Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(Expressed in thousands of US dollars)

TABLE OF CONTENTS

Independent Auditor's report	2
Consolidated Statements of Financial Position	6
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)	7
Consolidated Statements of Cash Flows	8
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)	9
Notes to the Consolidated Financial Statements	10

Deloitte LLP
410 W. Georgia Street
Vancouver BC V6B 0S7
Canada

Tel: 604-669-4466
Fax: 604-685-0395
www.deloitte.ca

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Santacruz Silver Mining Ltd.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that as at December 31, 2023, the Company's current liabilities exceeded the current assets by $43,168,000 and the Company has an accumulated deficit of $140,300,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may 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 judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Impairment - Assessment of the recoverable amount associated with the Mineral Properties, Plant and Equipment ("MPPE") for purposes of calculating impairment -Refer to Notes 3(j), 3(l) and Note 10 to the financial statements

Key Audit Matter Description

The Company assesses MPPE for impairment at each reporting date or when events and changes in circumstances indicate that the carrying amounts of the assets or at the cash generating unit ("CGU") may not be recoverable. When an impairment indicator is identified, the Company determines the recoverable amounts by considering the future long-term commodity prices, the discount rates, increases or decreases in estimated future costs of production, increases or decreases in estimated future capital costs, reductions or increases in the amount of recoverable mineral reserves and mineral resources and/or adverse or favorable current economics. As at December 31, 2023, an impairment indicator was identified for the Company, which resulted in determining the recoverable amounts for each CGU. The carrying amount of one CGU exceeded its recoverable amount, which resulted in an impairment loss.

In determining the recoverable amounts of the CGUs, the estimates and assumptions with the highest degree of subjectivity are the future long-term commodity prices for all CGUs and the discount rates for the Bolivar and Caballo Blanco CGUs. Auditing these estimates and assumptions required a high degree of auditor judgment in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the assessment of whether an indicator of impairment existed at the Company and the future commodity prices and the discount rates used to determine the recoverable amounts included the following procedures, among others:

- Evaluated management's indicator assessment of internal or external factors that could result in an impairment charge at the Company;
- With the assistance of fair value specialists:
  - Evaluated the future long-term commodity prices by comparing management forecasts to third party forecasts;
  - Evaluated the reasonableness of the discount rates by testing the source information underlying the determination of the discount rates and developed a range of independent estimates and compared to the discount rates selected by management.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 on the audit resulting in this independent auditor's report is David Macdonald.

/s/ Deloitte LLP

Chartered Professional Accountants
May 1, 2024
Vancouver, British Columbia

SANTACRUZ SILVER MINING LTD.
Consolidated Statements of Financial Position
For the Years ended December 31, 2023 and 2022
(Expressed in thousands of US dollars)

	Note	**December 31, 2023**	December 31, 2022 (Restated - Note 2)
		$	$
ASSETS			
Current			
Cash and cash equivalents		**4,947**	4,609
Marketable securities	6	**60**	2,769
Trade and other receivables	7	**65,264**	99,027
Inventories	8	**33,002**	29,452
Prepaid expenses and deposits		**5,536**	5,803
Assets held for sale	9	**-**	3,841
		108,809	145,501
Trade and other receivables	7	**63,589**	31,812
Mineral properties, plant and equipment	10	**148,930**	154,372
Goodwill	5	**13,921**	13,921
Deferred income tax asset	20	**3,787**	2,712
Total assets		**339,036**	348,318
LIABILITIES			
Current			
Trade payables and accrued liabilities	11	**48,555**	66,023
Consideration payable	12	**49,637**	94,167
Loans payable	13	**17,027**	17,957
Taxes payable	20	**29,823**	20,267
Other liabilities	14	**5,539**	6,875
Decommissioning and restoration provision	15	**1,396**	-
Liabilities associated with assets held for sale	9	**-**	20,230
		151,977	225,519
Trade payables and accrued liabilities	11	**3,418**	3,418
Consideration payable	12	**113,351**	67,370
Loans payable	13	**748**	4,258
Taxes payable	20	**13,606**	8,953
Other liabilities	14	**12,704**	10,429
Decommissioning and restoration provision	15	**22,111**	20,618
Deferred income tax liability	20	**15,706**	17,033
Total liabilities		**333,621**	357,598
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	16	**138,014**	136,122
Equity reserves		**7,701**	11,046
Deficit		**(140,300)**	(156,448)
Total shareholders' equity (deficiency)		**5,415**	(9,280)
Total liabilities and shareholders' equity (deficiency)		**339,036**	348,318

Subsequent event (Note 27)

Approved and authorized for issue on behalf of the Board of Directors on May 1, 2024:

"Arturo Préstamo Elizondo"	*"Larry Okada"*
Director	Director

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

SANTACRUZ SILVER MINING LTD.
Consolidated Statements of Income (Loss) and Other Comprehensive Income (Loss)
For the Years ended December 31, 2023 and 2022
(Expressed in thousands of US dollars)

	Note	**2023**	2022 (Restated - Note 2)
		$	$
Revenues	24	**251,256**	278,594
Mine operating costs			
Cost of sales	17	**(187,275)**	(241,073)
Depletion, depreciation and amortization	10	**(21,827)**	(14,647)
Impairment on mineral properties, plant and equipment	10	**(7,554)**	-
Gross profit		**34,600**	22,874
General and administrative expenses	18	**(26,423)**	(21,552)
Share-based payments		**(229)**	(1,256)
Operating income		**7,948**	66
Finance costs	19	**(4,489)**	(4,996)
Gain on foreign exchange		**10,328**	620
Gain on disposal of assets held for sale	9	**14,649**	-
Fair value loss on marketable securities	6	**(2,054)**	(1,544)
Transaction costs for the Sinchi Wayra and Illapa business acquisition	5	**-**	(3,600)
Impairment on mineral properties, plant and equipment	9	**-**	(4,538)
Income (loss) before tax		**26,382**	(13,992)
Income tax expense	20	**(10,234)**	(4,514)
Net income (loss) for the year		**16,148**	(18,506)
Other comprehensive (loss) income that may be reclassified subsequently to net income or loss:			
Currency translation differences		**(2,894)**	380
Comprehensive income (loss) for the year		**13,254**	(18,126)
Net income (loss) per share:			
Basic	25	**0.05**	(0.05)
Diluted	25	**0.05**	(0.05)
Weighted average number of common shares:			
Basic		**349,941,159**	339,100,644
Diluted		**352,299,217**	339,100,644

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

SANTACRUZ SILVER MINING LTD.
Consolidated Statements of Cash Flows
For the Years ended December 31, 2023 and 2022
(Expressed in thousands of US dollars)

	Note	**2023**	2022 (Restated - Note 2)
		$	$
Operating activities:			
Net income (loss) for the year		**16,148**	(18,506)
Items not affecting cash:			
Depletion, depreciation and amortization	10	**21,827**	14,647
Impairment on mineral properties, plant and equipment	9, 10	**7,554**	4,538
Finance costs	26	**2,191**	7,783
Gain on disposal of assets held for sale	9	**(14,649)**	-
Share-based compensation	16	**229**	1,256
Transaction costs for Sinchi Wayra and Illapa business acquisition		-	1,000
Fair value loss on marketable securities	6	**2,054**	1,544
Unrealized foreign exchange (gain)		**(3,296)**	(254)
Income tax expense	20	**10,234**	4,514
Operating cash flows before non-cash working capital		**42,292**	16,522
Changes in non-cash working capital:			
Trade and other receivables	7	**4,110**	(7,681)
Inventories	8	**(3,550)**	59,797
Prepaid expenses and deposits		**267**	809
Trade payables and accrued liabilities	11	**(13,980)**	(5,862)
Taxes payable	20	**1,573**	-
Decommissioning and restoration provision	15	**(526)**	-
Other liabilities	14	**(419)**	(34,213)
Net cash generated by operating activities		**29,767**	29,372
Investing activities:			
Expenditures on mineral properties, plant and equipment	10	**(21,669)**	(15,773)
Cash received from sale of marketable securities	6	**279**	-
Cash received from disposal of assets held for sale	9	**1**	-
Non-cash working capital changes of assets held for sale	9	**(1,741)**	-
Cash acquired on the acquisition of Sinchi Wayra and Illapa	5	-	13,780
Cash paid on acquisition of Sinchi Wayra and Illapa	5	-	(2,106)
Proceeds on disposition of mineral properties, plant and equipment	10	-	1,755
Net cash used by investing activities		**(23,130)**	(2,344)
Financing activities:			
Proceeds from exercise of options	16	**225**	72
Proceeds from exercise of warrants	16	**987**	3,780
Proceeds from loans payable	13	**32,057**	32,572
Repayments of loans payable	13	**(38,508)**	(59,184)
Lease payments on plant and equipment	14	**(1,062)**	(576)
Net cash used by financing activities		**(6,301)**	(23,336)
Effect of exchange rate on changes in cash		**2**	(6)
Cash in assets held for sale		-	(15)
Net change in cash and cash equivalents		**338**	3,671
Cash and cash equivalents - beginning of year		**4,609**	938
Cash and cash equivalents - end of year		**4,947**	4,609
Cash paid during the year for:			
Interest expense		**1,276**	1,516
Income taxes		**6,126**	5,083

Supplemental cash flow information (Note 26)

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

SANTACRUZ SILVER MINING LTD.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the Years ended December 31, 2023 and 2022
(Expressed in thousands of US dollars, except number of shares)

Equity (Deficiency) attributable to Shareholders

	Share Capital		Equity reserves					
	Shares	**Amount**	**Share-based payment reserve**	**Contributed surplus**	**Accumulated other comprehensive (loss) income**	**Total equity reserves**	**Deficit**	**Total shareholders' equity (deficiency)**
	#	$	$	$	$	$	$	$
Balance, December 31, 2021	330,227,821	129,532	14,343	(1,872)	(1,323)	11,148	(137,942)	2,738
Shares issued from exercise of options	310,000	117	(45)	-	-	(45)	-	72
Shares issued from exercise of warrants	12,851,500	5,473	(1,693)	-	-	(1,693)	-	3,780
Shares issued for transaction costs	3,077,317	1,000	-	-	-	-	-	1,000
Share-based compensation	-	-	1,256	-	-	1,256	-	1,256
Comprehensive (loss) income	-	-	-	-	380	380	(18,506)	(18,126)
Balance, December 31, 2022 (Restated - Note 2)	346,466,638	136,122	13,861	(1,872)	(943)	11,046	(156,448)	(9,280)
Shares issued from exercise of options	800,000	416	(191)	-	-	(191)	-	225
Shares issued from exercise of warrants	3,724,500	1,476	(489)	-	-	(489)	-	987
Share-based compensation	-	-	229	-	-	229	-	229
Comprehensive income (loss)	-	-	-	-	(2,894)	(2,894)	16,148	13,254
Balance, December 31, 2023	**350,991,138**	**138,014**	**13,410**	**(1,872)**	**(3,837)**	**7,701**	**(140,300)**	**5,415**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Santacruz Silver Mining Ltd. (the "Company" or "Santacruz") was incorporated pursuant to the Business Corporations Act of British Columbia on January 24, 2011. The Company's registered office is located at 1111 West Hastings Street, 15th Floor, Vancouver, British Columbia, Canada V6E 2J3. The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "SCZ".

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Latin America, with a primary focus on silver and zinc, but also including lead and copper. As at December 31, 2023, the Company had interests in, including mining concession rights, to the following:

- Sinchi Wayra S.A. ("Sinchi Wayra") and Sociedad Minera Illapa S.A. ("Illapa") which consist of the following mineral properties and businesses located in Bolivia: the producing Tres Amigos, Reserva and Colquechaquita mines, collectively the "Caballo Blanco Group"; the producing Bolivar and Porco mines held under an association agreement with Corporación Minera de Bolivia ("COMIBOL"), a Bolivian state-owned entity; the Soracaya exploration project ("Soracaya Project"); as well as the San Lucas ore sourcing and trading business ("San Lucas");
- The producing Zimapan mine located in Mexico held by Carrizal Mining S.A. de C.V. ("Carrizal Mining"); and,
- The La Pechuga Property and the Santa Gorgonia Prospect, which are exploration properties located in Mexico.

Going concern

These consolidated financial statements for the years ended December 31, 2023 and 2022 ("consolidated financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. For the year ended December 31, 2023, the Company reported net income of $16,148 (year ended December 31, 2022 - net loss of $18,506) and as at December 31, 2023, the Company has a working capital deficiency of $43,168 (December 31, 2022 - $80,018) and an accumulated deficit of $140,300 (December 31, 2022 - $156,448). As at December 31, 2023 the Company was not compliant with financial covenants associated with the Trafigura loan facility (Note 13(c)) however the Company was granted a waiver for non-compliance with these financial covenants subsequent to December 31, 2023. The Company has been in discussions with Glencore plc ("Glencore") with respect to the Company's ability to settle the amounts owed for consideration payable (Note 12). On March 28, 2024 the Company entered into a binding term sheet ("Term Sheet") with Glencore that amends the consideration payable to Glencore and the timing of the repayment, see Note 27 for further details.

These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

Should the Company be unable to continue as a going concern, asset and liability realization values may be substantially different from their carrying values. 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. Such adjustments could be material.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were approved by the Board of Directors and authorized for issue on May 1, 2024.

References made throughout the consolidated financial statements to "US dollar" or "USD" are to United States dollars, "C$" or "CAD" are to Canadian dollars, "MXN" are to Mexican pesos, "BOB" are to Bolivian bolivianos, "BMD" are to Bermudian dollars, and references to "PAB" are to Panamanian balboas.

Restatement of prior year comparatives for the Sinchi Wayra and Illapa Acquisition

(i) During the year ended December 31, 2023, the Company identified an error related to the final consideration payable to Glencore (Note 12) for the Sinchi Wayra and Illapa Acquisition (Note 5) as recorded in its 2022 audited annual consolidated financial statements as originally filed.

On March 18, 2022 (the "Acquisition Date"), the Company acquired 100% ownership of Sinchi Wayra and Illapa (the "Acquisition") from Glencore under the terms and conditions outlined in the Share Purchase Agreement ("SPA"). On May 10, 2023, the Company signed amendments to the SPA ("Amended SPA") that impacted the timing of the repayments of the deferred cash consideration and timing of payment of certain VAT amounts collected by the Company. In the Company's 2022 audited annual consolidated financial statements, the Company recognized the Amended SPA as part of the original Acquisition consideration payable and its final Purchase Price Allocation ("PPA").

Management has since concluded that the terms and conditions outlined in the Amended SPA should not have been recognized as part of the Acquisition consideration payable as at December 31, 2022, but rather they should have been recorded subsequently when the Amended SPA was signed. Accordingly, the PPA and the consideration payable as at Acquisition Date as presented in the 2022 audited annual consolidated financial were misstated. The Company restated the 2022 audited annual consolidated financial statements to correct this error.

(ii) During the year ended December 31, 2023, the Company also identified an error related to the reversal of deferred income tax liabilities at December 31, 2022 that was originally recognized as part of the Acquisition. The Company should have reversed $1.7 million in deferred tax liabilities as at December 31, 2022 that had been recognized at the Acquisition Date related to deferred revenue and decommissioning and restoration provision.

The 2022 comparatives have been restated in these consolidated financial statements as a result of the above mentioned items.

(Expressed in thousands of US dollars, unless otherwise noted)

2. BASIS OF PREPARATION (continued)

The effects of the restatement on the individual line items within the Company's consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive loss for the year ended December 31, 2022, are outlined below:

2022 Consolidated Statement of Financial Position:

	December 31, 2022			
	As previously reported	**Adjustments**	**Note 2**	**As restated**
	$	$		**$**
ASSETS				
Mineral properties, plant and equipment	146,522	7,850	(i)	**154,372**
Goodwill	10,973	2,948	(i)	**13,921**
Total assets	337,520	10,798		**348,318**
LIABILITIES				
Current				
Consideration payable	7,618	86,549	(i)	**94,167**
	138,970	86,549		**225,519**
Consideration payable	148,095	(80,725)	(i)	**67,370**
Deferred income tax liability	15,814	2,948	(i)	**17,033**
		(1,729)	(ii)	
Total liabilities	350,555	7,043		**357,598**
SHAREHOLDERS' (DEFICIENCY) EQUITY				
Deficit	(160,203)	3,755	(i), (ii)	**(156,448)**
Total shareholders' (deficiency) equity	(13,035)	3,755		**(9,280)**

2022 Consolidated Statement of Loss and Comprehensive Loss:

	For the Year ended December 31, 2022			
	As previously reported	**Adjustments**	**Note 2**	**As restated**
	$	$		**$**
Finance (costs) income	(7,022)	2,026	(i)	**(4,996)**
(Loss) income before tax	(16,018)	2,026		**(13,992)**
Income tax (expense) recovery	(6,243)	1,729	(ii)	**(4,514)**
Net (loss) income for the period	(22,261)	3,755		**(18,506)**
Comprehensive (loss) income for the year	(21,881)	3,755		**(18,126)**
Net loss per share, basic and diluted	(0.07)			**(0.05)**

3. MATERIAL ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company controls an investee if the Company has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. When the Company owns less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the company has the existing rights to direct the relevant activities of a subsidiary.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

All intercompany transactions and balances are eliminated on consolidation.

(Expressed in thousands of US dollars, unless otherwise noted)

3. MATERIAL ACCOUNTING POLICIES (continued)

These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of entity	Country of incorporation	Percentage ownership	Principal activity
Santacruz Silver Mining Ltd.	Canada	100%	Holding company and head office function
Santacruz Holdings Ltd. ("SCH") (4)	Canada	100%	Holding company
Carrizal Holdings Ltd.	Canada	100%	Holding company
Impulsora Minera Santacruz, S.A. de C.V. ("IMSC") (4)	Mexico	100%	Mine operations
Carrizal Mining (1)	Mexico	100%	Mine operations
Operadora Minera Anacore, S.A. de C.V. ("OMA") (4)	Mexico	100%	Holding company
PCG Mining, S.A. de C.V.	Mexico	100%	Holding company
Laikra Limited (2)	Bermuda	100%	Holding company
Apamera Limited (2)	Bermuda	100%	Holding company
Lewron Metals Ltd. (2)	Bermuda	100%	Holding company
Kempsey S.A. (2)	Panama	100%	Holding company
Shattuck Trading Co. Inc. (2)	Panama	100%	Holding company
Iris Mines and Metals S.A. (2)	Panama	100%	Holding company
Illapa (2) (3)	Bolivia	100%	Mine operations
Sinchi Wayra (2)	Bolivia	100%	Mine operations
Sociedad Minero Metalurgico Reserva Ltda. (2)	Bolivia	100%	Mine operations
Empresa Minera San Lucas S.A. (2)	Bolivia	100%	Ore trading house
Compania Minera Concepcion S.A. (2)	Bolivia	100%	Ore trading house
Compania Minera Colquiri S.A. (2)	Bolivia	100%	Inactive
Complejo Metalurgico Vinto S.A. (2)	Bolivia	100%	Inactive

(1) On April 21, 2021, the Company acquired a 100% interest in Carrizal Mining.
(2) On March 18, 2022, the Company acquired a 100% interest in the Sinchi Wayra and Illapa Business (Note 5).
(3) Sociedad Minera Illapa S.A. is the operator of the Illapa Joint Operation.
(4) On November 30, 2023, the Company sold SCH, IMSC and OMA (Note 9).

b) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities that are measured at fair values at the end of each reporting period.

c) Functional and presentation currency

The consolidated financial statements are presented in United States dollars. The functional currency is the US dollar, which is the currency of the primary economic environment in which an entity operates.

Assets and liabilities of the subsidiaries that have a functional currency other than the US dollars are translated into US dollars at the exchange rate in effect on the consolidated statements of financial position date and revenues and expenses are translated at the average rate over the reporting period. Gains and losses from these translations are recognized in other comprehensive income.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at each financial position date. Foreign exchange gains or losses on translation to the functional currency of an entity are recorded in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

3. MATERIAL ACCOUNTING POLICIES (continued)

d) Business combinations

A business combination is an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that consist of inputs and processes, including operational processes that, when applied to those inputs, have the ability to create outputs that provide a return to the Company and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs, but can be integrated with the inputs and processes of the Company to create outputs.

When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, the Company considers other factors to determine whether the set of activities or assets is a business.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is allocated to the identifiable assets acquired, liabilities and contingent liabilities assumed based on the acquisition-date fair value.

Any contingent consideration to be transferred will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference, or gain, is recognized directly in the consolidated statement of income and comprehensive income. The results of businesses acquired during the period are included in the financial statements from the date of acquisition.

Acquisition related costs, other than costs to issue debt or equity securities of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are expensed as incurred. The costs to issue equity securities of the Company as consideration for the acquisition are reduced from share capital as share issuance costs. The costs to issue debt securities are capitalized and amortized using the effective interest method.

Provisional fair values are finalized within twelve months of the acquisition date. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed at the acquisition date.

e) Goodwill

Goodwill typically arises on the Company's business combinations due to: i) the ability of the Company to capture certain synergies through management of the acquired operation within the Company; and ii) the requirement to record a deferred tax liability for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed.

Goodwill arising on the acquisition of a business is carried at cost as established at the date of the acquisition less accumulated impairment losses, if any. Goodwill is allocated to each of the Company's cash-generating units ("CGUs") that is expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of income (loss).

An impairment loss recognized for goodwill is not reversed in subsequent periods.

3. MATERIAL ACCOUNTING POLICIES (continued)

f) Joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that most significantly affect the returns from the arrangement) require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The parties to a joint operation have the rights to the underlying assets and are exposed to the underlying liabilities of the joint arrangement. The Company accounts for investment in joint operations by consolidating its share of the operations underlying assets, liabilities, revenues and expenses. The Company is the sole signatory for certain obligations and have recognized the entire balance of certain liabilities and recorded receivables for the reimbursement due from the other parties for their share of the liability.

The Company has assessed the nature of its joint arrangements and determined them to be joint operations. The Company's 45% interest in the joint arrangement (operation), the general partnership that holds the Bolivar and Porco mines ("Illapa Operation"), located in Bolivia has been accounted for as a joint operation.

Joint Arrangements	Location	Ownership Interest	Classification and accounting method	Mining properties and projects owned
Illapa Operation	Bolivia	45%	Joint operation, Record 45% Santacruz share	Bolivar and Porco mines

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less and/or with original maturities over three months but redeemable on demand without penalty.

h) Inventories

Inventories include concentrate and stockpiled ore and are valued at the lower of average production cost and estimated net realizable value. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The production cost of inventories is determined on a weighted average basis and includes cost of production consumables, direct labour, mine-site overhead, and depreciation and depletion of mine properties and property, plant and equipment. Joint-product costing is applied as the primary concentrate products (silver/zinc, silver/lead and silver/copper) both contribute to the profitability of the operation. Joint costing allocates total production costs based on the relative values of the products.

If the carrying value exceeds the net realizable amount, 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 exist, to the extent that the related inventory has not been sold. Net realizable value is calculated as the estimated price at the time of sale based on prevailing metal prices less estimated future costs to convert the inventories into saleable form and estimated costs to sell.

Supplies inventory is valued at the lower of average cost and net realizable value. Costs include acquisition, freight, and other directly attributable costs.

i) Assets held for sale

The Company classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts through a sale of the assets. To meet the criteria to be classified as held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Company must be committed to a plan to sell the assets, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3. MATERIAL ACCOUNTING POLICIES (continued)

The Company measures assets or disposal groups at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss; however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying assets as held for sale, the Company presents the assets and the associated liabilities as a single amount on the consolidated statements of financial position. Comparative period balances are not restated. Assets held for sale are not depreciated, depleted, or amortized.

j) Mineral property, plant and equipment ("MPPE")

On initial acquisition, MPPE are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. When provisions for closure and decommissioning are recognized, the corresponding cost is capitalized as part of the cost of the related assets, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of closure and decommissioning activities is recognized in MPPE and depreciated accordingly.

In subsequent periods, buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, while land is stated at cost less any impairment in value and is not depreciated.

Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively. The expected useful lives are included below. The net carrying amounts of MPPE are reviewed for impairment either individually or at the cash-generating unit ("CGU") level when events and changes in circumstances indicate that the carrying amounts may not be recoverable. To the extent that these values exceed their recoverable amounts, that excess is recorded as an impairment provision in the financial year in which this is determined.

Expenditure on major maintenance or repairs includes the cost of the replacement of parts of assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will be available to the Company, the expenditure is capitalized and the carrying amount of the item replaced derecognized. Similarly, overhaul costs associated with major maintenance are capitalized and depreciated over their useful lives where it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other costs are expensed as incurred.

Where an item of MPPE is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is disclosed as earnings or loss on disposal in the Consolidated Statement of Income (Loss). Any items of mineral property, plant or equipment that cease to have future economic benefits are derecognized with any gain or loss included in the financial year in which the item is derecognized.

<u>Operational mining properties and mine development</u>

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs incurred to develop such property including costs to further delineate the ore body and remove overburden to initially expose the ore body prior to the start of mining operations, are also capitalized. Such costs are amortized using the units-of-production ("UOP") method considering the expected production to be obtained over the life of the mineral property.

The expected production includes proven and probable reserves, and a portion of inferred resources expected to be extracted economically as part of the production cost.

Costs associated with commissioning activities on constructed plants are deferred from the date of mechanical completion of the facilities until the date the Company is ready to commence commercial production. Amounts received from selling items produced while preparing the asset for its intended use will be recognized as revenue and the related cost of sales in the consolidated statements of income (loss) and comprehensive income (loss). These costs are amortized using the units-of-production method (described below) over the life of the mine, commencing on the date of commercial production.

3. MATERIAL ACCOUNTING POLICIES (continued)

Acquisition costs related to the acquisition of land and mineral rights are capitalized as incurred. Prior to acquiring such land or mineral rights, the Company makes a preliminary evaluation to determine that the property has significant potential to economically develop the deposit. The time between initial acquisition and full evaluation of a property's potential is dependent on many factors including: location relative to existing infrastructure, the property's stage of development, geological controls and metal prices. If a mineable deposit is discovered, such costs are amortized when production begins. If no mineable deposit is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Major development expenditures on producing properties incurred to increase production or extend the life of the mine are capitalized while ongoing mining expenditures on producing properties are charged against earnings as incurred. Gains or losses from sales or retirements of assets are included in gain or loss on sale of assets.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs are recognized as an expense in the period incurred.

Depreciation of MPPE

The carrying amounts of MPPE (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine or mineral lease, if shorter. Estimates of residual values and useful lives are reviewed annually and any change in estimate is taken into account in the determination of remaining depreciation charges, and adjusted if appropriate, at each statement of financial position date. Changes to the estimated residual values or useful lives are accounted for prospectively. Depreciation commences on the date when the asset is available for use as intended by management.

For mining properties excluding those at the Bolivar and Porco mines, the economic benefits from the asset are consumed in a pattern which is linked to the production level. Except as noted below, such assets are depreciated on an UOP basis. In applying the UOP method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves and the portion of inferred resources where it is considered highly probable that those resources are expected to be extracted economically. The mineral properties at the Bolivar and Porco mines are depreciated on a straight line basis over the term of the association contract with COMIBOL.

Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight line or declining balance basis. MPPE are depreciated over their useful life, or over the remaining life of the mine if shorter. The major categories of property, plant and equipment are depreciated on a unit of production and/or straight-line basis as follows:

- Land – not depreciated
- Mobile equipment – 2 to 11 years
- Buildings and plant facilities – 2 to 50 years
- Mining properties and leases including capitalized evaluation and development expenditures – based on UOP method
- Exploration and evaluation – not depreciated until mine goes into production
- Assets under construction – not depreciated until assets are ready for their intended use

k) Exploration and evaluation assets

Exploration expenditures are incurred in the search for economic mineral deposits or the process of obtaining more information about existing mineral deposits and typically include costs associated with drilling, sampling, mapping and other activity related to the search for ore.

3. MATERIAL ACCOUNTING POLICIES (continued)

Evaluation expenditures are incurred to establish the technical and commercial viability of mineral deposits and typically include costs associated with determining optimal methods of extraction and metallurgical and treatment processes, permitting, and preparing economic evaluations.

Exploration expenditures are expensed as incurred. Evaluation expenditures are capitalized when management determines there is a high degree of confidence that future economic benefits will flow to the Company. Acquired exploration and evaluation projects and acquired exploration rights are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

Capitalized exploration and evaluation expenditures are reclassified to mineral properties, plant and equipment, in accordance with Note 3(j), once the technical feasibility and commercial viability are demonstrated.

l) Impairment of non-current assets

The carrying amounts of long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense in the consolidated statement of comprehensive income (loss).

Where the asset does not generate independent cash inflows, the Company estimates the recoverable amount of the CGU to which the asset belongs.

If the recoverable amount of the asset or CGU is determined to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognized as an expense in the consolidated statements of earnings or loss. Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU").

FVLCD is determined as the amount that would be obtained from the sale of the asset or CGU in an arm's length transaction between knowledgeable and willing parties. The Company considers the use of a combination of its internal discounted cash flow economic models and in-situ value of reserves, resources and exploration potential of each CGU for estimation of its FVLCD. These cash flows are discounted by an appropriate post-tax discount rate to arrive at a net present value of the asset. VIU is determined as the present value of the estimated cash flows expected to arise from the continued use of the asset or CGU in its present form and its eventual disposal. VIU is determined by applying assumptions specific to the Company's continued use and does not take into account future development.

Impairment losses are evaluated for potential reversals when events or circumstances warrant such consideration. Where an impairment loss is subsequently reversed, the amount of such reversal is limited such that, the revised carrying amount of the asset or cash-generating unit 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 the prior years. A reversal of an impairment loss is recognized into earnings immediately.

m) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The Company has the right to control an identified asset if it obtains substantially all of its economic benefits and either pre-determines, or directs how and for what purpose the asset is used.

At lease commencement, the Company recognizes a Right of Use Asset ("ROU Asset") and a lease obligation. The ROU Asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, less any lease incentives received.

3. MATERIAL ACCOUNTING POLICIES (continued)

The ROU Asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the asset determined on the same basis as the Company's property, plant and equipment. The ROU Asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease obligation, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise.

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU Asset.

The Company has elected not to recognize ROU Assets and lease obligations for short-term leases that have a lease term of twelve months or less or for leases of low-value assets. Payments associated with these leases are recognized as an operating expense on a straight-line basis over the lease term within costs and expenses on the consolidated statement of income (loss) and comprehensive income (loss).

n) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate of the obligation can be made. The amount recognized as a provision is the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as finance costs.

<u>Decommissioning and restoration costs</u>

Decommissioning and restoration provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the underlying obligation.

When provisions for decommissioning and restoration are initially recognized, the corresponding cost is capitalized as a component of the cost of the related asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of decommissioning and restoration activities is recognized in property, plant and equipment and depreciated accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognized in finance expenses. Decommissioning and restoration provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in the provision is greater than the un-depreciated capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in the statement of income (loss) and comprehensive income (loss). In the case of closed sites, changes to estimated costs are recognized immediately in the statement of income (loss) and comprehensive income (loss). Changes to the capitalized cost result in an adjustment to future depreciation and finance charges. Adjustments to the estimated amount and timing of future decommissioning and restoration cash flows are a normal occurrence in light of the significant judgments and estimates involved.

The provision is reviewed at the end of each reporting period for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations and adjusted to reflect current best estimate. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

3. MATERIAL ACCOUNTING POLICIES (continued)

o) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in equity. Common shares issued for consideration other than cash are valued based on their fair value on the date of issuance. Professional, consulting, regulatory, and other costs directly attributable to equity transactions are recorded as share issuance costs.

The Company follows the residual method with respect to the measurement of common shares and common share purchase warrants issued as private placement units. Proceeds from private placements are first allocated to the common shares contained in the units based on the market value of shares on the date of issuance, with any residual amount allocated to warrants in the units. If the proceeds are less than or equal to the estimated fair market value of the share issuance, a nil carrying amount is assigned to the warrants.

p) Share-based payments

Employees (including directors and officers) of the Company may receive a portion of their remuneration in the form of share-based awards, which include stock options (“Options”), restricted share units ("RSUs"), performance share units ("PSUs"), and deferred share units (“DSUs”). The fair value of the share-based awards is charged to the statement of income (loss) on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest. The fair value of the share-based awards is determined at the date of grant.

The fair value of the stock options granted is determined using the Black-Scholes option pricing model at the date on which they were granted. Forfeitures are estimated at grant date and adjusted prospectively based on actual forfeitures. Share-based payments expense, for stock options that are forfeited or cancelled prior to vesting, is reversed. The costs of share-based payments are recognized, together with a corresponding increase in the equity reserve, over the period in which the services and/or performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). On exercise by the employee, the associated option value in the equity reserve is reclassified to share capital.

The fair value of the RSUs and DSUs granted is based on the value of the Company’s share price at the date of grant. Unless otherwise stated, the RSUs have a graded vesting schedule over the vesting period as set by the Board of Directors and can either be settled in cash or equity upon vesting at the discretion of the Company. DSUs vest immediately upon grant.

The fair value of PSUs is determined using a Monte Carlo valuation model at the date of grant.

In situations where equity instruments are issued to non-employees, the share-based payments are measured at the fair value of goods or services received. If some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at the fair value of the share-based award.

q) Revenue

Revenue associated with the concentrate sales is recognized when control of the asset sold is transferred to the customer. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risk and rewards and customer acceptance. This generally occurs when the goods are delivered to a loading port, warehouse, vessel or metal account as contractually agreed with the buyer; at which point the buyer controls the goods. In cases where the Company is responsible for the cost of shipping and certain other services after the date on which control of the goods transfers to the customer, these other services are considered separate performance obligations and thus a portion of revenue earned under the contract is allocated and recognized as these performance obligations are satisfied.

The Company’s concentrate sales contracts with third-party buyers, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on applicable commodity prices set on specified quotational periods, typically ranging from one month prior to shipment, and can extend to three months after the shipment arrives at the smelter and is based on average market metal prices. For this purpose, the transaction price can be measured reliably for those products, such as silver, zinc, lead and copper, for which there exists an active and freely traded commodity market such as the London Metals Exchange and the value of product sold by the Company is directly linked to the form in which it is traded on that market.

3. MATERIAL ACCOUNTING POLICIES (continued)

Sales revenue is commonly subject to adjustments based on an inspection of the product by the customer. In such cases, sales revenue is initially recognized on a provisional basis using the Company's best estimate of contained metal, and adjusted subsequently. Revenues are recorded under these contracts at the time control passes to the buyer based on the expected settlement period. Revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on forward market prices and estimated quantities. At each reporting date provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. Variations between the price recorded at the date when control is transferred to the buyer and the actual final price set under the smelting contracts are caused by changes in metal prices resulting in the receivable being recorded at fair value through profit or loss ("FVTPL").

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") requires that variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company concluded that the adjustments relating to the final assay results for the quantity and quality of concentrate sold are not significant and do not constrain the recognition of revenue.

Refining and treatment charges under the sales contracts are netted against revenue for sales of metal concentrate.

The Company recognizes deferred revenue in the event it receives payments from customers in consideration for future commitments to deliver metals and before such sale meets the criteria for revenue recognition. The Company recognizes amounts in revenue as the metals are delivered to the customer. The Company estimates the current portion of deferred revenue based on quantities anticipated to be delivered over the next twelve months.

r) Income taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive income (loss) or directly in equity, in which case it is recognized in other comprehensive income (loss) or in equity, respectively. Mining duties, taxes, royalties, and withholding taxes are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed by a government authority and the amount payable is calculated by reference to taxable income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable or recoverable with regards to previous years.

Deferred tax expense is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax expense is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax expense is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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.

Deferred income tax assets and deferred income tax liabilities are offset only when there is a legally enforceable right to set off current tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity.

3. MATERIAL ACCOUNTING POLICIES (continued)

The Company's operations involve dealing with uncertainties and judgments in the application of tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with tax authorities in various jurisdictions and resolution of disputes arising from tax audits. The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues based on its estimate of whether, and the extent to which, additional taxes will be due. The Company adjusts these liabilities in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If the estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result.

s) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of shares issued and outstanding during the year. For all periods presented, the net income (loss) available to common shareholders equals the reported income (loss). Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, when a loss is incurred during the year, diluted and basic loss per share are the same because the effect on loss per share of potential issuance of shares under options and warrants would be anti-dilutive.

t) Financial instruments

<u>Measurement – initial recognition</u>

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

<u>Classification of financial assets</u>

Amortized cost

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company's financial assets at amortized cost primarily include cash and cash equivalents and receivables not arising from sale of metal concentrates included in trade and other receivables in the Consolidated Statement of Financial Position.

FVTPL

By default, all other financial assets are measured subsequently at FVTPL.

3. MATERIAL ACCOUNTING POLICIES (continued)

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in Note 22. The Company's financial assets at FVTPL include its trade receivables from provisional concentrate sales and marketable securities.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as FVTPL, are measured at amortized cost using the effective interest method. The Company's financial liabilities at amortized cost primarily include trade and other payables, debt facilities and lease liabilities.

Financial assets at fair value through other comprehensive income ("FVTOCI")

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTOCI are recognized in other comprehensive income (loss). The Company does not have any FVTOCI financial assets.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

The Company shall recognize in the consolidated statements of income (loss) and comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

u) New accounting standards and interpretations effective for the current year

<u>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2</u>

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES (continued)

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. The amendment was applied effective January 1, 2023, and did not have a material impact on the Company's consolidated financial statements.

v) New accounting standards and interpretations not yet adopted

Presentation of Financial Statements (Amendment to IAS 1)

The amendments to IAS 1, clarifies the presentation of liabilities with covenants. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of ‘settlement’ to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendment issued in October 2022 also clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of this amendment is not expected to have a material impact on the Company.

4. MATERIAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments that have the most significant effect on the amounts recognized in the Company’s consolidated financial statements are as follows:

Going concern presentation

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Management assesses the Company’s ability to continue as a going concern at each reporting date using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates and assumptions of future cash flows and other events (Note 1), whose subsequent changes could materially impact the validity of the assessment.

Determination of functional currency

The functional currency for each of the Company’s subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency involves certain judgments to determine the primary economic environment of an entity. The Company re-evaluates the functional currency of its entities when there is a change in events and conditions which previously determined the primary economic environment of an entity.

Assessment of the transactions as business combinations or asset acquisitions

Management has had to apply judgment relating to the acquisition of Sinchi Wayra and Illapa Business (Note 5) with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes, and outputs of the acquisition in order to reach a conclusion. The Company has determined the Sinchi Wayra and Illapa Business to be a business by assessing that the following exist: inputs – tangible assets, processes – business operations, management and staff, and outputs – revenue generating from mine operations.

4. MATERIAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Interests in other entities

The Company applies judgment in determining the classification of its interest in other entities, such as (i) the determination of the level of control or significant influence held by the Company; (ii) the legal structure and contractual terms of the arrangement; (iii) concluding whether the Company has rights to assets and liabilities or to net assets of the arrangement; and (iv) when relevant, other facts and circumstances. The Company has determined that the association agreement with COMIBOL represents a joint operation. All other interests, excluding marketable securities, in other entities have been determined to be subsidiaries as described in IFRS 10, "Consolidated Financial Statements."

Collectability and classification of value added tax ("VAT") receivable

VAT receivable is collectible from the governments of Mexico and Bolivia. The collection of VAT is subject to risk due to the complex application and collection process and, therefore, risk related to the collectability and timing of payment from the Mexican and Bolivian governments. The Company uses the facts known at the time and its historical experience to determine its best estimate of the collectability and timing of these recoveries. Changes in the assumptions regarding collectability and the timing of collection could impact the valuation and classification of VAT receivable.

Impairment, or impairment reversal, of MPPE and goodwill

There is significant judgment involved in assessing whether any indications of impairment of MPPE and goodwill, or impairment reversal of MPPE, with consideration given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control that affect the recoverable amount of mining interests. Internal sources of information include the manner in which mineral property, plant and equipment are being used or are expected to be used and indications of the economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Changes in metal price forecasts, increases or decreases in estimated future costs of production, increases or decreases in estimated future capital costs, reductions or increases in the amount of recoverable mineral reserves and mineral resources and/or adverse or favorable current economics can result in a write-down or write-up of the carrying amounts of the Company's mining interests.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

Revenue recognition

Revenue from the sale of concentrate to independent smelters is recognized when control of the asset sold is transferred to the customer. The Company's concentrate sales contracts with third- party buyers, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on applicable commodity prices set on specified quotational periods, typically ranging from one to three months following scheduled delivery and is based on average market metal prices. Sales revenue is commonly subject to adjustments based on an inspection of the product by the customer. In such cases, sales revenue is initially recognized on a provisional basis using the Company's best estimate of contained metal, and adjusted subsequently. Revenues are recorded under these contracts at the time control passes to the buyer based on the expected settlement period. Revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on forward market prices and estimated quantities. At each reporting date provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. Variations between the price recorded at the date when control is transferred to the buyer and the actual final price set under the smelting contracts are caused by changes in metal prices resulting in the receivable being recorded at FVTPL. In a period of high price volatility, as experienced under current economic conditions, the effect of mark-to-market price adjustments related to the quantity of metal which remains to be settled with independent smelters could be significant.

For changes in metal quantities upon receipt of new information and assay, the provisional sales quantities are adjusted.

4. MATERIAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Mineral resource estimate

The lives of operating mines are determined from the tonnes of mineralized material or ore that are available to be extracted at the end of each reporting period. The Company initially estimates the tonnes of mineralized material or ore available based on either the findings of qualified, independent mining professionals or the findings of its own technical staff. These estimates are updated from time to time as additional technical and economic information becomes available.

Factors that impact the computation of tonnes of mineralized material or ore available include the geological data on the size, depth, and shape of the mineralized deposit or ore body, the prevailing and expected market price for the underlying metals to be extracted, and the expected costs to extract and process the mined material. Changes in the mineable tonnes of mineralized material or ore available may impact the carrying values of mine properties, exploration and evaluation properties, property, plant and equipment, decommissioning and restoration provision, and result in changes in the recognition of deferred tax amounts in addition to changes in the recognition of depreciation and depletion.

Valuation of net assets acquired in business combinations

Estimates were made as to the fair value of assets and liabilities acquired in business combinations (see Note 5 for details of the estimates used in the Sinchi Wayra and Illapa Business acquisition). In certain circumstances, such as the valuation of property, plant and equipment, mine property, and mineral concessions, the Company will engage independent third-party valuators. The Company measured all assets acquired and liabilities assumed at their acquisition-date fair values.

Depreciation and amortization rates for MPPE

Depreciation and amortization expenses are allocated based on assumed asset lives and depreciation and amortization rates. Should the asset life or depreciation rate differ from the initial estimate, an adjustment would be made in the consolidated statement of income (loss) prospectively. A change in the mineral resource estimate for assets depreciated using the units of production method would impact depreciation expense prospectively.

Estimation of decommissioning and reclamation costs and the timing of expenditures

The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at the best estimate of expenditures required to settle the present obligation of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine at the end of its productive life. The carrying amount is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Refer to Note 15 for details on decommissioning and restoration costs.

Income taxes and recoverability of deferred tax assets

In assessing the probability of realizing income tax assets recognized, the Company 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, the Company 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 relevant tax planning opportunities that are within the Company's control, are feasible and 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. Refer to Note 20 for further discussion on income taxes.

4. MATERIAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Provisions and contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event the Company's estimates of the future resolution of these matters change, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

5. SINCHI WAYRA AND ILLAPA ACQUISITION

On March 18, 2022 (the "Acquisition Date"), the Company acquired 100% ownership of Sinchi Wayra and Illapa from Glencore. Sinchi Wayra and Illapa consist of the following mineral properties and businesses located in Bolivia: the producing Tres Amigos, Reserva and Colquechaquita mines, collectively the "Caballo Blanco Group"; the producing Bolivar and Porco mines held in partnership with COMIBOL (Illapa holds a 45% interest); the Soracaya Project; as well as the San Lucas ore sourcing and trading business.

The acquisition of Sinchi Wayra and Illapa has been accounted for by the Company as a business combination under IFRS 3 *Business Combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date. The Company is required to determine the fair value of tangible and identifiable intangible assets acquired and liabilities assumed.

In accordance with the SPA dated March 18, 2022, consideration for the acquisition comprised of: $2,106 cash consideration payable prior to September 30, 2022; $90,000 deferred cash consideration payable in four annual installments from March 18, 2022, a 1.5% NSR over the producing life of the mineral property (excluding the San Lucas ore sourcing and trading business), as well as a 14% adjusted gross margin royalty exclusively over the San Lucas ore sourcing and trading business in perpetuity. In addition, the Company will pay to Glencore the value of certain assets acquired as part of the Acquisition which existed as at the Acquisition Date including (1) the total profits on sale of the inventory acquired, estimated to be $5,055, and (2) the amount of VAT receivable from the Bolivian government, estimated to be $52,862, which is expected to be recovered through to the end of 2023 upon completion of requisite and customary government audit procedures for which the timing is not certain.

The Company has completed a full and detailed valuation of the fair value of the net assets of Sinchi Wayra and Illapa Business acquired using income, market, and cost valuation methods with the assistance of an independent third party. As of the date of the consolidated financial statements, the allocation of purchase price with respect to the fair value of assets acquired and liabilities assumed was updated to reflect new information obtained which existed at the Acquisition Date.

(Expressed in thousands of US dollars, unless otherwise noted)

5. SINCHI WAYRA AND ILLAPA ACQUISITION (continued)

The following table summarizes the consideration payable as part of the purchase price:

	As previously reported	Adjustments	Restated
			$
Initial cash payment	2,106	-	2,106
Deferred purchase price (i)	84,454	(1,970)	82,484
Royalties payable to Glencore (ii)	17,395	(58)	17,337
Payables to Glencore			
(a) Profits (after-tax) on sale of inventory acquired (iii)	4,555	500	5,055
(b) Payment of VAT to be collected (iv)	43,483	9,378	52,861
Consideration payable	**151,993**	**7,850**	**159,843**

(i) Fair value of the deferred purchase price was estimated based on the future $90.0 million cash payments discounted by a cost of debt rate of 4.7%.
(ii) Fair value of the royalties payable to Glencore was estimated based on the future estimated royalties payable discounted by a discount rate of 6.6% considering the risks in the cash flow forecasts and the cost of debt. In the projection of the cash outflows related to the royalties, net revenue from Bolivar, Porco and the Caballo Blanco Group and the adjusted gross margin royalty from San Lucas were used.
(iii) Fair value of the before-tax profits on sale of inventory acquired upon the Acquisition was estimated based on the inventory profit calculation as outlined in the SPA.
(iv) Fair value of the payment of VAT to be collected was estimated based on the agreed amount with Glencore as per the SPA.

The following table sets out the final allocation of the purchase price to the assets acquired and liabilities assumed in the Acquisition:

	As previously reported	Adjustments (Note 2)	Restated
			$
Fair values of net assets acquired			
Cash and cash equivalents	13,780	-	13,780
Trade and other receivables	62,744	-	62,744
COMIBOL receivables	50,464	-	50,464
Inventories	87,978	-	87,978
Prepaid expenses and deposits	4,908	-	4,908
Mineral properties, plant and equipment	110,472	7,850	118,322
Goodwill (*)	10,973	2,948	13,921
Trade payables and accrued liabilities	(58,691)	-	(58,691)
Loans payable	(34,135)	-	(34,135)
Taxes payable	(20,923)	-	(20,923)
Other liabilities	(50,878)	-	(50,878)
Decommissioning and restoration provision	(13,726)	-	(13,726)
Deferred income tax liability	(10,973)	(2,948)	(13,921)
Net assets acquired	**151,993**	**7,850**	**159,843**

Note:
(*) Goodwill of $13,921 was recognized due to the net deferred tax liability of $13,921 generated on the business combination (deferred tax liability of $22,724 offset by a deferred tax asset of $8,803).

The fair value of the mineral properties, plant and equipment was determined with the assistance of an independent third party who completed a valuation of Sinchi Wayra and Illapa mining operations, including the mining concessions, using a discounted cash flow model. The model takes into account forecasted production and sales, which is derived from the acquired businesses reserves and resources statement.

(Expressed in thousands of US dollars, unless otherwise noted)

5. SINCHI WAYRA AND ILLAPA ACQUISITION (continued)

The fair value of the San Lucas ore sourcing and trading business was determined with the assistance of an independent third party and was valued using an income approach, discounted cash flow method with the consideration of a terminal value based on an exit multiple.

Significant assumptions used in the valuation of the mineral properties and the San Lucas ore sourcing and trading business were silver price of $21.20 to $24.90 per ounce, zinc price of $2,500-$3,000 per metric tonne (“mt”), lead price of $2,014-$2,333 per mt, discount rates ranging from 7.1% to 14.5% and a tax rate of 37.5%.

Property, plant and equipment comprise real-estate properties and various on-site equipment including mill facilities. The fair value was determined by an independent valuation firm, which used replacement value and comparable market value of similar assets approaches as the basis for determining this fair value.

The decommissioning and restoration provision represents the Company’s future obligation to remediate the mine sites after completion of the mining activities. The fair value was determined using a discounted cash flow analysis based on real dollar estimated costs (pre-inflation) and changes in the period-end exchange rate. Significant assumptions used in the determination of the fair value were discount rates of 7.25% to 7.99% based on when the costs are expected to be incurred.

A net deferred tax liability was recognized for the temporary differences arising from the initial recognition of the net assets acquired. The recognition of this deferred tax liability resulted in goodwill of $13,921 being recognized. This goodwill was allocated to CGUs where MPPE and/or intangible value was recognized because these CGUs have unrecognized potential. Accordingly, the goodwill was allocated to San Lucas ($7,925), Bolivar ($4,109), and Caballo Blanco ($1,887).

The Company incurred acquisition-related costs of $nil during the year ended December 31, 2023. For the year ended December 31, 2022, the Company incurred acquisition-related costs of $3,600, including the issuance of 3,077,317 common shares with a fair value of $1,000 (C$0.41 per common share).

6. MARKETABLE SECURITIES

A summary of the Company’s marketable securities is as follows:

	December 31, 2023	December 31, 2022
	$	$
Balance, beginning of year	**2,769**	4,102
Foreign exchange gain	**173**	211
Change in fair value	**(2,054)**	(1,544)
Disposal of shares	**(828)**	-
Balance, end of year	**60**	2,769

The securities owned by the Company represent a 0.80% ownership in Zacatecas Silver Corp (“Zacatecas”). The change in fair value represents the change in price of the underlying shares of Zacatecas from December 31, 2022, to December 31, 2023. The shares of Zacatecas are measured at FVTPL using Level 1 inputs (Note 22).

(Expressed in thousands of US dollars, unless otherwise noted)

7. TRADE AND OTHER RECEIVABLES

A summary of the Company's trade and other receivables is as follows:

	December 31, 2023	December 31, 2022
	$	$
Trade receivables	**18,558**	16,916
COMIBOL contract receivables (Note 7) (a)	**40,633**	38,519
Bolivian VAT receivable	**62,483**	63,657
Mexican VAT receivable	**-**	1,915
Other receivables	**7,179**	9,832
Balance, end of year	**128,853**	130,839
Less: current portion	**65,264**	99,027
Non-current portion	**63,589**	31,812

a) COMIBOL contract receivables

COMIBOL contract receivables represent COMIBOL's obligation to pay their portion of committed funding related to the investment of plant and equipment made to date, and are recorded at the present value as at the period-end date. The payments are due to the Company based on pre-defined excess net cash flow that COMIBOL is entitled to receive. In the event the net cash flows are insufficient any remaining balance is to be paid within a maximum period of one hundred and twenty (120) days from the date of termination of the agreement.

8. INVENTORIES

A summary of the Company's inventories is as follows:

	December 31, 2023	December 31, 2022
	$	$
Mineralized material stockpiles	**6,288**	3,617
Concentrate inventory	**12,845**	12,549
Supplies inventory	**13,869**	13,286
	33,002	29,452

During the year ended December 31, 2023, the inventory recognized as cost of sales was $187,275 (year ended December 31, 2022 - $241,073), which includes production costs directly attributable to the inventory production process.

During the year ended December 31, 2023, the Company recognized through cost of sales a net realizable value write-off of inventory for $867 (year ended December 31, 2022 - $nil).

(Expressed in thousands of US dollars, unless otherwise noted)

9. ASSETS HELD FOR SALE

On November 30, 2023, the Company completed the sale of its 100% interest in SCH, a Canadian holding company which had 100% ownership in IMSC, to a private Mexican group (the "Buyer"). The intention to sell was first previously announced in the fourth quarter of 2022. IMSC was a non-operational Mexican subsidiary of the Company, which held the Rosario Project and the accompanying infrastructure assets including the milling facility, and third-party liabilities including the Rosario Project reclamation obligation. In October 2021, the Company placed the Rosario Project on care and maintenance, and as of December 31, 2022 when the Company adopted the plan for the sale, all mineral interests and property, plant and equipment related to the Rosario Project were fully impaired (Note 10). IMSC also had approximately $45,000 of unrecognized non-capital loss carryforwards. IMSC had a wholly-owned subsidiary, OMA, which was a holding company with historical tax balances payable to the Mexican tax authorities.

Pursuant to the share purchase agreement for the SCH sale, the Company sold 100% of its SCH shares and SCH's 100% interest in IMSC and OMA (the "SCH Group"), to eliminate the significant third party liabilities, for a cash consideration of $1. Accordingly, a gain on disposal of the SCH Group of $14,649 was recorded, which was computed as follows:

	November 30, 2023	December 31, 2022
	$	$
Assets:		
Cash and cash equivalents	16	15
Trade and other receivables	2,957	3,027
Prepaid expenses and deposits	1,022	799
Total assets	**3,995**	**3,841**
Liabilities:		
Trade payables and accrued liabilities	15,831	17,697
Decommissioning and restoration provision	2,870	2,533
Total liabilities	**18,701**	**20,230**
Net liabilities	**(14,706)**	**(16,389)**
Consideration	1	-
Transaction Costs	(58)	-
Gain on sale	**14,649**	-

(Expressed in thousands of US dollars, unless otherwise noted)

10. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Depletable mineral properties	Non-depletable mineral properties	Exploration and evaluation	Plant and equipment	Total
	$	$	$	$	$
Cost					
Balance, December 31, 2021	17,147	1,467	-	34,982	53,596
Acquisition (Note 5)	19,662	-	15,000	83,660	118,322
Additions	2,775	-	-	6,610	9,385
Mine development expenditures	7,208	-	-	-	7,208
Change in decommissioning and restoration costs (note 15)	1,610	-	-	-	1,610
Disposals	-	-	-	(1,890)	(1,890)
Balance, December 31, 2022 (restated - notes 2, 27)	**48,402**	**1,467**	**15,000**	**123,362**	**188,231**
Additions	12,889	-	-	8,780	21,669
Change in decommissioning and restoration costs (note 15)	2,292	-	-	-	2,292
Disposals	-	-	-	(144)	(144)
Balance, December 31, 2023	**63,583**	**1,467**	**15,000**	**131,998**	**212,048**
Accumulated depreciation and impairment					
Balance, December 31, 2021	2,760	-	-	12,049	14,809
Depletion, depreciation and amortization	2,224	-	-	12,423	14,647
Disposals	-	-	-	(135)	(135)
Impairment (Note 9)	-	-	-	4,538	4,538
Balance, December 31, 2022	**4,984**	**-**	**-**	**28,875**	**33,859**
Depletion, depreciation and amortization	6,056	-	-	15,771	21,827
Disposals	-	-	-	(122)	(122)
Impairment (Note 10)	-	-	-	7,554	7,554
Balance, December 31, 2023	**11,040**	**-**	**-**	**52,078**	**63,118**
Cost as at December 31, 2022	48,402	1,467	15,000	123,362	188,231
Accumulated depreciation and impairment	4,984	-	-	28,875	33,859
Carrying value, December 31, 2022 (restated - notes 2, 27)	**43,418**	**1,467**	**15,000**	**94,487**	**154,372**
Cost as at December 31, 2023	63,583	1,467	15,000	131,998	212,048
Accumulated depreciation and impairment	11,040	-	-	52,078	63,118
Carrying value, December 31, 2023	**52,543**	**1,467**	**15,000**	**79,920**	**148,930**

As at December 31, 2023, the Company's plant and equipment included right-of-use assets with a carrying amount of $4,772 for leased mining equipment (December 31, 2022 - $2,674). Depreciation on the right of use assets for the year ended December 31, 2023, was $359 (2022 - $173).

In accordance with the Company's accounting policies, the Company assesses its CGUs for indicators of impairment or impairment reversal at each period-end. If indicators of impairment exist for any CGU, those CGUs are tested for impairment. In general, the CGU carrying amount includes the carrying value of the MPPE and goodwill, less deferred tax liabilities and decommissioning and restoration provision related to each CGU. For CGUs that have allocated goodwill, the CGUs are tested for impairment annually and if an impairment is determined to exist at these CGUs the impairment is first allocated to goodwill and any excess applied to the remaining MPPE.

In the fourth quarter of 2023, the Company determined that the Company's market capitalization was below the Company's net assets, which triggered the impairment test for all CGUs.

(Expressed in thousands of US dollars, unless otherwise noted)

10. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

Accordingly, the Company performed an impairment analysis for all of its CGUs, and determined the following impairment charges in respect of the following CGUs for the year ended December 31, 2023:

	December 31, 2023	December 31, 2022
	$	$
Porco	**7,554**	-
Rosario Project	**-**	4,538
	7,554	4,538

Porco

The recoverable amount for the Porco CGU ($1,560) were determined by applying a fair value less cost of disposal methodology based on future after-tax cash flows expected to be derived from the CGU discounted with after-tax weighted average cost of capital ("WACC") of 9.7%, a Level 3 fair value estimate. The projected cash flows used in impairment testing are significantly affected by changes in assumptions for metal prices, estimated quantities of mineral reserves and resources, production costs estimates, capital expenditure estimates, and discount rates.

For the year ended December 31, 2023, the Company's impairment testing incorporated the following key assumptions:

Pricing assumptions:

	December 31, 2023	
	2024-2027 Average	**2028 and long-term**
Zinc price per tonne	$2,676	$2,601
Silver price per ounce	$23.81	$22.71

Additional Porco-specific assumptions affecting the recoverable amount assessment:

- Discount rate applied to future cash flows is based on a WACC adjusted for specific risks for the Porco CGU;
- The future cash flows are based on the updated life-of-mine ("LOM") plan which reflects the updated mineral resource and reserves estimate and the corresponding capital expenditures to sustain this level of production;
- Mining operations are expected to continue to the end of 2028, equal to the end of the association contract with COMIBOL (i.e. assume no extension of the contract).

Rosario Project

Details on the impairment charge recorded for the year ended December 31, 2022, relating to the Rosario Project are discussed in Note 9.

The Company also performed an annual impairment test of the goodwill recognized on Acquisition as at December 31, 2023. The goodwill was allocated to the Bolivar, Caballo Blanco and San Lucas CGUs. As these CGUs' carrying values are greater than the recoverable amounts, the goodwill was not impaired.

(Expressed in thousands of US dollars, unless otherwise noted)

11. TRADE PAYABLES AND ACCRUED LIABILITIES

A summary of the Company's trade payables and accrued liabilities is as follows:

	December 31, 2023	December 31, 2022
	$	$
Trade payables	**34,229**	52,756
COMIBOL contract obligations (a)	**9,859**	9,109
Accrued liabilities	**7,885**	7,576
Balance, end of year	**51,973**	69,441
Less: current portion	**48,555**	66,023
Non-current portion	**3,418**	3,418

a) COMIBOL contract obligations represent the Company's obligation to pay its portion of committed funding related to the investment of inventories and fixed assets made prior to 2013 under the previous contract of $6,441, and COMIBOL's share of the VAT receivable of $3,418 (all of which classified as non-current).

12. CONSIDERATION PAYABLE

As part of the Acquisition described in Note 5, the following table summarizes the details of the consideration payable to Glencore:

	Cash	**Deferred cash consideration (a)**	**Royalties payable (b)**	**Other payables (c)**	**Total**
	$	$	**$**	$	$
Balance, December 31, 2021	-	-	-	-	-
Acquisition	2,106	82,484	17,337	57,916	159,843
Cash paid	(2,106)	-	-	-	(2,106)
Accretion	-	2,980	820	-	3,800
Balance, December 31, 2022 (restated - notes 2, 27)	**-**	**85,464**	**18,157**	**57,916**	**161,537**
Less: current portion	**-**	**37,423**	**5,916**	**50,828**	**94,167**
Non-current portion	**-**	**48,041**	**12,241**	**7,088**	**67,370**
Balance, December 31, 2022 (restated - notes 2, 27)	**-**	**85,464**	**18,157**	**57,916**	**161,537**
Accretion	-	3,839	901	1,497	6,237
Loss (gain) on adjustment to consideration payable (note 2, 19)	-	2,316	121	(3,370)	(933)
Loss (gain) on change in fair value of consideration payable (b)	-	-	(4,077)	224	(3,853)
Balance, December 31, 2023	**-**	**91,619**	**15,102**	**56,267**	**162,988**
Less: current portion	**-**	**26,132**	**5,987**	**17,518**	**49,637**
Non-current portion	**-**	**65,487**	**9,115**	**38,749**	**113,351**

Consideration payable was adjusted for the terms and conditions outlined in the Amended SPA in the second quarter of 2023 as described in Note 2, which gave rise to a gain on adjustment to consideration payable of $933.

As per the terms and conditions outlined in the Amended SPA:

a) Deferred cash consideration

Payments are payable as follows: (i) $22,500 on March 18, 2024, (ii) $22,500 on March 18, 2025, and (iii) $45,000 on March 18, 2026. Interest accrues on $22,500 of the $45,000 payment due March 18, 2026, at a rate of Secured Overnight Financing Rate ("SOFR") plus 4%.

12. CONSIDERATION PAYABLE (continued)

b) Royalties payable

Royalties are payable monthly except with respect to the royalty payment for the period from March 18, 2022 to December 31, 2022, which was due by November 30, 2023. Royalties payable are determined to be contingent consideration and are classified as liabilities at fair value with changes recorded in the consolidated statements of income (loss) and comprehensive income (loss). No payments were made for the royalties payable as at December 31, 2023.

c) Other payables

(i) Profits (after-tax) on sale of inventory acquired.
The profits (after-tax) based on final settlements of $7,755, on the sale of inventory acquired by the Company shall be paid as to one-third of the aggregate amount of such profits by each of June 30, 2023, June 30, 2024, and June 30, 2025. Interest accrues on the amounts due from the original payment date for the specific inventory acquired at a rate of SOFR plus 4% and interest is to be paid on each of the instalment dates. No payments were made as at December 31, 2023.

(ii) Payment of certain VAT amounts collected by the Company.
The Company is required to pay all amounts collected in accordance with the VAT Receivable agreement in the Amended SPA by December 31, 2024, except as detailed below.
(1) If, in any calendar year, the amount paid or payable by the Company would exceed $15,000, then the Company shall only pay $15,000 in that calendar year and the balance of the monies that would otherwise be payable in that calendar year will be paid to Glencore on or before March 31 of the following calendar year;
(2) Any amounts paid on or before March 31 of a calendar year pursuant to (1) shall be taken into account in determining the total amount paid by the Company in that calendar year; and
(3) If a payment due on or before March 31 of a calendar year pursuant to (1) would exceed $15,000, then only $15,000 shall be paid and the balance shall be paid on the first Business Day of the following calendar year.

Subsequent to December 31, 2023, the consideration payable as disclosed in this note has been replaced in entirety by the terms included in the Term Sheet (Note 27).

(Expressed in thousands of US dollars, unless otherwise noted)

13. LOANS PAYABLE

A summary of the Company's loans payable is as follows:

	Bank facilities (a)	Bank loan (b)	Trafigura (c)	Other loans payable (d)	Promissory loan payable	Total
	$	$	$	$	$	$
Balance, December 31, 2021	-	-	11,998	-	-	11,998
Assumed on acquisition (note 5)	4,823	4,312	-	-	25,000	34,135
Proceeds advanced	31,440	-	-	1,132	-	32,572
Accretion	-	-	1,428	-	-	1,428
Interest expense	196	-	825	-	245	1,266
Repayment with cash	(26,336)	(1,848)	(5,755)	-	(25,245)	(59,184)
Balance, December 31, 2022	10,123	2,464	8,496	1,132	-	22,215
Less: Current portion	10,123	2,464	5,164	206	-	17,957
Non-current portion	-	-	3,332	926	-	4,258
Balance, December 31, 2022	10,123	2,464	8,496	1,132	-	22,215
Proceeds advanced	32,057	-	-	-	-	32,057
Accretion	-	-	693	-	-	693
Interest expense	537	-	781	-	-	1,318
Repayment with cash	(31,390)	(2,464)	(4,472)	(182)	-	(38,508)
Balance, December 31, 2023	**11,327**	**-**	**5,498**	**950**	**-**	**17,775**
Less: Current portion	11,327	-	5,498	202	-	17,027
Non-current portion	-	-	-	748	-	748

a) Bank facilities

The Company has a secured credit facility with Banco BISA S.A. of $15,000 (BOL 102,900) with a fixed interest rate of 6.0% per annum, which is comprised of 1) a revolving credit facility of $5,000 for the financing of mining operations and working capital; and 2) a "loan guarantee" credit facility of $10,000 for the purpose of providing collateral to the Bolivian government for VAT refunds collected prior to the completion of the audit process by the Bolivian tax authority. In Bolivia, companies have the option to receive VAT refunds in advance of the audit process being completed if a loan guarantee for the refund amount is provided. The $15,000 total credit facility is secured by concentrate inventories at Bolivar, Porco and the Caballo Blanco Group, and certain real estate assets in Bolivia.

The $5,000 revolving credit facility for working capital purposes can be drawn down at $500 increments and automatically roll over at maturity once fully repaid. As at December 31, 2023, $5,000 (December 31, 2022 - $5,000), was drawn down which is repayable by October 2024.

$144 of the $10,000 loan guarantee credit facility was used to provide collateral to the Bolivian government on VAT refunds received as at December 31, 2023 (December 31, 2022 - $3,479).

The Company also has an unsecured revolving credit facility with Banco de Credito de Bolivia S.A. of $6,124 (BOL 42,622) with a weighted average fixed interest rate of 6.0% per annum. As at December 31, 2023, $6,124 (December 31, 2022 - $4,928) was drawn down which is repayable by March 2024. The Company also has an unsecured loan guarantee credit facility of $1,268 (BOL 8,825) with Banco Credito de Bolivia S.A. for the purpose of providing collateral to the Bolivian government for VAT refunds collected prior to the completion of the audit process by the Bolivian tax authority. $142 of the $1,268 loan guarantee credit facility was used as at December 31, 2023 (December 31, 2022 - $703).

13. LOANS PAYABLE (continued)

b) Bank loan

The Company had an interest-bearing non-renewable loan with Banco BISA S.A. at a fixed interest rate of 5.50% per annum with quarterly principal repayments of $616 plus accrued interest. The loan was obtained for the financing of capital expenditures and is secured by the Porco processing plant. The principal balance outstanding as at December 31, 2023, was $nil (December 31, 2022 - $2,464) as the loan matured on December 20, 2023.

c) Trafigura loan facility

On April 23, 2021, in connection with the acquisition of Zimapan, Trafigura Mexico, S.A. de C.V. ("Trafigura") loaned the Company $17,616 under a new loan facility ("Trafigura Loan Facility"), which included the recapitalization of $2,616 of indebtedness outstanding under the 2020 Facility in addition to the new $15,000 loan amount. The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5%, approximately 6.7% (approximately 6.7% as at December 31, 2022), repayable in monthly installments of principal plus accrued interest for the respective period.

The Trafigura Loan Facility is secured by a first charge over all Zimapan Mine assets and all other material rights and properties owned by Carrizal Mining. In addition, the Company issued to Trafigura 28,000,000 warrants ("Trafigura Warrants"), each Trafigura Warrant exercisable into a Santacruz common share at C$0.395 per share, for a period of 12 months with respect to 7,280,000 of the Trafigura Warrants and 42 months with respect to the remaining 20,720,000 Trafigura Warrants. As at December 31, 2023, a total of 13,280,000 Trafigura Warrants were exercised for gross proceeds to the Company of $4,049 (C$5,246) (December 31, 2022 - 10,280,000 warrants for proceeds of $3,173 (C$4,061)).

The Trafigura Loan Facility was initially measured at a fair value of $13,795, which has been classified as a financial liability, and is subsequently measured at amortized cost, which is being accreted to the principal amount over the term of the Trafigura Loan Facility at an effective interest rate of 21.66%. The fair value of the Trafigura Warrants at the time of issuance was determined to be $3,821, being the residual amount of the total Trafigura Loan Facility after deducting its fair value.

Pursuant to the Trafigura Loan Facility, Trafigura will have the right to offset payments owing by Trafigura to Carrizal Mining and/or its affiliates under existing commodity purchase and sale agreements against payments owing by Carrizal Mining to Trafigura under the Trafigura Loan. No offsets were made as of December 31, 2023.

In the fourth quarter of 2023, the Company was granted a principal repayment holiday period from September 2023 to March 2024, effectively extending the Trafigura Loan Facility maturity date from November 2024 to May 2025.

As at December 31, 2023 the Company was not compliant with financial covenants associated with the Trafigura Loan Facility however the Company was granted a waiver for non-compliance with these financial covenants subsequent to December 31, 2023 (Note 21).

d) Other loans payable

In the fourth quarter of 2022, the Company entered into contracts to sell trucks and machinery, and the net proceeds totaled $1,310. The Company subsequently leased the trucks and machinery back from the counterparty for a period of five years at a financing charge of 10.0% per annum, and is required to make quarterly lease payments plus accrued interest.

As the contracts provide the Company the right to repurchase the trucks and machinery at the end of the term for their residual value of 1%, the Company has an irrevocable right to repurchase the assets, and control of the assets did not transfer to the counterparty. Hence, these contracts are accounted for as financing transactions in accordance with IFRS 9 - Financial Instruments, rather than as sale and leaseback transactions under IFRS 16 - Leases.

(Expressed in thousands of US dollars, unless otherwise noted)

13. LOANS PAYABLE (continued)

In accordance with IFRS 9, these contracts were recorded as a financial liability at amortized cost using the effective interest rate method. As at December 31, 2023, the financial liability was $950 (December 31, 2022 - $1,132). No interest expense was accrued as it was immaterial.

e) Glencore credit facility

As at the Acquisition Date, the Company entered into a $10,000 senior secured working capital revolving credit facility (the "Credit Facility") with Glencore with a maturity date of March 18, 2024, which shall only be used for working capital purposes of the Company and its Bolivian subsidiaries. As at December 31, 2023, $nil (December 31, 2022 - $nil) has been drawn under this Credit Facility. On March 18, 2024 the Credit Facility matured undrawn.

14. OTHER LIABILITIES

A summary of the Company's other liabilities is as follows:

	December 31, 2023	December 31, 2022
	$	$
Provisions (a)	**12,631**	10,268
Deferred revenue (b)	**3,615**	6,397
Lease liability (c)	**1,997**	639
Balance, end of year	**18,243**	17,304
Less: current portion	**5,539**	6,875
Non-current portion	**12,704**	10,429

a) Provisions

As at December 31, 2023, the Company recognized a provision of $12,631 (December 31, 2022 - $10,268) for payments that will be made to employees of Sinchi Wayra, Illapa and Zimapan in the event that their employment is terminated and is in compliance with Bolivian and Mexican labour legislations. Based on expected employee turnover, this provision is considered non-current.

On May 1, 2009, the Government of Bolivia issued Supreme Decree No. 110, mandating the payment of severance for an employee's time of service, after having completed more than ninety days of continuous work. The payment of compensation for time of service constitutes an acquired right. On May 26, 2010, the Government of Bolivia issued Supreme Decree No. 522, establishing the procedure for the mandatory payment of the five-year period at the request of an employee who has completed five years of continuous work.

b) Deferred revenue

Deferred revenue represents the amount of funds for which the Company has received as advance payments for concentrate sales from its customers prior to satisfying the performance obligations under IFRS 15 - Revenue from Contracts to recognize the receipt as revenue.

(Expressed in thousands of US dollars, unless otherwise noted)

14. OTHER LIABILITIES (continued)

c) Lease liability

The Company entered into certain mining equipment leases with an interest rate between 6.5% and 10.5% per annum. The outstanding balances of the Company's mining equipment leases as at December 31, 2023 and 2022, are as follows:

	$
Balance, December 31, 2021	342
Additions	820
Finance costs	46
Lease payments	(576)
Foreign exchange loss	7
Balance, December 31, 2022	639
Additions	2,391
Finance costs	29
Lease payments	(1,062)
Balance, December 31, 2023	**1,997**
Less: current portion	1,923
Non-current portion	74

The following is a schedule of the Company's future minimum lease payments related to the equipment under lease:

	December 31, 2023
	$
2024	1,833
2025	56
2026	37
Total future minimum lease payments	1,926
Effects of discounting	71
Total present value of minimum lease payments	**1,997**
Less: current portion	1,923
Non-current portion	74

(Expressed in thousands of US dollars, unless otherwise noted)

15. DECOMMISSIONING AND RESTORATION PROVISION

The Company has an obligation to undertake decommissioning, restoration, rehabilitation and environmental work when environmental disturbance is caused by the development and ongoing production of a mining operation. Movements in decommissioning liabilities during the years ended December 31, 2023 and 2022, are allocated as follows:

	Bolivar	Porco	Caballo Blanco Group	Zimapan	Rosario	Total
	$	$	$	$	$	$
Balance, December 31, 2021	-	-	-	4,311	2,404	6,715
Acquisition (Note 5)	2,940	4,361	6,425	-	-	13,726
Change in estimate	443	689	478	-	-	1,610
Accretion	146	228	346	523	-	1,243
Reclassification to assets held for sale	-	-	-	-	(2,533)	(2,533)
Foreign exchange gain	-	-	-	(272)	129	(143)
Balance, December 31, 2022	3,529	5,278	7,249	4,562	-	20,618
Change in estimate	(263)	(77)	1,504	1,038	-	2,202
Reclamation work performed	(287)	(97)	(142)	-	-	(526)
Accretion	126	192	254	465	-	1,037
Foreign exchange gain	-	-	-	176	-	176
Balance, December 31, 2023	**3,105**	**5,296**	**8,865**	**6,241**	**-**	**23,507**
Less: current portion	305	435	656	-	-	1,396
Non-current portion	2,800	4,861	8,209	6,241	-	22,111

A provision for decommissioning liabilities is estimated based on current regulatory requirements and is recognized at the present value of such costs. The expected timing of cash flows in respect of the provision is based on the estimated life of the Company's mining operations.

Decommissioning and restoration provisions - December 31, 2023					
	Bolivar	Porco	Caballo Blanco Group	Zimapan	Rosario
Undiscounted uninflated estimated cash flow	3,758	6,345	11,470	9,116	N/A
Discount rate	8.1%	8.2%	8.2%	9.3%	N/A
Inflation rate	3.5%	3.5%	3.5%	3.5%	N/A

Decommissioning and restoration provisions - December 31, 2022					
	Bolivar	Porco	Caballo Blanco Group	Zimapan	Rosario
Undiscounted uninflated estimated cash flow	4,111	6,044	16,994	7,749	2,390
Discount rate	7.6%	7.6%	7.5%	9.9%	9.9%
Inflation rate	3.5%	3.5%	3.5%	3.5%	3.5%

16. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued - share capital

During the year ended December 31, 2023, the Company had the following share capital transactions:

- The Company issued 3,724,500 shares from the exercise of warrants for proceeds of $987 and 800,000 shares from the exercise of options for proceeds of $225.

During the year ended December 31, 2022, the Company had the following share capital transactions:

- The Company issued 12,851,500 shares from the exercise of warrants for proceeds of $3,780 and 310,000 shares from the exercise of options for proceeds of $72.
- The Company issued 3,077,317 shares with a fair value of $1,000 to a third-party finder pursuant to the acquisition of the Sinchi Wayra and Illapa Business (Note 5).

c) Stock options

On December 20, 2023, the Company's shareholders approved the adoption of a new omnibus equity incentive plan (the "Omnibus Incentive Plan") to replace the existing 10% Rolling Stock Option Plan (the "Stock Option Plan"), effective November 13, 2023.

Pursuant to the Omnibus Incentive Plan, the Company may grant Options, RSUs, PSUs, and DSUs to directors, officers, employees, management company employees, and consultants of the Company and its subsidiaries. The maximum number of shares available for issuance under the Omnibus Incentive Plan and the Stock Option Plan is limited to 10% of the issued and outstanding common shares.

Pursuant to the Omnibus Incentive Plan and the Stock Option Plan, Options granted have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board of Directors. Options are non-transferrable and the exercise price of the options shall be determined by the Board of Directors at the time the Options are granted but in no event shall be lower than the discounted market price permitted by the TSX-V.

Options granted under the Stock Option Plan prior to November 13, 2023, remain outstanding and are governed by the Omnibus Incentive Plan.

(Expressed in thousands of US dollars, unless otherwise noted)

16. SHARE CAPITAL (continued)

The following is a summary of the Company's stock options for the years ended December 31, 2023 and 2022:

	Number of stock options	**Weighted average exercise price**
	#	C$
Balance, December 31, 2021	21,724,400	0.40
Granted	2,300,000	0.40
Exercised	(310,000)	0.30
Balance, December 31, 2022	23,714,400	0.40
Granted	1,000,000	0.41
Exercised	(800,000)	0.39
Cancelled	(200,000)	0.39
Balance, December 31, 2023	23,714,400	0.40

As at December 31, 2023, the Company had the following stock options outstanding:

	Options outstanding			**Options exercisable**		
Date of expiry	**Number of options**	**Weighted average exercise price**	**Weighted average remaining years**	**Number of options**	**Weighted average exercise price**	**Weighted average remaining years**
	#	C$	Years	#	C$	Years
August 6, 2024	5,464,400	0.18	0.60	5,464,400	0.18	0.60
August 16, 2024	1,000,000	0.45	0.63	750,000	0.45	0.63
May 7, 2026	16,250,000	0.47	2.35	16,250,000	0.47	2.35
January 9, 2028	1,000,000	0.41	4.03	500,000	0.41	4.03
	23,714,400	**0.40**	**1.95**	**22,964,400**	**0.39**	**1.91**

During the year ended December 31, 2023, the Company granted a total of 1,000,000 stock options with a fair value of $213, of which $171 was recognized in operating expenses during the year ended December 31, 2023.

During the year ended December 31, 2022, the Company granted a total of 2,300,000 stock options with a fair value of $438, of which $332 was recognized in operating expenses during the year ended December 31, 2022.

The weighted average assumptions used in the Black-Scholes option pricing model were as follows:

Assumption	**Based on**	**2023**	2022
Risk-free rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	3.37%	0.87%
Expected life (years)	Expiry term of the options	5 years	5 years
Expected volatility (%)	Historical volatility of the Company's share price	86%	88%
Dividend yield (%)	Annualized dividend rate as of the date of grant	nil	nil

The weighted average closing share price on the date of the option exercises for the year ended December 31, 2023, was C$0.42 per share (year ended December 31, 2022 - C$0.48).

(Expressed in thousands of US dollars, unless otherwise noted)

16. SHARE CAPITAL (continued)

d) Warrants

The following is a summary of the Company's warrants for the years ended December 31, 2023 and 2022:

	Number of warrants	Weighted average exercise price
	#	C$
Balance, December 31, 2021	120,326,218	0.38
Exercised	(12,851,500)	0.38
Balance, December 31, 2022	107,474,718	0.38
Exercised	(3,724,500)	0.38
Expired	(40,528,257)	0.30
Balance, December 31, 2023	**63,221,961**	**0.44**

As at December 31, 2023, the Company had the following warrants outstanding:

Date of expiry	Number of warrants	Weighted average exercise price	Weighted average remaining years
	#	C$	Years
April 12, 2024 [1]	48,501,961	0.45	0.28
October 24, 2024	14,720,000	0.40	0.82
	63,221,961	**0.44**	**0.41**

[1] Subsequent to December 31, 2023 these warrants expired unexercised.

e) Restricted Share Units, Deferred Share Units, and Performance Based Share Units

RSUs are non-transferrable awards for service which upon vesting and settlement entitle the recipient to receive cash or common shares of equivalent value. The choice of settlement method is at the Company's sole discretion. Vesting conditions for RSUs are set by the Board of Directors, no RSUs granted shall vest earlier than one year or later than three years after the grant date, except in the sole discretion of the Board of Directors. No RSUs have been granted to date.

PSUs are non-transferrable awards that will vest and become payable upon the attainment of performance criteria within a certain period, which criteria and period shall be selected, settled and determine by the Board of Directors. PSUs are settled through cash or the issuance of common shares of equivalent value. The choice of settlement method is at the Company's sole discretion. No PSUs have been granted to date.

DSUs are non-transferrable awards that become payable upon termination of service of the participant. Vesting conditions for DSUs are set by the Board of Directors. Upon settlement, DSUs entitle the recipient to receive cash or common shares of an equivalent value. Timing of settlement after vesting occurs at the discretion of the participant and communicated to the Company by the participant in writing at least fifteen days prior to the designated day, or an earlier date as the participant and the Company pay agree. If no notice is given by the participant for a designated day, the DSUs shall be payable on the first anniversary of the date on which the participant's termination of service, or any earlier period on which the DSUs vest, at the sole discretion of the participant.

(Expressed in thousands of US dollars, unless otherwise noted)

17. COST OF SALES

Cost of sales excluding depletion, depreciation and amortization are costs that directly relate to production and generation of revenues at the operating segments. Significant components of cost of sales are comprised of the following:

	Year ended December 31,	
	2023	2022
	$	$
Consumables and materials	**16,929**	32,447
Energy	**4,732**	3,770
Insurance	**3,468**	1,351
Labour costs	**35,022**	49,944
Mine and plant maintenance	**7,069**	7,171
Mining contractors	**37,071**	42,200
Ore and concentrate purchase costs	**37,259**	67,484
Other costs	**1,801**	2,164
Production Costs	**143,351**	206,531
Transportation and other selling costs	**25,669**	27,501
Mine royalty expense[1]	**12,614**	12,018
Finished goods inventory changes	**5,641**	(4,977)
Cost of sales	**187,275**	241,073

[1] Mine royalty expense relates to the mining royalty due to the Bolivian government as a result of mining operations at the Sinchi Wayra and Illapa Business.

18. GENERAL AND ADMINISTRATIVE EXPENSES

A summary of the Company's operating expenses is as follows:

	Year ended December 31,	
	2023	2022
	$	$
Community relationship	**2,007**	1,773
Corporate administration	**3,593**	4,819
Professional fees	**3,156**	2,997
Salaries and benefits	**12,183**	8,046
Tax penalties and inflation charges	**5,484**	3,917
	26,423	21,552

During the year ended December 31, 2023, included in salaries and benefits, and pursuant to Mexican labour laws, is $22 (year ended December 31, 2022 - $429) for annual employee profit sharing tax related to Carrizal Mining.

(Expressed in thousands of US dollars, unless otherwise noted)

19. FINANCE COSTS

A summary of the Company's finance costs (income) is as follows:

	Year ended December 31, 2023	2022 (restated – Note 2)
	$	$
Accretion of consideration payable (note 12)	**6,237**	3,800
Accretion of decommissioning provisions (note 15)	**1,037**	1,243
Accretion of Trafigura Facility Loan (note 13)	**693**	1,428
Accretion of receivable from COMIBOL (note 7(a))	**(2,413)**	-
Financing charge on leases (note 14)	**29**	46
(Gain) on adjustment to consideration payable (notes 2, 12)	**(933)**	-
(Gain) on change in fair value of consideration payable (note 12)	**(3,853)**	-
Interest expense, carrying charges and finance charges on loans payable	**1,773**	2,785
Interest expense (income)	**(584)**	(947)
Other expense (income)	**2,503**	(3,359)
	4,489	4,996

20. INCOME TAX EXPENSE

a) Income tax expense

	Year ended December 31, 2023	2022 (restated – Note 2)
	$	$
Current tax expense (recovery)	**12,492**	6,320
Deferred tax expense (recovery)	**(2,258)**	(1,806)
Income tax expense (recovery)	**10,234**	4,514

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended December 31, 2023 and 2022, is as follows:

	Year ended December 31, 2023	2022 (restated – Note 2)
	$	$
(Loss) income before income taxes	**26,382**	(13,992)
Combined federal and provincial statutory income tax rates	**27%**	27%
Income tax (recovery) expense at statutory rates	**7,123**	(3,778)
Permanent differences	**(7,592)**	7,095
Change due to differences in tax rates	**166**	1,800
Inflation adjustment	**(484)**	(1,538)
Change due to foreign translation	**889**	(1,075)
Deferred tax assets not recognized	**7,287**	(1,699)
Mexico mining royalty tax	**(1,020)**	141
Tax effect of investment in subsidiaries	**(862)**	3,664
Others	**4,727**	(96)
Income tax expense (recovery)	**10,234**	4,514

(Expressed in thousands of US dollars, unless otherwise noted)

20. INCOME TAX EXPENSE (continued)

b) Deferred taxes

The significant components of the Company's deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
	$	$
Trade and other receivables	**1,665**	3,987
Other liabilities	**5,101**	3,969
Mineral properties, plant and equipment	**1,835**	2,542
Decommissioning and restoration provision	**2,339**	1,871
Non-capital losses	**5,061**	3,566
Inventories	**916**	429
Other assets	**401**	291
Mining tax	**387**	-
Other	**1,479**	367
Deferred tax assets	**19,184**	17,022

The significant components of the Company's deferred tax liabilities are as follows:

	December 31, 2023	December 31, 2022 (restated – Note 2)
	$	$
Mineral properties, plant and equipment	**(18,529)**	(20,930)
Investment in subsidiaries	**(4,910)**	(5,772)
Other liabilities	**(5,328)**	-
Inventories	**(1,511)**	(1,578)
Withholdings taxes	**-**	(1,435)
Trade payables and accrued liabilities	**(793)**	(1,285)
Other	**(32)**	(343)
Deferred tax liabilities	**(31,103)**	(31,343)

The following table reconciles to the Consolidated Statements of Financial Position presentation:

	December 31, 2023	December 31, 2022 (restated – Note 2)
	$	$
Deferred tax assets	**3,787**	2,712
Deferred tax liabilities	**(15,706)**	(17,033)
	(11,919)	(14,321)

Deferred tax assets and liabilities that are probable to be utilized are offset if they relate to the same taxable entity and same taxation authority. Future potential tax deductions that do not offset deferred tax liabilities are considered to be deferred tax assets.

(Expressed in thousands of US dollars, unless otherwise noted)

20. INCOME TAX EXPENSE (continued)

The significant components of the Company's unrecognized deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
	$	$
Deferred income tax assets:		
Deferred financing costs	**-**	439
Non-capital losses carried forward and other	**-**	1,518
Capital losses carried-forward	**56,929**	-
Other	**-**	1,135
Unrecognized deferred tax assets	**56,929**	3,092

As at December 31, 2023, the Company had unrecognized capital losses of approximately $56,929 (December 31, 2022 - $1,518) that arose in Canada, the capital losses can be carried forward indefinitely.

As at December 31, 2023, the Company has unrecognized taxable temporary differences of $105,098 (December 31, 2022 - $76,310) for taxes that would be payable on the unremitted earnings of certain subsidiaries of the Company.

c) Bolivia uncertain income tax position relating to tax year 2017

As part of the Acquisition, the Company assumed potential pre-acquisition income tax liabilities for Bolivia's 2017 tax year related to decommissioning and restoration provisions, depreciation of mineral properties, plant and equipment, undeclared income, and non-deductible expenses in the determination of the Bolivian current income tax. As at the Acquisition date and throughout 2022, the Company was still undergoing tax appeal proceedings. In the second quarter of 2023, the Company received notification from the Bolivian tax authorities on its decision to deny the appeal and confirmed the tax reassessment of $16,998, which includes tax interest and penalties. The Company and the Bolivian tax authorities agreed on a financing arrangement ("Financing Arrangement") by making an initial deposit of $5,816 (which represents 35% of the total balance) in the second quarter of 2023, and monthly instalments for the remaining balance of $10,801 over the next five years to June 2028.

The Company is challenging the Bolivian tax authorities' decision and has filed legal proceedings with the Supreme Court of Justice and the Constitutional Court in Bolivia. On December 6, 2023, the Supreme Court of Justice issued Judgment No. 270 ("Judgment No. 270") in which it resolved to annul the tax reassessment. On April 4, 2024, Judgment No. 270 was annulled. The Company continues to defend its original position.

As the matter relates to income tax, and there is uncertainty over whether the relevant authorities will accept the current tax treatment under the Bolivian tax law, management believes that it meets the definition of an uncertain tax treatment and this in within the scope of *IAS 12 – Income Taxes* and *IFRIC 23 – Uncertainty over Income Tax Treatments.* In accordance with IFRIC 23, an entity shall consider whether it is probable (more likely than not) that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that a taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable income or loss consistent with the tax treatment applied in its income tax filings.

Pursuant to the Amended SPA for the Acquisition and related agreements, Glencore has agreed to indemnify the Company for up to a maximum of $25,000, in aggregate, for all claims and liabilities under the Amended SPA and such related agreements. Such indemnification would, subject to such cap and certain conditions, extend to income tax liabilities. In the unlikely event that the Company exhausts all avenues and receives an unfavourable ruling, the Company is indemnified by the Amended SPA and would not be liable for any income tax liability up to $25,000.

20. INCOME TAX EXPENSE (continued)

The Company obtained legal advice to assess the probability of a final favourable ruling from its legal proceedings and the acceptance of the current tax treatments of the various tax items. Based on the legal assessment, the Company believes it is probable that the current tax treatments will be accepted as it has a strong substantive defense. Accordingly, the Company believes no current tax liability related to this matter needs to be recognized as at December 31, 2023.

As at December 31, 2023, the Company already remitted tax instalments totaling $6,735 inclusive of interest and penalties to the Bolivian tax authorities based on the financing arrangement. The Company needs to continue to make payments under the financing arrangement until there is final legal resolution to avoid adverse actions from the taxation authorities such as the seizing of bank accounts. However, as the Company believes the current tax related to this matter is $nil and the amounts paid will ultimately be refunded to the Company the total payment made to date of $6,735 is recognized as “other receivables” in Note 7.

21. CAPITAL MANAGEMENT

The Company’s objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing the growth of its business and providing returns to its shareholders. The Company’s capital structure consists of shareholders’ equity (comprising issued capital plus equity reserves plus deficit) with a shareholders’ equity of $5,415 as at December 31, 2023 (December 31, 2022 – shareholders’ deficiency of $9,280). The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company’s assets. The Company’s capital requirements are effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

The Company is not subject to any externally imposed capital requirements with the exception of compliance with covenants for the Trafigura Loan Facility. As at December 31, 2023 the Company was not compliant with financial covenants associated with the Trafigura Loan Facility however the Company was granted a waiver for non-compliance with these financial covenants subsequent to December 31, 2023 (Note 13(c)).

(Expressed in thousands of US dollars, unless otherwise noted)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

December 31, 2023	**Amortized cost**	**FVTPL**	**Total**
	$	$	$
Financial assets			
Cash and cash equivalents	4,947	-	4,947
Marketable securities	-	60	60
Trade and other receivables	47,812	18,558	66,370
	52,759	**18,618**	**71,377**
Financial liabilities			
Trade payables and accrued liabilities	51,973	-	51,973
Consideration payable	147,886	15,102	162,988
Loans payable	17,775	-	17,775
Other liabilities	18,243	-	18,243
	235,877	**15,102**	**250,979**

December 31, 2022 (restated – Note 2)			
Financial assets			
Cash and cash equivalents	4,609	-	4,609
Marketable securities	-	2,769	2,769
Trade and other receivables	48,351	16,916	65,267
	52,960	19,685	72,645
Financial liabilities			
Trade payables and accrued liabilities	69,441	-	69,441
Consideration payable	143,380	18,157	161,537
Loans payable	22,215	-	22,215
Other liabilities	17,304	-	17,304
	252,340	18,157	270,497

The categories of the fair value hierarchy that reflect the inputs to valuation techniques used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability based on unobservable market data.

As at December 31, 2023, marketable securities are measured at fair value using Level 1 inputs. The fair value of marketable securities is measured based on the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in profit or loss.

Trade receivables are measured at fair value using Level 1 inputs. The fair value of trade receivables is measured based on inputs other than quoted prices for the underlying commodity prices (silver, lead, zinc, copper) to which the receivable relates as the trade receivables are provisionally priced at the time of sale.

The carrying values of cash and cash equivalents, other receivables, and trade payables and accrued liabilities approximate their fair values because of their short-term nature.

The fair value of the loans payable for disclosure purposes is determined using discounted cash flows based on the expected amounts and timing of future cash flows discounted using a market rate of interest adjusted for appropriate credit risk.

(Expressed in thousands of US dollars, unless otherwise noted)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The levels in the fair value hierarchy into which the Company's financial assets and liabilities that are measured and recognized on the consolidated statements of financial position at fair value on a recurring basis were categorized as follows:

	December 31, 2023			**December 31, 2022 (restated – Note 2)**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
	$	$	$	$	$	$
Assets						
Marketable securities	60	-	-	2,769	-	-
Trade receivables	18,558	-	-	16,916	-	-
	18,618	**-**	**-**	19,685	-	-
Liabilities						
Consideration payable	-	-	15,102	-	-	18,157
	-	**-**	**15,102**	-	-	18,157

The majority of the Company's trade receivables arose from provisional concentrate sales and are valued using quoted market prices based on the forward London Metal Exchange for silver, zinc and lead and the London Bullion Market Association P.M. fix for silver.

The methodology and assessment of inputs for determining the fair value of financial assets and liabilities as well as the levels of hierarchy for the Company's financial assets and liabilities measured at fair value remains unchanged from that at December 31, 2022.

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables.

The Company has concentrate contracts to sell the zinc and lead concentrates produced by all of the Company's mines. Concentrate contracts are a common business practice in the mining industry. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of concentrates. Should any of these counterparties not honour purchase arrangements, or should any of them become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrates on the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. At December 31, 2023, the Company had receivable balances associated with buyers of its concentrates of $18,558 (December 31, 2022 - $16,916). The vast majority of the Company's concentrate is sold to well-known concentrate buyers.

The following financial assets represent the maximum credit risk to the Company:

	December 31, 2023	December 31, 2022
	$	$
Cash and cash equivalents	**4,947**	4,609
Trade and other receivables	**66,370**	65,267
Prepaid expenses and deposits	**5,536**	5,803

(Expressed in thousands of US dollars, unless otherwise noted)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Management constantly monitors and assesses the credit risk resulting from its concentrate sales, trading counterparties and customers. With the exception to the above, the Company believes it is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due (see Note 1). The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and short-term investments, and its committed loan facilities.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following tables summarize the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments on an undiscounted basis at December 31, 2023:

	<1 year	**1 - 2 years**	**2 - 5 years**	**>5 years**	**Total**
	$	$	$	$	$
Trade payables and accrued liabilities	48,555	3,418	-	-	51,973
Consideration payable	37,016	38,857	97,272	4,149	177,294
Loans payable	14,812	3,066	-	-	17,878
Lease payments	1,883	56	37	-	1,926
	102,216	**45,397**	**97,309**	**4,149**	**249,071**

Currency risk

The Company reports its financial statements in USD; however, the Company operates in jurisdictions that utilize other currencies. As a consequence, the financial results of the Company's operations as reported in USD are subject to changes in the value of the USD relative to local currencies. Since the Company's sales are denominated in USD and a portion of the Company's operating costs and capital spending are in local currencies, the Company is negatively impacted by strengthening local currencies relative to the USD and positively impacted by the inverse.

The sensitivity of the Company's net income to changes in the exchange rate between the US dollar and the Bolivian boliviano, the Mexican peso and the Canadian dollar, respectively, would be as follows: a 1% change in the US dollar exchange rate relative to the Bolivian boliviano would change the Company's net income by approximately ($140), a 1% change in the US dollar exchange rate relative to the Mexican peso would change the Company's net income by approximately $13, and a 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net income by approximately ($45).

(Expressed in thousands of US dollars, unless otherwise noted)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company's financial assets and liabilities as at December 31, 2023, are denominated in Canadian dollars, US dollars, Bolivian bolivianos and Mexican pesos and translated to US dollars as follows:

	CAD	BOB	USD	MXN	Total
	$	$	$	$	**$**
Financial assets					
Cash and cash equivalents	78	4,341	352	176	**4,947**
Marketable securities	60	-	-	-	**60**
Trade and other receivables	-	48,235	18,106	29	**66,370**
	138	**52,576**	**18,458**	**205**	**71,377**
Financial liabilities					
Trade payables and accrued liabilities	36	31,547	-	20,390	**51,973**
Consideration payable	-	-	162,988	-	**162,988**
Loans payable	-	16,825	950	-	**17,775**
Other liabilities	-	11,121	3,615	3,507	**18,243**
	36	**59,493**	**167,553**	**23,897**	**250,979**
Net financial assets (liabilities)	**102**	**(6,917)**	**(149,095)**	**(23,692)**	**(179,602)**

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. As at December 31, 2023, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its consideration payable, debt facilities and lease liabilities. Based on the Company's interest rate exposure at December 31, 2023, a change of 1% increase or decrease of market interest rate would impact the Company's income or loss by approximately $198.

Price risk

Metal price risk is the risk that changes in metal prices will affect the Company's income or the value of its related financial instruments. The Company derives its revenue from the sale of silver, zinc, lead and copper. The Company's sales are directly dependent on metal prices that have shown significant volatility and are beyond the Company's control. Consistent with the Company's mission to provide equity investors with exposure to changes in precious metal prices, the Company's current policy is to not hedge the price of precious metal.

(Expressed in thousands of US dollars, unless otherwise noted)

23. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company's related parties include its subsidiaries, joint arrangements and key management personnel. During its normal course of operation, the Company enters into transactions with its related parties for goods and services. All related party transactions for the years ended December 31, 2023 and 2022, have been disclosed in these consolidated financial statements.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Remuneration of key management personnel

Key management includes directors of the Company, the CEO, the CFO, the Executive Chairman, and other members of key management. Compensation to key management personnel was as follows:

	Year ended December 31,	
	2023	2022
	$	$
Management and consulting fees	**2,571**	2,119
Share-based compensation	**229**	786
	2,800	2,905

Of the $2,571 in management and consulting fees incurred with related parties during the year ended December 31, 2023, $101 (year ended December 31, 2022 - $100) was related to directors' fees and $2,470 (year ended December 31, 2022 - $2,019) was related to management fees.

As at December 31, 2023, directors and officers or their related companies were owed $27 (December 31, 2022 - $43) in respect of the services rendered. These are non-interest bearing with standard payment terms.

A total of $nil of the leases payable remains outstanding as at December 31, 2023 (December 31, 2022 - $38) that was owed to a company owned by the Executive Chairman.

24. SEGMENT INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management team, collectively the chief operating decision maker ("CODM"), in assessing performance and in determining the allocation of resources. The Company primarily manages its business by looking at individual producing and developing resource projects as well as the aggregate of the exploration and evaluation properties and typically segregate these projects between production, development, and exploration.

a) Operating segments

The following reportable operating segments have been identified: the Bolivar mine and processing plant, the Porco mine and processing plant, the Caballo Blanco Group, San Lucas, Zimapan, and Corporate and Other activities. The corporate division earns income that is considered incidental to the Company's activities and therefore does not meet the definition of an operating segment.

(1) In the following tables it should be noted that the CODM reviews Bolivar and Porco revenues, cost of sales information, capital expenditures, total assets and total liabilities on a 100% basis whereas this financial information is recorded at 45% in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

(Expressed in thousands of US dollars, unless otherwise noted)

24. SEGMENT INFORMATION (continued)

Significant information relating to the Company's reportable operating segments, disaggregated by the geographical location of the Company's mines and businesses, is summarized in the tables below:

Year ended December 31, 2023	**Bolivar**	**Porco**	**Caballo Blanco Group**	**San Lucas**	**Zimapan**	**Corporate and other**	**Illapa Joint Operation eliminations[1]**	**Inter-company eliminations**	**Total**
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	$	$	$	$	$	$	$	$	$
Revenues	66,503	31,560	73,528	108,661	54,035	-	(41,778)	(41,252)	251,256
Mine operating costs									
Cost of sales	48,543	28,934	47,731	100,367	45,166	-	(42,214)	(41,252)	187,275
Depletion and amortization	10,599	6,499	10,176	11	3,946	-	(9,404)	-	21,827
Impairment on MPPE	-	16,787	-	-	-	-	(9,233)	-	7,554
	59,142	52,220	57,907	100,378	49,112	-	(60,851)	(41,252)	216,656
Gross profit (loss)	**7,361**	**(20,660)**	**15,621**	**8,283**	**4,922**	**-**	**19,073**	**-**	**34,600**

Year ended December 31, 2022	**Bolivar**	**Porco**	**Caballo Blanco Group**	**San Lucas**	**Zimapan**	**Corporate and other**	**Illapa Joint Operation eliminations[1]**	**Inter-company eliminations**	**Total**
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	$	$	$	$	$	$	$	$	$
Revenues	67,351	43,810	94,774	107,484	54,345	34	(53,922)	(35,282)	278,594
Mine operating costs									
Cost of sales	50,334	36,061	92,258	96,824	43,106	-	(42,228)	(35,282)	241,073
Depletion and amortization	7,928	4,716	8,378	4	2,422	-	(8,801)	-	14,647
	58,262	40,777	100,636	96,828	45,528	-	(51,029)	(35,282)	255,720
Gross profit (loss)	9,089	3,033	(5,862)	10,656	8,817	34	(2,893)	-	22,874

As at December 31, 2023	**Bolivar**	**Porco**	**Caballo Blanco Group**	**San Lucas**	**Zimapan**	**Corporate and other**	**Illapa Joint Operation eliminations[1]**	**Inter-company eliminations**	**Total**
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	$	$	$	$	$	$	$	$	$
Capital expenditures	12,327	2,223	9,512	-	5,862	108	(8,003)	-	21,669
Total assets	94,384	53,903	71,575	50,055	42,893	50,406	(24,180)	-	339,036
Total liabilities	(47,508)	(30,934)	(54,448)	(23,000)	(44,253)	(169,504)	36,026	-	(333,621)

As at December 31, 2022 (restated – Note 2)	**Bolivar**	**Porco**	**Caballo Blanco Group**	**San Lucas**	**Zimapan**	**Corporate and other**	**Illapa Joint Operation eliminations[1]**	**Inter-company eliminations**	**Total**
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	$	$	$	$	$	$	$	$	$
Capital expenditures	8,344	2,513	8,766	37	2,084	-	(5,971)	-	15,773
Total assets	108,156	61,816	67,549	38,938	38,315	68,954	(35,410)	-	348,318
Total liabilities	(55,370)	(31,646)	(55,247)	(19,853)	(41,983)	(188,810)	35,311	-	(357,598)

(Expressed in thousands of US dollars, unless otherwise noted)

24. SEGMENT INFORMATION (continued)

b) Segment revenue by location and major customers

Year ended December 31, 2023	**Bolivar**	**Porco**	**Caballo Blanco Group**	**San Lucas**	**Zimapan**	**Corporate and other**	**Illapa Joint Operation eliminations(1)**	**Inter-company eliminations**	**Total**
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	$	$	$	$	$	$	$	$	$
Silver	26,853	3,926	19,849	58,721	27,451	-	-	-	136,800
Zinc	37,484	26,676	45,161	66,338	28,193	-	-	-	203,852
Lead	2,066	-	4,073	9,913	9,333	-	-	-	25,385
Copper	-	-	-	-	9,991	-	-	-	9,991
Illapa joint operation 55% interest	-	-	-	-	-	-	(41,778)	-	(41,778)
Intercompany transactions	13,212	8,891	19,149	-	-	-	-	(41,252)	-
Provisional pricing adjustments	(2,156)	(1,496)	(2,365)	(1,413)	274	-	-	-	(7,156)
Smelting and refining costs	(10,956)	(6,437)	(12,339)	(24,898)	(21,208)	-	-	-	(75,838)
Sales to external customers	**66,503**	**31,560**	**73,528**	**108,661**	**54,034**	**-**	**(41,778)**	**(41,252)**	**251,256**

Year ended December 31, 2022	**Bolivar**	**Porco**	**Caballo Blanco Group**	**San Lucas**	**Zimapan**	**Corporate and other**	**Illapa Joint Operation eliminations(1)**	**Inter-company eliminations**	**Total**
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	$	$	$	$	$	$	$	$	$
Silver	29,094	10,669	25,292	33,916	22,824	-	-	-	121,795
Zinc	42,070	33,022	54,480	99,541	31,549	-	-	-	260,662
Lead	2,569	1,591	6,514	7,403	7,424	-	-	-	25,501
Copper	-	-	-	-	9,711	-	-	-	9,711
Illapa joint operation 55% interest	-	-	-	-	-	-	(53,922)	-	(53,922)
Intercompany transactions	1,138	4,802	29,342	-	-	-	-	(35,282)	-
Provisional pricing adjustments	2,004	(226)	(9,585)	(939)	1,495	34	-	-	(7,217)
Smelting and refining costs	(9,524)	(6,047)	(11,269)	(32,438)	(18,658)	-	-	-	(77,936)
Sales to external customers	67,351	43,811	94,774	107,483	54,345	34	(53,922)	(35,282)	278,594

During the year ended December 31, 2023, the Company had two customers (year ended December 31, 2022 - two customers). One customer accounted for 78% of the total sales revenue for the year ended December 31, 2023 (year ended December 31, 2022 - 80%). The other customer accounted for the remaining 22% of the total sales revenue for the year ended December 31, 2023 (year ended December 31, 2022 - 20%).

(Expressed in thousands of US dollars, unless otherwise noted)

25. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share for the Company was calculated based on the following:

	Year ended December 31,	
	2023	2022 (restated – Note 2)
	$	$
Net income (loss) for the year	**16,148**	(18,506)
Weighted average number of shares outstanding	**349,941,159**	339,100,644
Earnings (loss) per share - basic	**0.05**	(0.05)

	Year ended December 31,	
	2023	2022 (restated – Note 2)
	$	$
Net income (loss) for the year	**16,148**	(18,506)
Weighted average number of shares outstanding	**349,941,159**	339,100,644
Effect of dilutive securities	**2,358,058**	-
Earnings (loss) per share - diluted	**0.05**	(0.05)

Earnings per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

The following securities could potentially dilute basic earnings per share in the future, but were not included in the computation of diluted earnings per share because they were anti-dilutive:

	2023	2022
Stock options	**18,249,600**	23,714,400
Warrants	**63,221,961**	107,474,718
	81,471,561	131,189,118

(Expressed in thousands of US dollars, unless otherwise noted)

26. SUPPLEMENTAL CASH FLOW INFORMATION

A summary of the Company's non-cash finance costs is as follows:

	Year ended December 31,	
	2023	2022 (restated – Note 2)
	$	$
Accretion of consideration payable (note 12)	**6,238**	3,800
Accretion of decommissioning provision (note 15)	**1,037**	1,243
Accretion of Trafigura Loan Facility (note 13)	**693**	1,428
Accretion of receivable from COMIBOL (note 7(a))	**(2,413)**	-
Change in decommissioning and restoration provision	**(90)**	-
Finance charges on leases	**29**	46
Gain on adjustment to consideration payable (notes 2, 12)	**(933)**	-
Gain on change in fair value of consideration payable (note 12)	**(3,853)**	-
Inflation adjustments, surcharges and penalties	**165**	-
Interest expense on loans payable	**1,318**	1,266
	2,191	7,783

27. SUBSEQUENT EVENT

The Company entered into the Term Sheet dated March 28, 2024 with Glencore, subject to the approval of the TSX-V, to amend the SPA and Amended SPA in connection with the Acquisition. Pursuant to the Term Sheet, the Company and Glencore have agreed to the following terms:

- The total consideration payable by the Company to Glencore under the Term Sheet will be in lieu of all present and future amounts owing or payable by the Company under the SPA and Amended SPA entered into pursuant to the Acquisition as disclosed in Note 12.
- Subject to the Acceleration Option (as defined below), the Company will pay up to $80,000 in cash to Glencore in eight equal annual instalments of $10,000 each (the “Base Purchase Price”) with the first payment being made on or before November 1, 2025.
- The Company can exercise an option to accelerate the payment of the outstanding balance of the Base Purchase Price in full at any time, such prepayment amount will be $40,000 if exercised prior to November 1, 2025 and shall decrease by $2,000 for each annual instalment of $10,000 that has been paid by the Company (the “Acceleration Option”).
- The Company grants to Glencore a contingent value right (the “CVR”) whereby the Company will pay Glencore a monthly payment of $1,333 (the “CVR Payment”), subject to a total cap of $77,700, in the event that in any calendar month after the date the parties enter into the Term Sheet, the average LME spot price of zinc (or the highest open hedge price if the Hedging Option (as defined below) has been exercised) in the calendar month is at least $3,850 per tonne (the “Base Price”). The CVR Payment will increase by $83 for each increase of $100 per tonne above the Base Price and up to a price of $5,049.99 per tonne.
- In addition to the CVR Payment, in the event the average LME spot price of zinc (or the highest open hedge price if the Hedging Option has been exercised) in a calendar month is at least $5,050 per tonne (the “Additional Payment Price”), Glencore will be entitled to certain additional payments (the “Additional Payments”), which will increase for each increase of $100 per tonne above the Additional Payment Price.
- Upon the occurrence of the monthly average zinc LME spot price exceeding the Base Price, Glencore can require the Company to hedge a limited amount of zinc production from its Bolivian mining operations (so long as the hedging price would exceed the Base Price) subject to certain conditions (the “Hedging Option”).
- The CVR and Additional Payments will be effective from the date of the Term Sheet until December 31, 2032. The Additional Payments and the Hedging Option will terminate once the Company is no longer obligated to make CVR Payments.
- The Company and Glencore will use good faith efforts to finalize, execute and deliver definitive agreements containing the terms and provisions outlined in the Term Sheet and other customary terms.
- Management has undertaken a valuation exercise as at March 28, 2024, based on the Term Sheet, and determined a fair value of the Base Purchase Price of approximately $30 million, net of a fair value of approximately $5 million related to the fair value of the Acceleration Option and a fair value of the CVR of $1.4 million.
- The fair value of the Base Purchase Price was estimated using a discounted cash flow method to calculate the net present value of the expected cash flows. A discount rate of 20% was used based on various qualitative and quantitative considerations. The fair value of the CVR was calculated using a Monte Carlo Simulation with key inputs and assumptions including the zinc spot price ($2,502 per tonne), expected price of zinc at the maturity date, risk-free rate, daily mean reversion parameter, daily volatility and credit spread.