 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, 2024, the Company continued mining and development activities at Santana and performed exploration drilling on target areas.

### Cerro de Oro, State of Zacatecas, 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 have resulted in the property being returned to the vendors with no residual interest being retained by the Company.

As of August 2, 2024, the Company has completed the final earn-in payment for the Cerro de Oro project.

The payment schedule was as follows:

Amount (USD)	Installment Due Date
400,000 cash + 2,000,000 shares <sup>(a)</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>(c)</sup>	Paid in 2022
800,000 cash <sup>(a)</sup> + 500,000 shares <sup>(d)</sup>	Paid in 2023
1,000,000 cash <sup>(a)</sup> + 500,000 shares <sup>(e)</sup>	Paid in 2024

a) 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.

b) 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.

c) 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.

d) 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.

## 7. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENSE (Continued)

### Cerro de Oro, State of Zacatecas, Mexico (continued)

e) The Company paid USD\$1,000,000 (CAD\$1,295,250) and issued 500,000 shares on August 2, 2024 in respect of the final earn-in payment. The fair value of these shares was \$147,500 based on the trading price of the shares.

f)

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. As a triggering event has not occurred this commitment has not been reflected in the financial statements.

### 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 collection of claims which comprise the Los Verdes project is the Bacanora claim. This claim is subject to 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.

### C4H project, State of Sonora, Mexico

In 2024, merger agreements between the Company's former subsidiary Cobre 4H de Sonora de Mexico and Minera Gold Copper de Sonora, S. DE R.L. de C.C ("Minera Gold Copper") an unrelated Mexican company. Pursuant to the agreements, share ownership in the Cobre subsidiary will be divided between the Company (50%) and Minera Gold Copper (50%). Cobre 4H will own the Company's copper projects Los Verdes and Potreritos copper projects as well as Minera Gold Copper's Suaqui Verde copper project and certain rights to additional surrounding claims associated with the Suaqui Verde copper district collectively the "JV mineral property assets". It is expected that the mineral property asset transfers from both parties will be completed in early 2025. As of December 31, 2024, the JV mineral property assets have not been transferred to Cobre 4H. It is expected that the JV mineral property assets from both parties will be completed in 2025.

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.

## 8. MINERAL PROPERTIES AND PROPERTY PLANT AND EQUIPMENT

Cost	Mineral Properties		Property, Plant and Equipment				Total
	Santana Project (ii)	Mining Equipment	Office and Equipment	Vehicles	Right of Use Building (i)		
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
Additions (disposals)	342,530	2,370	-	2,778	-		<b>347,678</b>
Disposals		(13,563)	(26,104)	(44,410)	-		<b>(84,077)</b>
Effect of changes in foreign exchange	(2,330,103)	(94,015)	(11,193)	(25,093)	-		<b>(2,460,405)</b>
Balance at December 31, 2024	<b>19,699,673</b>	<b>1,484,228</b>	<b>168,913</b>	<b>202,256</b>	<b>739,030</b>		<b>22,294,099</b>
Accumulated depreciation							
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
Depreciation	-	76,884	12,477	46,068	88,600		224,029
Depletion	533,950	-	-	-	-		533,950
Disposals	-	(13,563)	(26,104)	(44,410)	-		(84,077)
Effect of changes in foreign exchange	(133,552)	(5,428)	(3,431)	(2,758)	-		(145,169)
Balance at December 31, 2024	1,574,876	244,996	172,004	176,514	569,221		2,737,611
Carrying amounts							
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
Balance at December 31, 2024	<b>\$ 18,124,797</b>	<b>\$ 1,239,232</b>	<b>-\$ 3,091</b>	<b>\$ 25,742</b>	<b>\$ 169,809</b>		<b>\$ 19,556,488</b>

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

## 9. LEASE PAYABLE

	December 31, 2024	December 31, 2023
Maturity Analysis – contractual undiscounted cash flows	\$	\$
Less than one year	111,732	109,536
Remaining life	102,421	214,336
Total undiscounted lease liabilities	214,153	323,872
Effect of discounting	(15,193)	(34,826)
Present value of lease payments	198,960	289,046
Less current portion	(99,921)	(90,086)
Long-term lease liabilities	99,039	198,960

## 9. LEASE PAYABLE (Continued)

The following table summarizes the lease activity:

	December 31, 2024 \$	December 31, 2023 \$
Balance, beginning of year	289,046	371,966
Accretion	19,633	26,616
Lease payments	(109,719)	(109,536)
Balance, end of year	198,960	289,046

## 10. 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 facility 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, 2024.

Prior to the October 30, 2024 and November 29, 2024 amendments to the loan facility agreement, if the Company did not meet the closing conditions or would 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 loan facility 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.

On October 30, 2024, the Company and Auramet amended the loan facility to extend the term of the maturity date from October 30, 2024 to November 29, 2024, for a fee of USD\$20,000. On November 29, 2024, by way of a USD\$400,000 extension amount contemplated in the original loan facility, the Company and Auramet extended the term and cash flows of the remaining loan facility by six months. A gain on change in cash flows of the debt of \$292,878 was recorded being the difference between the net present value of the original expected cash flows of \$4,816,436 and the net present value of the loan of \$4,605,307 considering the change in expected cash flows of the debt.

In January 2025, the extension amount of USD\$400,000 was settled with the issuance of 1,901,648 common shares of the Company, which as at December 31, 2024 is included in accounts payable and accrued liabilities.

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, 2024, the closing conditions of the loan and royalty agreements have not occurred.

## 10. DEBT (Continued)

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. During the year ended December 31, 2024, the Company recorded transaction costs of USD\$420,000 (CAD\$630,520) related to the extensions. As at December 31, 2024, the balance of the debt is CAD\$6,185,931.

	\$
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
Accretion	1,589,361
Gain on change in cash flows	(292,878)
Additional costs of issuance	(630,520)
Effect of foreign exchange	(461,878)
Balance as at December 31, 2024	6,185,931
Current portion of debt	4,091,844
Long term portion of debt	2,094,087

## 11. SHARE CAPITAL

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

Authorized – unlimited number of common shares without par value.

Issued and outstanding – 499,016,853 at December 31, 2024 and 462,883,853 at December 31, 2023.

### (b) Transactions

(i) 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 7).

(ii) On August 2, 2024, 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 \$147,500 see note 7)

(iii) During the year ended December 31, 2024, 7,300,000 (December 31, 2023 – 500,000) stock options to acquire common shares at an average price of \$0.16 were exercised for gross value of \$1,168,000 (2023 - \$76,500).

(iv) On December 5, 2024, the Company issued 28,333,000 common shares at \$0.30 per common share for gross value of \$8,499,900 on a “bought deal” private placement basis.



## 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 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, 2024, the Company issued Nil stock options to acquire common shares (December 31, 2023 – 9,150,000).

During the year ended December 31, 2024, the Company had a share-based expense of \$565,803 and a recovery of share-based compensation of \$1,171,285, resulting in a net \$605,492 recovery of share-based compensation (2023 – expense of \$1,114,372, recovery of \$469,549, net \$644,823 expense). The recoveries in share-based compensation are due to changes in estimates relating to certain unvested stock options with vesting terms tied to production.

At December 31, 2024, 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 14, 2020	700,000	\$0.54	July 14, 2025	0.53	\$0.38	700,000
August 10, 2020	600,000	\$0.67	August 10, 2025	0.61	\$0.47	600,000
March 18, 2021*	7,250,000	\$0.72	March 18, 2026	1.16	\$0.49	-
July 26, 2021*	500,000	\$0.72	July 26, 2026	1.57	\$0.50	-
February 23, 2023**	2,250,000	\$0.51	February 23, 2028	3.15	\$0.18	1,125,000
February 23, 2023**	6,900,000	\$0.45	February 23, 2028	3.15	\$0.19	3,450,000
	18,200,000	\$0.58				5,875,000

\* 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. Subsequent to December 31, 2024, these options are fully vested.

A summary of stock option activity during the year ended December 31, 2024 and 2023, is as follows:

	December 31, 2024		December 31, 2023	
	Number of Stock Options #	Average Exercise Price \$	Number of Stock Options #	Average Exercise Price \$
Outstanding beginning of year	25,700,000	0.46	17,542,000	0.44
Granted	-	-	9,150,000	0.46
Expired	(200,000)	(0.16)	(492,000)	(0.15)
Exercised	(7,300,000)	(0.16)	(500,000)	(0.15)
Outstanding end of year	18,200,000	0.58	25,700,000	0.46

### 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:

	\$
Closing December 31, 2022	491,217
Accretion	55,683
Change in foreign exchange	56,838
Closing December 31, 2024	603,738
Accretion	53,417
Change in estimate and foreign exchange	12,804
Closing December 31, 2024	669,959

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 \$669,959 as at December 31, 2024 (December 31, 2023 – \$603,738).

As at December 31, 2024, estimates include inflation rate of 5.0% and a discount rate of 10% (December 31, 2023 – 9.2% and 11.5%, respectively).

### 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.

#### 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, 2024, the Company had a cash and cash equivalents balance of \$11,760,355 and other current assets of \$14,893,660 (December 31, 2023 – \$13,754,272 and \$14,212,582 respectively) to settle current accounts payable and accrued liabilities of \$5,089,601 (December 31, 2023 – \$4,637,505).

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

##### b) Liquidity risk (continued)

The following table details the Company's anticipated repayment schedule for its financial liabilities as at December 31, 2024:

	Contractual cash flows \$	Less than 1 year \$	1 - 3 years \$	4 - 5 years \$	After 5 years \$
Accounts payable and accrued liabilities	5,089,601	5,089,601	-	-	-
Lease payable	198,960	99,921	99,039	-	-
Debt	6,185,931	4,091,844	2,094,087	-	-
	11,474,492	9,281,366	2,193,126	-	-

##### 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.

##### Sensitivity analysis (Continued)

A 10% change in the price of gold during the year ended December 31, 2024 would have resulted in a change in the value of revenue recognized by approximately \$655,000 (December 31, 2023 – \$940,000).

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

##### c) 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 December 31, 2024, the Company has monetary assets denominated in US dollars of approximately USD \$2,076,000 (December 31, 2023 – USD\$6,800,000). 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 \$299,000 (December 31, 2023 – \$220,000). As at December 31, 2024, the Company has debt denominated in US dollars of approximately USD\$5,000,000 (December 31, 2023 - USD\$5,000,000). 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 \$720,000 (December 31, 2023 – \$160,000).

Additionally, the Company has inter-company loans that do not form part of its net investment in foreign operations (see note 4). A 10% change between the Canadian dollar and the Mexican Peso would result in unrealized foreign exchange gains or losses of approximately \$7,7000,000.

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.

##### 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 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 fair value and that require classification within the fair value hierarchy as at December 31, 2024 and 2023.

## 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 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.

## 16. 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 agreed to sell any precious metals from its 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 Auramet's option, a total of 15,000 ounces of gold over a 20 month period beginning in February 2025 with a strike price of USD\$2,175 per ounce based on the Company's expected production.

The Company is party to a royalty agreement with Osisko Gold Royalties which holds a 3% net smelter royalty on the Santana property. See note 7.

The Company is party to agreements for key management of which there are no included minimum commitments. 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 consolidated financial statements.

During the year ended December 31, 2023, the Company's Mexican subsidiary Corex Global S de RL de CV received a notice for an imposed fine of 8,299,200 MXN (approximately CAD\$575,000 at December 31, 2024) from the Ministry of Labour and Social Welfare on the basis of misunderstood terms of the employment relationship between its 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 were accrued. Subsequent to December 31, 2024, the Company deposited a cash guarantee of the imposed fine plus inflation of 632,000 MXN with the Ministry of Finance of Sonora State which would be returned with the dismissal of the fine.

## 17. 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 years ended December 31, is as follows:

	2024	2023
	\$	\$
Aggregate compensation	684,000	963,500
Stock-based compensation	334,056	397,429

Included in accounts payable and accrued liabilities at December 31, 2024, payable to key management of the Company was \$155,000 (December 31, 2023 – \$475,000) 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, 2024, is an amount of \$87,400 (December 31, 2023– \$153,000) due from key management of the Company. These amounts are unsecured, non-interest bearing and due on demand.

## 18. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% (2023 – 26.5%) to the effective tax rate is as follows:

	2024	2023
	\$	\$
Loss before income taxes	(17,567,930)	(2,855,552)
Expected income tax (recovery)	(4,655,501)	(756,721)
Tax rate changes and other adjustments	(157,207)	(454,946)
Non-deductible expenses	2,895,592	(1,709,216)
Adjustments in respect of prior periods	-	(111,599)
Change in tax benefits not realized	1,988,407	2,923,426
Other	(71,290)	(114,142)
Income tax recovery	-	-

## 18. INCOME TAXES (Continued)

### Deferred Tax

The following table summarizes the components of deferred tax:

	2024 \$	2023 \$
Deferred tax assets and liabilities		
Property, plant and equipment	(607,375)	(607,494)
Right of use assets	(45,000)	(68,479)
Intercompany loan	(206,890)	(206,890)
Non-capital losses	859,264	882,862
Deferred income tax liability	-	-

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.

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.

### Unrecognized deferred income tax assets

	2024 \$	2023 \$
Non-capital losses available for future years	11,712,434	9,343,021
Resources properties	338,592	338,592
Capital lease obligation	52,724	76,597
Share issuance costs	270,704	232,730
Reserves	1,160,235	1,324,005
Unrecognized deferred tax assets	13,534,689	11,314,945

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

### Temporary differences

	2024 \$
Non-capital losses available for future years	42,060,148
Resources properties	1,277,706
Capital lease obligation	198,960
Share issuance costs	1,021,524
Reserves	3,867,449
Canada	34,283,900
Mexico	14,141,887

#### 18. INCOME TAXES (Continued)

The Company's operating tax losses expire in Canada between 2026 and 2044 in the amount of \$33,555,764 (2023 - \$31,059,681) and in Mexico between 2025 and 2035 in the amount of \$12,264,735 (2023 - \$6,892,418). These losses have not been recognized in these financial statements as their realization is uncertain. The remaining deductible temporary differences may be carried forward indefinitely.

#### 19. SUBSEQUENT EVENTS

On February 6, 2025, the Company announced the acquisition of Sabre Gold Mines Corp. ("Sabre") ("the Transaction"). Each issued and outstanding shares of Sabre were acquired and exchanged for 0.693 of the Company's common shares for a total of 76,499,114 the Company's shares issued. Prior to the closing, certain related party creditors of Sabre agreed to settle approximately CAD\$9,500,000 in principal and interest in exchange for an aggregate of 30,490,883 Sabre shares. The Company issued an aggregate of 2,546,775 options to acquire the Company's common shares with an exercise price range of \$0.26 to \$2.02 per common share. At December 31, 2024 the Company has recorded CAD\$559,102 in deferred acquisition costs.

In January 2025, the extension amount of USD\$400,000 was settled with the issuance of 1,901,648 common shares of the Company were issued to settle the debt extension amount of USD\$400,000. (See Note 10).

In April 2025, the Company issued 3,118,800 common shares at a deemed price of \$0.28 per share and 269,564 common shares at a deemed price of \$0.345 for a total of 3,388,364 common shares to settle outstanding amounts of \$951,000.