Guanajuato Silver Co Ltd

Management's Discussion and Analysis

For the year ended December 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the annual audited consolidated financial statements of Guanajuato Silver Company Ltd. ("GSilver" or the "Company"), for the year ended December 31, 2022, and the related notes contained therein (the "Financial Statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company uses certain non-IFRS financial measures in this MD&A as described under "Non-IFRS Measures". Additional information relating to the Company, including the most recent Annual Information Form (the "Annual Information Form"), is available on SEDAR at www.sedar.com. All amounts are expressed in United States ("US") dollars unless otherwise stated. Certain amounts shown in this MD&A may not add exactly to total amounts due to rounding differences.

This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained therein. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of April 10, 2023, unless otherwise stated.

QUALIFIED PERSON

The scientific and technical information contained in this MD&A relating to the Company's mines and mineral projects has been reviewed and approved by Reynaldo Rivera, a member of the Australasian Institute of Mining and Meallurgy (AusIMM – Registration Number 220979), VP of Exploration and a Qualified Person with the meaning of National Instrument 43-101, "Standards for Disclosure of Mineral Projects."

FORWARD-LOOKING STATEMENTS

Certain sections of this MD&A contain forward-looking statements and forward-looking information within the meaning of applicable securities legislation. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements or forward-looking information, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements and forward-looking information contained or incorporated by reference in this MD&A may relate to the Company's future financial condition, results of operations, plans, budgets, objectives, performance or business developments including, among other things, potential acquisitions, mining operations, production forecasts, exploration and work programs, permitting and drilling plans and the timing thereof, the performance characteristics of the Company's mining projects including production rates, quantity and grades of metals produced and revenue derived therefrom, development and exploration programs and anticipated results thereof, projections of market prices and costs, supply and demand for gold, silver and other precious or base metals, expectations regarding the ability to raise capital and to acquire resources and/or reserves through acquisitions and/or development, treatment under governmental regulatory regimes and tax laws, and capital expenditure programs and the timing and methods of financing thereof. Forward-looking statements and forward-looking information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements and information, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include, but are not limited to: (1) there being no significant disruptions affecting operations, whether due to labor disruptions, supply disruptions, power disruptions, damage to equipment, adverse weather conditions, natural disasters, wars, invasions or other armed conflicts, COVID 19 or otherwise; (2) permitting, access, production, development and exploration at our mining projects (including, without limitation, land acquisitions) being consistent with the Company's current expectations; (3) the Company's assessment and interpretation of potential geological structures and mineralization including estimates of the location, quantity and grade of mineral resources and mineralized material at its mining properties being accurate in all material respects; (4) the sufficiency of the Company's current working capital and credit facilities to successfully ramp-up production of concentrate from the Company's newly acquired Valenciana, San Ignacio and Topia mines in accordance with the Company's budgeted costs, timing and expectations including the restart of the Cata processing plant; (7) the ability of the Company to successfully integrate, where applicable, its recently acquired Valenciana and San Ignacio mines into its current El Cubo mining operations on a basis consistent with the Company's current expectations including the availability of excess processing and tailings capacity at El Cubo; (8) the ability of the Company to improve production efficiency and grades at its newly acquired Topia mine and processing plant; (9) actual production rates, quantity and grade of metals, and revenue derived from, and capital and operating costs of, its mining projects being consistent with current expectations; (10) certain price assumptions for gold, silver, zinc, lead and other metals; (11) prices for and availability of equipment, labor, natural gas, fuel oil, electricity, water and other key supplies remaining consistent with current levels; (12) the ability of the Company to generate positive cash flow from operations and the timing thereof, (13) labor and materials costs increasing on a basis consistent with the Company's current expectations; (14) the availability and timing of additional financing being consistent with the Company's current expectations; (15) the Company's ability to obtain regulatory approvals and permits in a timely manner and on terms consistent with current expectations; (16) political developments in Mexico including, without limitation, the implementation of new mining laws and related regulations being consistent with the Company's current expectations; (17) the exchange rate between the Canadian dollar and the U.S. dollar or between the Canadian dollar and the Mexican Peso being approximately consistent with current levels; (18) key personnel will continue their employment with the Company and the Company will be able to obtain and retain additional qualified personnel, as needed, in a timely and cost efficient manner; and (19) the absence of any material adverse effects arising as a result of political instability, wars, terrorism, sabotage, vandalism, theft, labor disputes, natural disasters, adverse weather and climate related events, equipment failures, rising inflation and *interest rates, adverse changes in government legislation or the socio-economic conditions affecting the Company's mining projects or the mining industry in general.*

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and forward-looking information. Such factors include, but are not limited to: the timing and availability of additional capital, fluctuations in the currency markets; fluctuations in the spot and forward price of gold, silver, zinc, lead or other commodities (such as diesel fuel and electricity); changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Mexico, or other countries in which the Company may carry on business in the future; business opportunities that may be presented to, or pursued by, the Company; the Company's ability to successfully integrate acquisitions; operating or technical difficulties in connection with exploration, development and production activities; employee relations; the speculative nature of silver and gold exploration and development, including the risks of obtaining necessary licenses and permits; competition for, among other things, capital, acquisitions of resources and/or reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of acquisitions, geological, technical, drilling and processing problems, fluctuations in foreign exchange or interest rates and stock market volatility, changes in income tax laws or changes in tax laws and incentive programs relating to the mineral resource industry; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and silver, gold and other metals concentrate losses including theft (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks). See also "Risks and Uncertainties" herein. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements or forward-looking information made by, or on behalf of, the Company. There is also uncertainty about the continued spread and severity of COVID-19, the ongoing war in Ukraine, inflation, rising interest rates, and the impact they will have on the Company's operations, personnel, supply chains, ability to access properties or procure exploration equipment, contractors, and other personnel on a timely basis or at all and economic activity in general. There can be no assurance that forward-looking statements and forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and information. Forward-looking statements and forward-looking information are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements and forward-looking information made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada including, but not limited to, the Financial Statements and the Company's most recently filed annual information form. These factors are not intended to represent a complete list of the factors that could affect the Company and readers should not place undue reliance on forward-looking statements or forward-looking information in this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements and forward-looking information, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements and forward-looking information, except to the extent required by applicable law.

The forward-looking statements and forward-looking information contained herein are based on information available as of April 10, 2023.

The city of Guanajuato, Mexico

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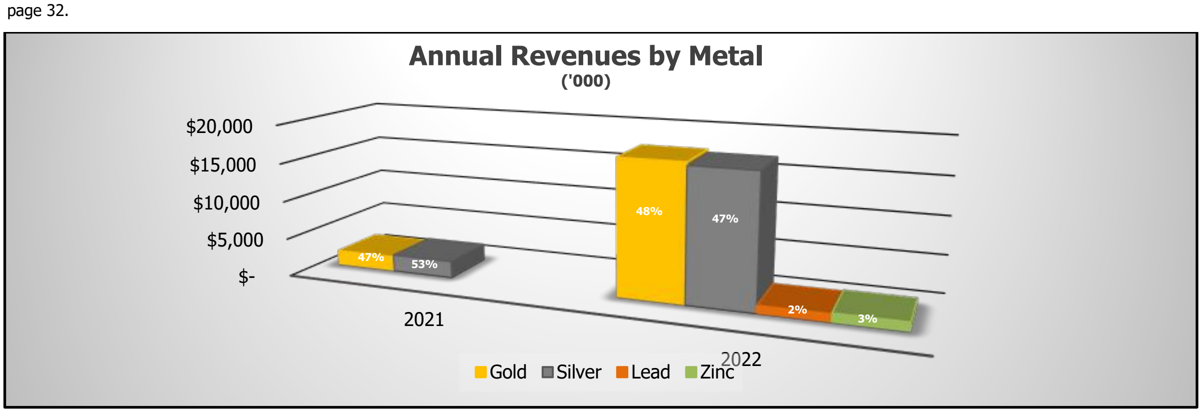
Chairman and CEO, James Anderson

OPERATING AND FINANCIAL HIGHLIGHTS

Commercial production at the El Cubo Mines Complex commenced on October 1, 2021. The Valenciana Mines Complex ("VMC"), which includes the San Ignacio mine and the Cata mill facility, and the Topia Mines Complex ("Topia") were acquired on August 4,2022. Topia had continuous production throughout the acquisition, the San Ignacio mine recommenced production in August 2022 and production at the Valenciana mine also began in August 2022. Recommissioning of the Cata plant began in December 2022 with processing at the plant commencing in January 2023.

	Year Ended		
CONSOLIDATED	**December 31 2022**	**December 31 2021**	**Change 2022 vs 2021**
Operating			
Tonnes mined	410,305	89,082	361%
Tonnes milled	418,849	77,524	440%
Silver ounces produced	1,011,877	124,750	711%
Gold ounces produced	11,174	1,440	676%
Lead produced (lbs)	1,349,100	-	-
Zinc produced (lbs)	1,938,681	-	-
Silver equivalent ("Ag/Eq") ounces produced(1)	2,150,222	235,609	813%
Silver ounces sold	1,011,259	105,203	861%
Gold ounces sold	11,064	1,179	838%
Lead sold (lbs)	1,350,688	-	-
Zinc sold (lbs)	1,874,138	-	-
Ag/Eq ounces sold(1)	2,132,404	199,526	969%
Cost per tonne ($)(5)	80.86	79.10	2%
Cash cost per Ag/Eq ounce ($) (1)(2)(5)	15.84	25.45	(38%)
AISC per Ag/Eq ounce ($) (1)(3)(5)	21.55	73.70	(71%)
Financial	**$**	**$**	
Revenue	36,880,204	4,116,811	796%
Cost of Sales	43,763,193	6,350,863	589%
Mine operating loss	(6,882,989)	(2,234,052)	208%
Mine operating cashflow before taxes(7)	2,037,915	(965,211)	(311%)
Net loss	(26,771,585)	(11,849,800)	126%
EBITDA(4)(5)	(13,825,789)	(9,312,481)	48%
Adjusted EBITDA(4)(5)	(9,192,344)	(7,050,839)	30%
Realized silver price per ounce(6)	21.23	23.35	(9%)
Realized gold price per ounce(6)	1,783.36	1,784.02	0%
Realized lead price per pound(6)	0.92	-	100%
Realized zinc price per pound(6)	1.42	-	100%
Working capital(5)	(5,972,704)	1,670,108	(458%)
Shareholders			
Loss per share – basic and diluted	(0.10)	(0.06)	74 %
Weighted Average Shares Outstanding	256,318,795	183,697,735	40%

1. Silver equivalents are calculated using an 83.22:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.07:1 (Ag/Zn) ratio for 2022; and 80:1 (Ag/Au) ratio for 2021, respectively.
2. Cash cost per silver equivalent ounce include mining, processing, and direct overhead. See Reconciliation to IFRS on page 33.
3. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital.
4. See Reconciliation of earnings before interest, taxes, depreciation, and amortization on page 32.
5. See "Non-IFRS Financial Measures" on page 31.
6. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.
7. Mine operating cash flow before taxes is calculated by adding back depreciation, depletion, and inventory write-downs to mine operating loss. See Reconciliation to IFRS on page 32.



Guanajuato Silver CO LTD

CONSOLIDATED	Three Months Ended December 31 2022	September 30 2022	June 30 2022	March 31 2022	December 31 2021	Change Q4 vs Q3
Operating						
Tonnes mined	131,543	107,379	90,045	81,338	89,082	23%
Tonnes milled	131,341	107,009	94,212	86,288	77,524	23%
Silver ounces produced	401,244	329,298	155,912	125,423	124,750	22%
Gold ounces produced	3,907	3,226	2,161	1,880	1,440	21%
Lead produced (lbs)	811,492	537,608	-	-	-	51%
Zinc produced (lbs)	1,261,554	677,127	-	-	-	86%
Silver equivalent ("Ag/Eq") ounces produced(1)	836,375	700,264	337,760	275,823	235,609	19%
Silver ounces sold	405,384	311,754	159,840	134,281	105,203	30%
Gold ounces sold	3,866	2,997	2,195	2,007	1,179	29%
Lead sold (lbs)	846,281	504,408	-	-	-	68%
Zinc sold (lbs)	1,600,811	273,327	-	-	-	486%
Ag/Eq ounces sold(1)	866,319	628,256	342,987	294,842	199,526	38%
						0%
Cost per tonne ($)(5)	98.30	90.37	60.89	64.32	63.35	9%
Cash cost per Ag/Eq ounce ($) (1)(2)(5)	15.55	13.86	17.08	20.24	20.36	12%
AISC per Ag/Eq ounce ($) (1)(3)(5)	20.80	19.53	24.15	25.79	33.31	7%
Financial	$	$	$	$	$	
Revenue	15,487,714	8,871,863	6,133,989	6,386,638	4,116,811	75%
Cost of Sales	15,635,542	12,213,604	7,790,285	8,123,761	6,350,863	28%
Mine operating loss	(147,830)	(3,341,742)	(1,656,295)	(1,737,122)	(2,234,052)	(96%)
Mine operating cashflow (loss) before taxes (7)	2,367,522	(350,164)	7,923	12,634	(965,211)	(776%)
Net loss	(9,905,707)	(8,405,337)	(3,521,390)	(4,939,152)	(4,746,245)	18%
EBITDA(4)(5)	(5,997,153)	(4,192,955)	(1,132,278)	(2,503,405)	(2,858,086)	43%
Adjusted EBITDA(4)(5)	(2,129,871)	(2,758,286)	(2,244,593)	(2,059,596)	(2,538,978)	(23%)
Realized silver price per ounce(6)	21.23	19.06	22.56	23.97	23.35	11%
Realized gold price per ounce(6)	1,783.36	1,724.81	1,873.26	1,864.26	1,784.02	3%
Realized lead price per pound(6)	0.92	0.86	-	-	-	7%
Realized zinc price per pound(6)	1.42	1.44	-	-	-	(1%)
Working capital(5)	(5,972,704)	(2,591,389)	(2,046,261)	(1,198,721)	1,670,108	130%
Shareholders						
Loss per share – basic and diluted	$(0.03)	$(0.03)	$(0.02)	$(0.02)	$(0.02)	0%
Weighted Average Shares Outstanding	302,153,922	271,509,812	226,033,272	224,556,314	210,531,741	11%

1. Silver equivalents are calculated using an 81.35:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for Q4; 89.97:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.08:1 (Ag/Zn) ratio for Q3 2022; 83.4:1 (Ag/Au) ratio for Q2 2022; and 80:1 (Ag/Au) ratio for Q1 2022 and Q4 2021, respectively.
2. Cash cost per silver equivalent ounce include mining, processing, and direct overhead. See Reconciliation to IFRS on page 33.
3. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital.
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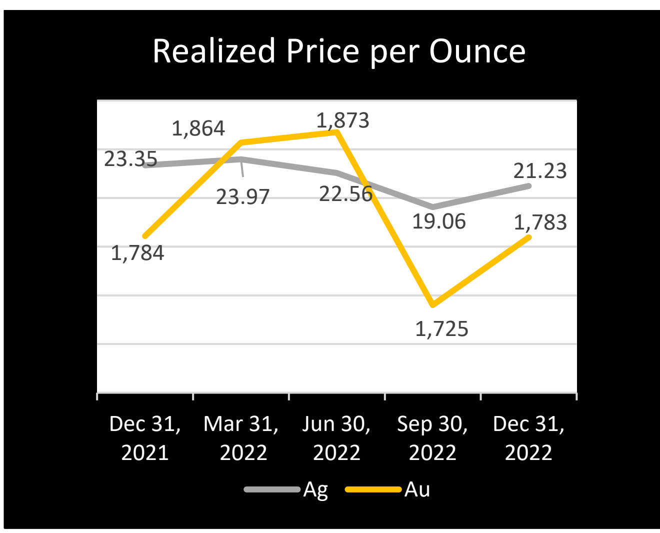

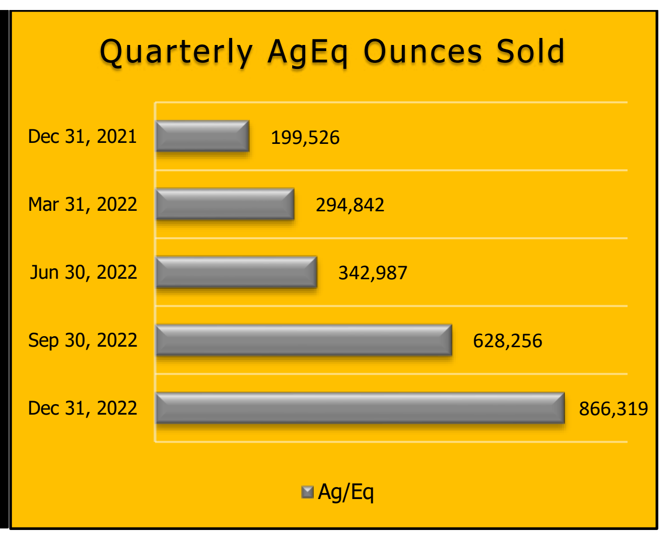

Fourth Quarter Production Summary	El Cubo Mines Complex	Valenciana Mines Complex	Topia	Consolidated
Tonnes mined	81,109	32,259	18,175	131,543
Tonnes milled	81,973	30,851	18,517	131,341
Silver ounces produced	188,579	58,113	154,552	401,244
Gold ounces produced	2,569	993	345	3,907
Lead produced (lbs)	-	-	811,492	811,492
Zinc produced (lbs)	-	-	1,261,554	1,261,554
Silver equivalent ("Ag/Eq") ounces produced(1)	397,323	139,003	300,049	836,375
Silver ounces sold	181,554	56,926	166,904	405,384
Gold ounces sold	2,510	963	393	3,866
Lead sold (lbs)	-	-	846,281	846,281
Zinc sold (lbs)	-	-	1,600,811	1,600,811
Ag/Eq ounces sold(1)	380,579	135,471	350,269	866,319
Cost per tonne (4)	67.70	102.85	277.29	98.30
Cash cost per Ag/Eq ounce ($) (1)(2)(4)	14.19	31.92	17.22	15.55
AISC per Ag/Eq ounce ($) (1)(3)(4)	17.45	31.92	18.49	20.80

1. Silver equivalents are calculated using an 81.35:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for Q4; 89.97:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.08:1 (Ag/Zn) ratio for Q3 2022; 83.4:1 (Ag/Au) ratio for Q2 2022; and 80:1 (Ag/Au) ratio for Q1 2022 and Q4 2021, respectively.
2. Cash cost per silver equivalent ounce include mining, processing, and direct overhead. See Reconciliation to IFRS on page 33.
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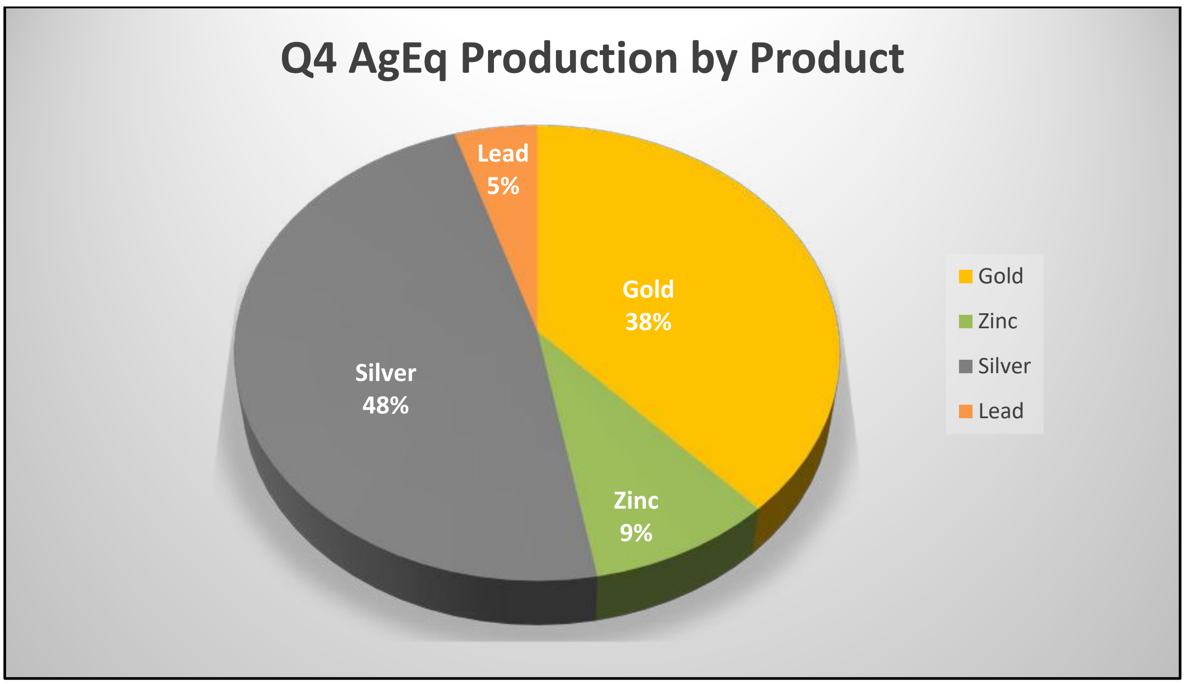


The above highlights are key measures used by management; however, they should not be the sole measures used in determining the performance of the Company's operations.

As at	December 31 2022	December 31 2021
	$	$
Cash and cash equivalents	8,832,936	8,234,043
Total assets	85,648,898	51,319,876
Debt	23,832,319	9,509,092
Shareholders' equity	32,511,787	30,800,562

COMPANY HISTORY, OVERVIEW & STRATEGY

Guanajuato Silver or "GSilver" is a precious metals producer; the Company currently operates four silver mines in Central Mexico. In the state of Guanajuato, GSilver produces silver and gold from the El Cubo Mines Complex ("El Cubo"), which includes the Villalpando and Santa Cecilia mines ("Villalpando" and "Santa Cecilia"); mineralized material is processed through the El Cubo mill. Additionally in Guanajuato, the Company operates the Valenciana Mines Complex, which includes the nearby San Ignacio mine ("San Ignacio"); mineralized material is processed at the Cata mill ("Cata"). GSilver also produces silver, gold, lead and zinc from the Topia Mines Complex ("Topia") located in Durango, Mexico.

The Company was incorporated under the *Business Corporations Act* of British Columbia in 1978 and is a publicly traded company on the TSX Venture Exchange ("TSX.V") and the Acquis Exchange in London, England under the symbol "GSVR" and quoted on the OTCQX over-the-counter market in the USA under the symbol "GSVRF". The Company's head office, as well as its registered and records offices, is located at Suite 578 – 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1.

The Company's focus is to develop mining operations within central Mexico through the advancement of its existing mineral concessions and through acquisition of additional operations and mineral resources and reserves.

General location of the Company's mines

Acquisition of Minera Mexicana El Rosario S.A. De C.V

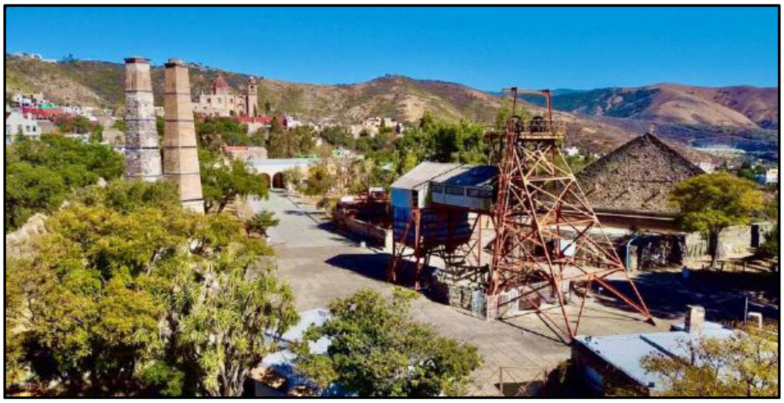
On August 4, 2022, the Company completed the acquisition of MMR from Great Panther, including the producing Topia mine and production facility, the San Ignacio mine, the Valenciana Mines Complex (formerly know as the Guanajuato Mines Complex or GMC) and the Cata processing plant, under a binding definitive agreement signed on June 29, 2022. Under the terms of the transaction, the Company acquired 100% of the shares of MMR. The Company has determined that this transaction represents a business combination, with the Company identified as the acquirer. The Company began consolidating the operating results, cash flows and net assets of MMR from August 4, 2022, onwards.

Under the terms of the transaction, the Company acquired 100% of the shares of MMR for total consideration of $16,739,516 (subject to adjustment) as follows:

- $8,000,000 in cash
- 25,787,200 GSilver common shares at a deemed price of C$0.335 per share, for a total of $6,700,000, which had a fair value of $8,976,524 based on the closing price of the Company's shares on August 4, 2022.
- A working capital adjustment of $1,065,319 in favor of the Company as a result of a deficiency in the working capital of MMR compared to the target working capital per the Sales & Purchase Agreement.

Additionally, the Company has agreed to pay Great Panther up to an additional $2,000,000 in contingent payments as follows:

- $500,000 upon the Company producing 2,500,000 ounces of silver from the MMR assets
- $750,000 if the price of silver closes at or above $27.50 per ounce for 30 consecutive days within two years after closing
- $750,000 if the price of silver closes at or above $30.00 per ounce for 30 consecutive days within three years after closing.



(The historical Valenciana Mines Museum, acquired as part of the MMR Transaction)

The contingent payments had a fair value of $828,311, which are included as consideration.

All production, operating and financial results in respect of San Ignacio and Topia included in this MD&A reflect only those results from August 4, 2022, to December 31, 2022, unless indicated otherwise.

For additional details regarding the Acquisition of MMR, see Note 5 to the consolidated financial statements for the period ended December 31, 2022.

Going Concern

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. The Company started producing and selling silver and gold concentrate in the fourth quarter of 2021. For the year ended December 31, 2022, the Company generated a mine operating loss of $6,882,989, a net loss of $26,771,585 and negative cash flows from operating activities of $15,056,830, and has an accumulated deficit of $76,227,131 and current liabilities that exceed its current assets by $5,972,704 as at December 31, 2022. These factors give rise to material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows from operations and/or to obtain additional financing. Management is of the opinion that sufficient funds will be obtained from operations and/or from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that cash flows from operations or additional financing will not be available on a timely basis or on terms acceptable to the Company.

The Company has historically funded its acquisition, exploration and development activities through equity financings and debt facilities. The Company may choose to fund additional capital requirements through equity, debt, convertible debentures, or other financings, on an as-needed basis, in order facilitate growth or fund operations until the Company achieves positive cash flow.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a responsible mining company, GSilver understands the significance of Environmental, Social, and Governance ("ESG") factors in the Company's mining operations. The Company pledges to conduct its business sustainably and conscientiously, striving to generate long-term value for its stakeholders while minimizing any adverse impact on the environment and society. GSilver's management firmly believes that responsible mining is both a moral obligation and a business necessity. Consequently, the Company endeavors to adhere to high ethical and compliance standards, ensuring that it operates transparently and with integrity. Our commitment to ESG values is not only fundamental to our business strategy but also critical to securing the trust and support of our customers, investors, employees, and communities where the Company operates. The Company's core areas of focus are outlined below, alongside tangible actions it is taking to accomplish and maintain these objectives.

Ethics and Governance

- "Joint efforts" program with local and state governments: roads, infrastructure, transportation, etc
- 2 of our Senior Board Members are Mexican nationals
- Code of Ethics and Business Conduct, Whistleblower and Anti-Bribery and Anti-Corruption policies in place

Health and culture

- Drug abuse prevention progams in the local community
- Support 2 health clinics adjacent to Cubo and Valenciana
- Health and Environment Educational Programs for our personnel
- Restarting the Guanajuato Mining Museum at Valenciana

People and Community

- 14% of the entire Mexican operations workforce and 25% of the leadership team are female
- 100% of our operations are staffed by Mexican employees
- Engagement and collaboration with the University of Guanajuato, including an internship and social service program
- Improvement of local community buildings, homes and schools

Environmental Impact

- Ongoing reforestation and refuse cleanup campaigns
- Execution of environmental monitoring program for regulatory compliance
- Implementing a hydraulic backfill procedure that will have an immediate positive environmental impact at VMC
- Implementing, once permitting is obtained, drystack tailings at El Cubo

Guanajuato Silver CO LTD

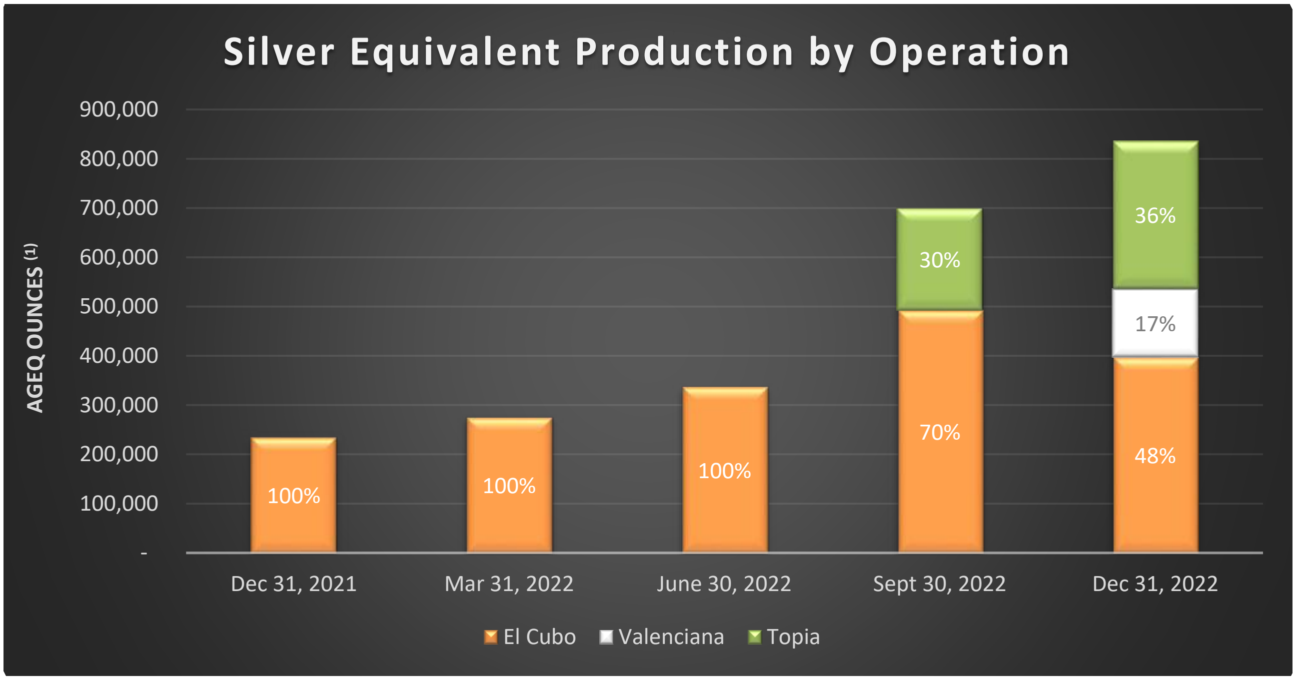
MINING OPERATIONS

CONSOLIDATED OPERATIONS

The Company operates the El Cubo, VMC and Topia. Consolidated operating results for 2022 and the fourth quarter of 2021 are as follows:

	Three months ended					
CONSOLIDATED	**December 31 2022**	**September 30 2022**	**June 30 2022**	**March 31 2022**	**December 31 2021**	**Change Q4 vs Q3**
Production						
Tonnes mined	131,543	107,379	90,045	81,338	89,082	23%
Tonnes milled	131,341	107,009	94,212	86,288	77,524	23%
Average tonnes milled per day	1,564	1,274	1,108	1,027	901	23%
Average silver grade (g/t)	108	106	64	61	62	2%
Average gold grade (g/t)	1.09	1.08	0.86	0.88	0.75	1%
Average silver recovery (%)	86.8	88.5	80.9	75.0	82.9	(2%)
Average gold recovery (%)	84.2	86.3	82.6	77.0	78.8	(2%)
Silver ounces produced	401,244	329,298	155,912	125,423	124,750	22%
Gold ounces produced	3,907	3,226	2,161	1,880	1,440	21%
Lead produced (lbs)	811,492	537,608	-	-	-	51%
Zinc produced (lbs)	1,261,554	677,127	-	-	-	86%
Ag/Eq ounces produced[1]	836,375	700,264	337,760	275,823	235,609	19%
Sales						
Silver ounces sold	405,384	311,754	159,840	134,281	105,203	30%
Gold ounces sold	3,866	2,997	2,195	2,007	1,179	29%
Lead sold (lbs)	846,281	504,408	-	-	-	68%
Zinc sold (lbs)	1,600,811	273,327	-	-	-	486%
Ag/Eq ounces sold	866,319	628,256	342,987	294,842	199,526	38%
Realized silver price per ounce ($)[6]	21.23	19.06	22.56	23.97	23.35	11%
Realized gold price per ounce ($)[6]	1,783.36	1,724.81	1,873.26	1,864.26	1,784.02	3%
Realized lead price per pound ($)[6]	0.92	0.86	-	-	-	7%
Realized zinc price per pound ($)[6]	1.42	1.44	-	-	-	(1%)
Costs						
Cash cost per Ag/Eq ounce ($)[3][5]	15.55	13.86	17.08	20.24	20.36	12%
AISC per Ag/Eq ounce ($)[4][5]	20.80	19.53	24.15	25.79	33.31	7%
Production cost per tonne ($)[2][5]	98.30	90.37	60.89	64.32	63.35	9%
Capital expenditures						
Sustaining ($)	1,452,027	983,215	1,036,060	322,305	2,163,893	48%
Diamond Drilling						
El Cubo (mts)	952	3,006	5,180	3,470	1,831	(68%)
El Pinguico (mts)	-	-	149	724	618	-
Veta Madre (mts)	-	-	526	-	-	-
San Ignacio (mts)	1,818	-	-	-	-	100%
Topia (mts)	701	459	-	-	-	53%

1. Silver equivalents are calculated using an 81.35:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for Q4; 89.97:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.08:1 (Ag/Zn) ratio for Q4 and Q3 2022; 83.4:1 (Ag/Au) ratio for Q2 2022; and 80:1 (Ag/Au) ratio for Q1 2022 and Q4 2021, respectively.
2. Production costs include mining, milling, and direct overhead at the operation sites See reconciliation on page 33.
3. Cash cost per silver equivalent ounce include mining, processing and direct overhead See reconciliation on page 33.
4. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 33.
5. See "Non-IFRS Financial Measures" on page 31.
6. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.



1. Silver equivalents are calculated using an 81.35:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for Q4; 89.97:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.08:1 (Ag/Zn) ratio for Q3 2022, and 83.4:1(Ag/Au), for Q2 2022 and 80:1(Ag/Au), for Q1 2022 and Q4,2021, respectively.

Production

In the fourth quarter, the total production amounted to 836,375 ounces of silver equivalent, which comprise of 401,244 ounces of silver, 3,907 ounces of gold, 811,492 pounds of lead, and 1,261,554 pounds of zinc. This represents a 19% increase in silver equivalent ounces compared to Q3 2022. Out of the total production, El Cubo accounted for 523,222 silver equivalent ounces, which is approximately 62% of the total production. VMC contributed 13,104 ounces of equivalent silver, representing 2% of the total production, while Topia added 300,049 silver equivalent ounces, making up the remaining 36%.

In Q4, the Company's three plants processed a consolidated 131,341 tonnes of ore with average grades of 106 grams per tonne ("g/t") for silver and 1.09 g/t for gold. This is comparable to the previous quarter's performance of 107,009 tonnes at average grades of 106 g/t of silver and 1.08 g/t of gold. The silver grades also remained consistent, while there was a 1% increase in gold grades. Metallurgical recoveries in the fourth quarter averaged at 86.8% for silver and 84.2% for gold, which was 2% lower for both silver and gold than Q3 2022.

The 19% increase in consolidated silver equivalent production in Q4 is mainly driven by the 44% increase in production at Topia, 6% increase in production at El Cubo and the new production at VMC. The increase in silver equivalent production at Topia was due to a 59% increase in throughput with a 14% increase in the gold grade, a 10% increase in zinc grade and a 7% increase in zinc recovery; this was offset by an 11% decrease in silver grade and a 1% decrease in silver, gold and lead recoveries. The increase in silver equivalent production at El Cubo was due to a 14% increase in throughput and a 1% decrease in silver recoveries with gold recoveries remaining consistent over the period and offset by a 10% and 5% increase in silver and gold grade, respectively. VMC was not in production in Q3 of 2022 and therefore, 100% of its throughput and production positively impacted silver equivalent production in Q4.

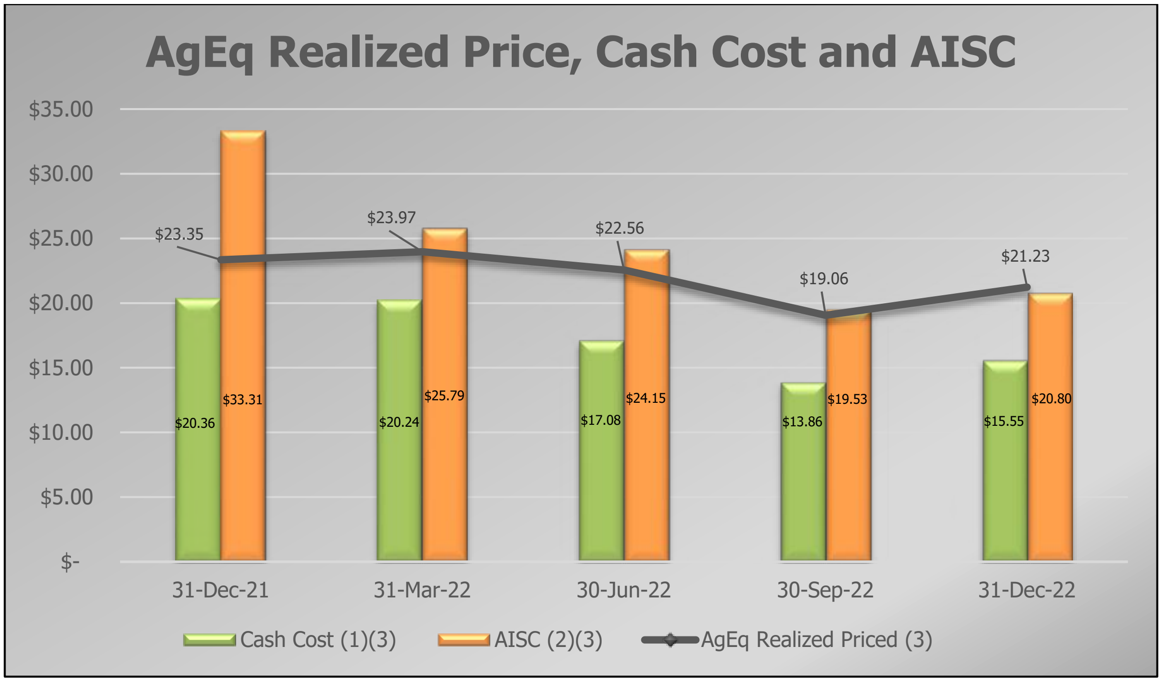
Annual Outlook

For 2023, the Company expects to produce between 4,600,000 and 4,800,000 silver equivalent ounces from its consolidated operations based on an 85:1 silver to gold ratio.

Cash Cost and All-In Sustaining Cost per Ounce

Cash cost per Ag/Eq ounce produced for the quarter was $15.52; this represents an increase of 12% compared to Q3 2022, and is primarily due to the start-up of the VMC operations (see "Non-IFRS Financial Measures" on page 33).

All-in Sustaining Cost ("AISC") per Ag/Eq ounce produced in the quarter was $20.80 compared to $19.53 from Q3 2022; the 8% increase is primarily attributed to higher cash costs, and higher sustaining capex (see "Non-IFRS Financial Measures" on page 33).



1. Cash cost per silver equivalent ounce include mining, processing and direct overhead See reconciliation on page 33.
2. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 33.
3. See "Non-IFRS Financial Measures" on page 31.

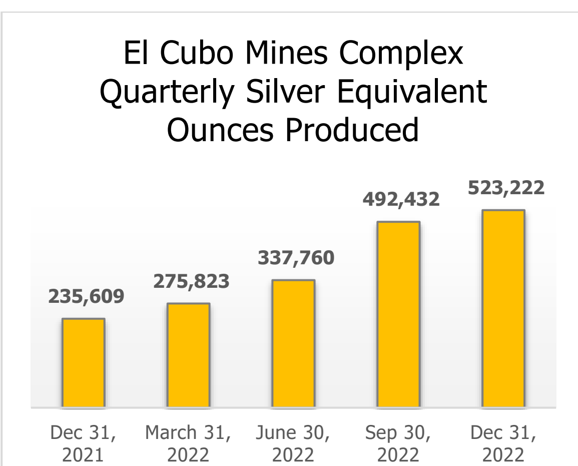
(Miguel Fernandez, Head of Mine Planning, underground at the Villalpando Mine)

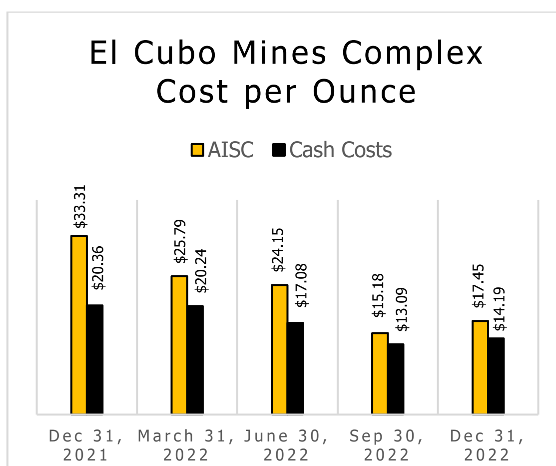
EL CUBO MINES COMPLEX OPERATIONS

Operating results for the four quarters of 2022 and the fourth quarter of 2021 were as follows:

	Three months ended					
	December 31 2022	September 30 2022	June 30 2022	March 31 2022	December 31 2021	Change Q4 vs Q3
Production						
Tonnes mined	108,737	95,965	90,045	81,338	89,082	13%
Tonnes milled	108,897	95,380	94,212	86,288	77,524	14%
Average tonnes milled per day	1,296	1,135	1,108	1,027	901	14%
Average silver grade (g/t)	80	75	64	61	62	7%
Average gold grade (g/t)	1.12	1.05	0.86	0.88	0.75	7%
Average silver recovery (%)	86.4	87.1	80.9	75.0	82.9	(1%)
Average gold recovery (%)	88.2	88.4	82.6	77.0	78.8	(0%)
Silver ounces produced	242,038	219,627	155,912	125,423	124,750	10%
Gold ounces produced	3,452	3,035	2,161	1,880	1,440	14%
Ag/Eq ounces produced(1)	523,222	492,432	337,760	275,823	235,609	6%
Sales						
Silver ounces sold	235,013	211,883	159,840	134,281	105,203	11%
Gold ounces sold	3,394	2,829	2,195	2,007	1,179	20%
Ag/Eq ounces sold	506,479	466,317	342,987	294,842	199,526	9%
Realized silver price per ounce ($)(6)	21.37	19.06	22.56	23.97	23.35	12%
Realized gold price per ounce ($)(6)	1,732.90	1,724.81	1,873.26	1,864.26	1,784.02	0%
Costs						
Cash cost per Ag/Eq ounce ($)(3)(5)	14.19	13.09	17.08	20.24	20.36	8%
AISC per Ag/Eq ounce ($)(4)(5)	17.45	15.18	24.15	25.79	33.31	15%
Production cost per tonne ($)(2)(5)	67.70	67.20	60.89	64.32	63.35	1%
Capital expenditures						
Sustaining ($)	1,143,303	738,319	1,036,060	322,305	2,163,893	55%
Diamond Drilling						
El Cubo Mine (mts)	952	3,006	5,180	3,470	1,831	(68%)
El Pinguico (mts)	-	-	149	724	618	-
Veta Madre (mts)	-	-	526	-	-	-

1. Silver equivalents are calculated using an 89.97:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.08:1 (Ag/Zn) ratio for Q4 and Q3 2022; 83.4:1 (Ag/Au) ratio for Q2 2022; and 80:1 (Ag/Au) ratio for Q1 2022, respectively.
2. Production costs include mining, milling, and direct overhead at the operation sites See reconciliation on page 33.
3. Cash cost per silver equivalent ounce include mining, processing and direct overhead See reconciliation on page 33.
4. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 33.
5. See "Non-IFRS Financial Measures" on page 31.
6. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.





Production

Three months ended December 31, 2022 (compared to the three months ended Sept 30, 2022)

Total production in the quarter was 532,222 silver equivalent ounces, a 6% increase compared to 492,432 silver equivalent ounces produced in the prior quarter. The silver equivalent ounces produced in the quarter consisted of 242,038 ounces of silver and 3,452 ounces of gold, a 11% and 20% increase, respectively, compared to Q3 2022. This increase was mainly due to plant throughput increasing by 14% in Q4 over Q3.

Silver grades averaged 80 g/t in Q4, a 7% increase compared to 75 g/t in Q3, and gold grades averaged 1.12 g/t, representing a 7% increase over 1.05 g/t in the previous quarter. These increases in grade were mainly a result of the diversion of the San Ignacio mineralized material to Cata which increased the ratio of the higher grade Villalpando and Santa Cecilia being processed over the lower grade mineralized material from San Ignacio. Metallurgical recoveries in the quarter averaged at 88.2% for gold, which was consistent with the previous quarter, and 86.4% for silver, which was down 0.7% from the 87.1% achieved in Q3 2022.

Three months ended December 31, 2022 (compared to the three months ended December 31, 2021)

In the fourth quarter of 2022, the total production of silver equivalent ounces amounted to 523,222, marking a 122% increase from the 235,609 recorded in the last quarter of 2021. This improvement can be attributed to several factors. First, there was a 40% rise in plant throughput from 77,524 tonnes in Q4 2021 to 108,897 tonnes in Q4 2022. Second, the silver grade experienced a 28% increase from 62 g/t to 80 g/t, the gold grade went up by 50% from 0.75 g/t to 1.12 g/t between Q4 2021 and Q4 2022. Finally, the silver and gold recoveries also contributed to the improvement, with silver recoveries increasing by 4% (from 82.9% to 86.4%) and gold recoveries increasing by 12% (from 78.8% to 88.2%) from Q4 2021 to Q4 2022.

Year ended December 31, 2022 (compared to the year ended December 31, 2021)

Total production for the year ended December 31, 2022, was 1,629,237 silver equivalent ounces, a 591% increase compared to 235,609 in the year ended December 31, 2021. The main reason for this significant increase is that El Cubo mine only began production in the fourth quarter of 2021; whereas El Cubo was in production in 2022 for the entire year. Additional improvements in grade and recoveries also positively impacted the total silver equivalent ounces produced. Silver grades averaged 72 g/t in the year ended December 31, 2022, a 16% increase compared to 62 g/t in the year ended December 31, 2021, and gold grades averaged 0.98 g/t a 30% increase over 0.75 g/t for the same periods, respectively. Metallurgical recoveries in for the 2022 year averaged at 85.5% for silver and 86.1% for gold compared to 82.9% for silver and 78.8% for gold in 2021; this generated a 3% and 9% increase respectively.

Cash Cost and All-In Sustaining Cost per Ounce (see "Non-IFRS Financial Measures" on page 33).

Three months ended December 31, 2022 (compared to the three months ended Sept 30, 2022)

Production costs remained fairly consistent with a slight increase of 1% to $67.70 per tonne in the fourth quarter from $67.20 per tonne in the third quarter mainly due to 13,517 lower tonnes being processed in the 3 months ended December 31, 2022.

Cash costs per silver equivalent ounce for the three months ended December 31, 2022, increased 8% to $14.19 compared with the prior quarter of $13.09 mainly due to increased salaries and hauling from the San Ignacio ramp-up and higher consumption of explosives and maintenance on mine equipment. AISC increased 15% to $17.45 per ounce in Q4 from $15.18 per ounce in Q3, as a result of increased cash costs, and increased investment in sustaining capex and lease payments as the Company moves to its own fleet of mobile equipment.

Three months ended December 31, 2022 (compared to the three months ended December 31, 2021)

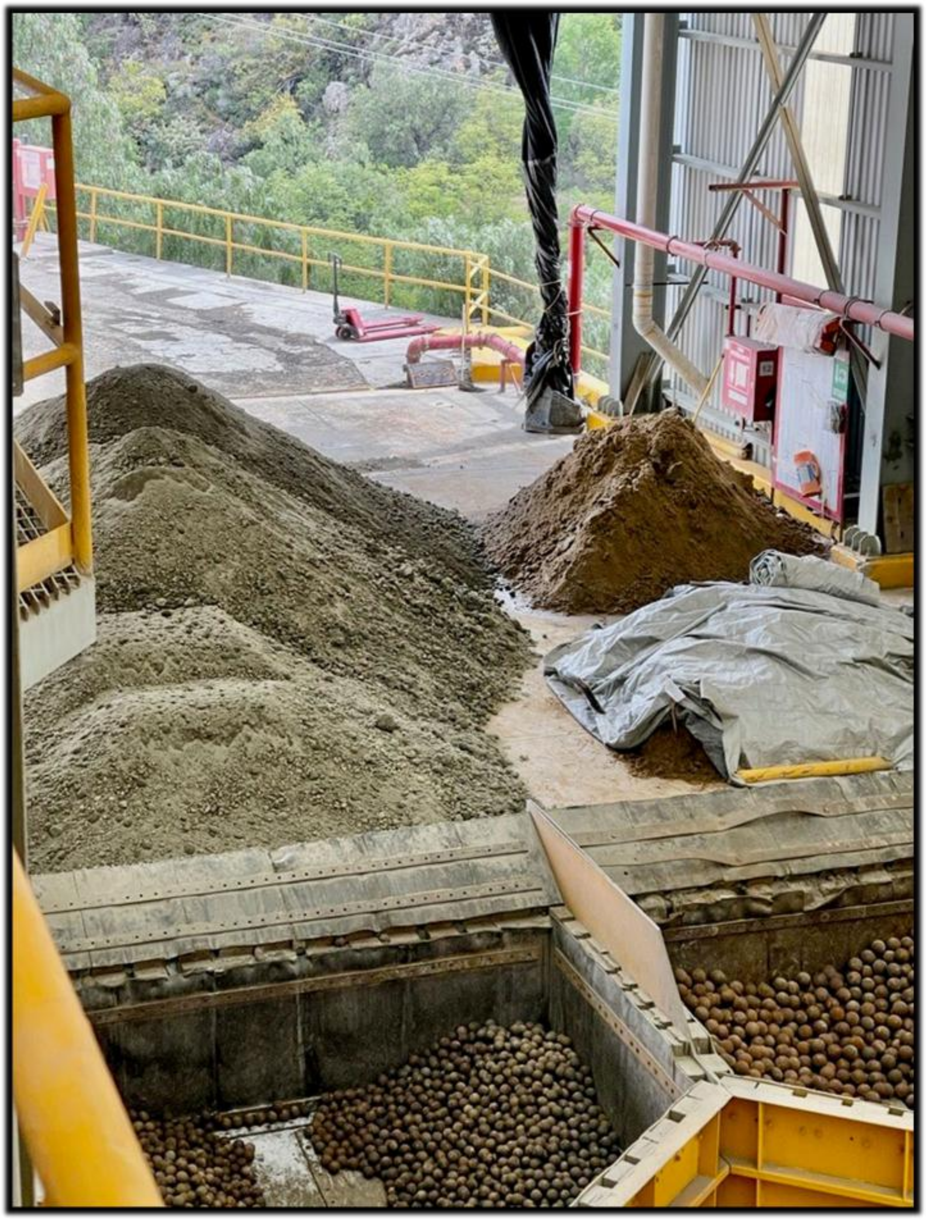
Production costs increased 7% to $67.70 per tonne in the fourth quarter of 2022 from $63.35 per tonne in the fourth quarter of 2021, mainly due to the addition of the San Ignacio operation and higher consumption of explosives and maintenance on mine equipment in Q4 2022.

Cash costs per silver equivalent ounce for the three months ended December 31, 2022, decreased 30% to $14.19 compared to the three months ended December 31, 2021, of $20.36 mainly due the reduction of lower-grade Pinguico material and the addition of higher-grade material from Villalpando and Santa Cecilia mines as a result of the ramp up and the addition of San Ignacio material from the acquisition of MMR during the year. AISC decreased 48% to $17.45 per ounce in Q4 2022 from $33.31 per ounce in Q4 2021, mainly due to decrease in cash costs and a decrease in sustaining capital as the Company was still ramping up operations in the three months ended December 31, 2021.

Year ended December 31, 2022 (compared to the year ended December 31, 2021)

Production costs for the year ended December 31, 2022, decreased to $65.15 per tonne compared to $79.10 per tonne, a change of 18%. This decrease is mainly due to a 20% reduction in mining costs per tonne and a 15% reduction in milling costs per tonne as a result of the ramp-up over the year and implementation of various projects to reduce costs and improve production during 2022.

Cash costs per silver equivalent ounce in the year ended December 31, 2022, was $15.48 compared to $20.36 for the year ended December 31, 2021. Cash costs for 2022 were comprised of $8.00 mining cost, $4.44 processing cost and $2.95 indirect cost compared to 2021 where costs were $13.75 mining, $7.16 processing, and $4.64 indirect costs.



(Gold and Silver concentrate stockpiles at El Cubo)

VALENCIANA MINES COMPLEX OPERATIONS

	Three months ended December 31 2022
Production	
Tonnes mined	4,630
Tonnes milled	3,928
Average tonnes milled per day	47
Average silver grade (g/t)	49
Average gold grade (g/t)	1.19
Average silver recovery (%)	72.9
Average gold recovery (%)	74.5
Silver ounces produced	4,652
Gold ounces produced	110
Ag/Eq ounces produced(1)	13,104
Sales	
Silver ounces sold	56,926
Gold ounces sold	963
Ag/Eq ounces sold	135,471
Realized silver price per ounce ($)(6)	23.11
Realized gold price per ounce ($)(6)	1,751.87
Costs	
Cash cost per Ag/Eq ounce ($)(3)(5)	31.92
AISC per Ag/Eq ounce ($)(4)(5)	31.92
Production cost per tonne ($)(2)(5)	102.85

1. Silver equivalents are calculated using an 89.97:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.08:1 (Ag/Zn) ratio for Q4 and Q3 2022; 83.4:1 (Ag/Au) ratio for Q2 2022; and 80:1 (Ag/Au) ratio for Q1 2022 and Q4 2021, respectively.
2. Production costs include mining, milling, and direct overhead at the operation sites See reconciliation on page 33.
3. Cash cost per silver equivalent ounce include mining, processing and direct overhead See reconciliation on page 33.
4. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 33.
5. See "Non-IFRS Financial Measures" on page 31.
6. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.

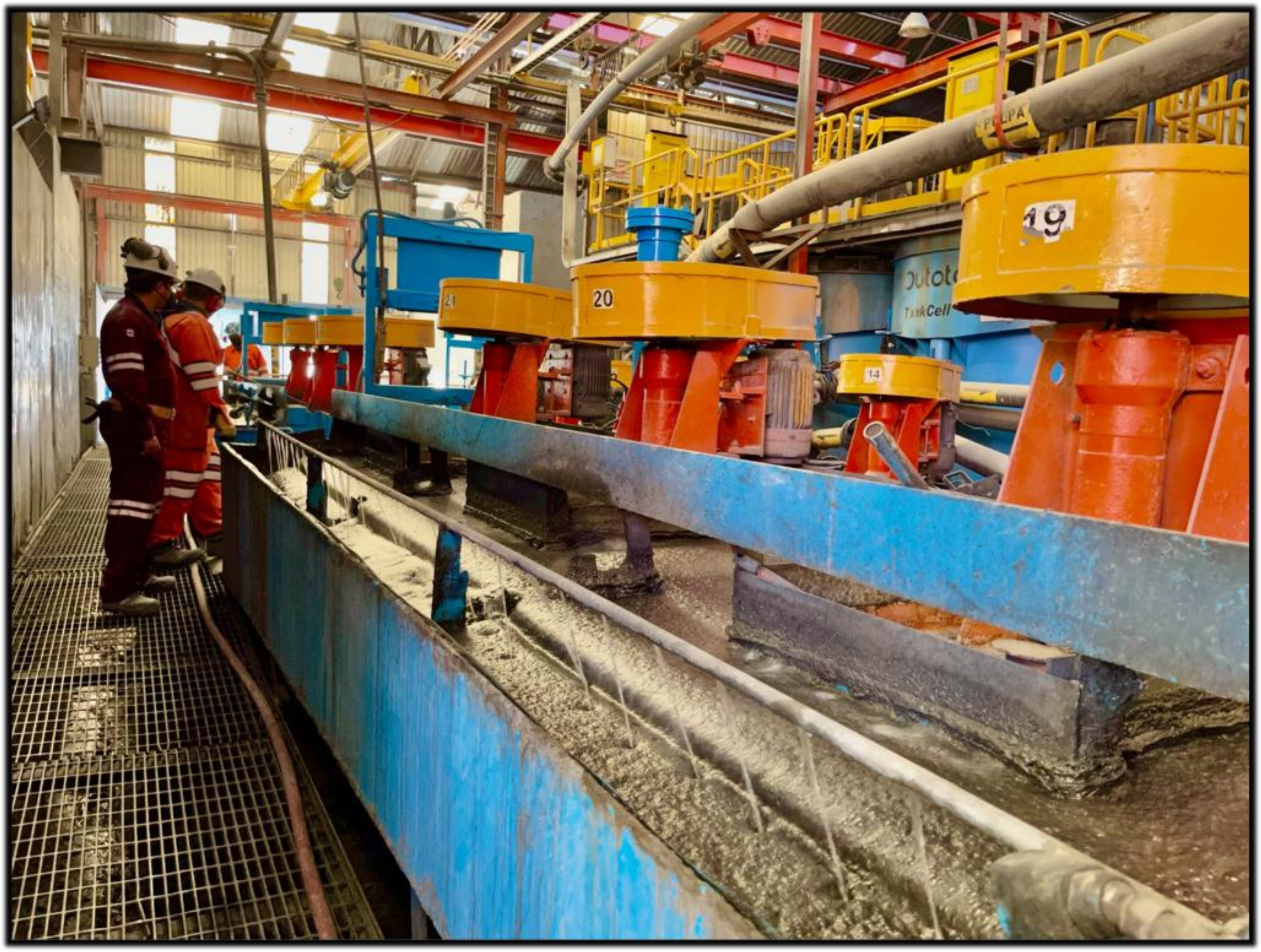
Production

During the three months ended December 31,2022, the Company produced 13,104 silver equivalent ounces, consisting of 4,652 ounces of silver and 110 ounces of gold. Total mineralized material processed amounted to 3,928 tonnes during the quarter. Silver grades in the fourth quarter averaged 49 g/t, gold grades averaged 1.19 g/t. Metallurgical recoveries in the quarter averaged at 72.9% for silver and 74.5% for gold.

The Company began mining in Valenciana in August 2022, and 37,761 tonnes of mineralized material was sent to El Cubo for processing prior to the Cata mill restart. Commissioning of the Cata mill began during the last week of December 2022, with 3,928 tonnes of mineralized material coming from Valenciana and San Ignacio. The Company started processing at a run-rate of approximately 8,000 tonnes per month and anticipates ramping up to 20,000 tonnes per month by the end of December 2023, with full capacity at the Cata mill at 36,000 tonnes per month. The costs for processing the Valenciana and San Ignacio material for the month of December at the Cubo mill were transferred to the VMC mining unit.

Cash Cost and All-In Sustaining Cost per Ounce (see "Non-IFRS Financial Measures" on page 33).

Cash cost and All-In Sustaining cost per AgEq ounce produced for the quarter were both $31.92, in line with expectation, and primarily due to the initial work related to restarting operations.



(Flotation circuit at the Cata plant)

Guanajuato Silver Co Ltd

TOPIA MINES COMPLEX

	Three months ended		
	December 31, 2022	September 30, 2022	Change Q3 vs Q2
Production			
Tonnes mined	18,175	11,414	59%
Tonnes milled	18,516	11,629	59%
Average tonnes milled per day	220	219	0%
Average silver grade (g/t)	283	318	(11%)
Average gold grade (g/t)	0.91	0.80	14%
Average lead grade (%)	2.25	2.34	(4%)
Average zinc grade (%)	3.56	3.25	10%
Average silver recovery (%)	91.8	92.4	(1%)
Average gold recovery (%)	63.3	64.0	(1%)
Average lead recover (%)	88.2	89.5	(1%)
Average zinc recovery (%)	86.7	80.9	7%
Silver ounces produced	154,552	109,671	41%
Gold ounces produced	345	191	80%
Lead produced (lbs)	811,492	537,608	51%
Zinc produced (lbs)	1,261,554	677,127	86%
Ag/Eq ounces produced(1)	300,049	207,832	44%
Sales			
Silver ounces sold	166,904	99,871	67%
Gold ounces sold	393	168	134%
Lead sold (lbs)	846,281	504,408	68%
Zinc sold (lbs)	1,600,811	273,327	486%
Ag/Eq ounces sold	350,269	161,939	116%
Realized silver price per ounce ($)(6)	21.55	18.68	15%
Realized gold price per ounce ($)(6)	1,745.03	1,678.23	4%
Realized lead price per pound ($)(6)	0.95	0.86	11%
Realized zinc price per pound ($)(6)	1.37	1.44	(5%)
Costs			
Cash cost per Ag/Eq ounce ($)(3)(5)	17.22	15.69	9%
AISC per Ag/Eq ounce ($)(4)(5)	18.49	17.69	4%
Production cost per tonne ($)(2)(5)	277.29	280.44	(1%)
Capital expenditures			
Sustaining ($)	308,724	244,896	26%
Diamond Drilling			
Topia Mine (mts)	701	459	53%

1. Silver equivalents are calculated using an 89.97:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.08:1 (Ag/Zn) ratio for Q4 and Q3 2022; 83.4:1 (Ag/Au) ratio for Q2 2022; and 80:1 (Ag/Au) ratio for Q1 2022, respectively.
2. Production costs include mining, milling, and direct overhead at the operation sites See reconciliation on page 33.
3. Cash cost per silver equivalent ounce include mining, processing and direct overhead See reconciliation on page 33.
4. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 33.
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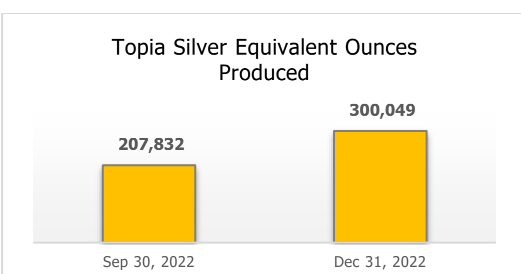
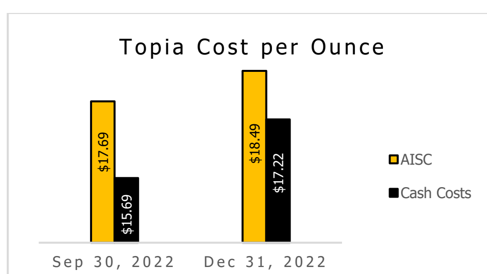




Production

During the three months ended December 31,2022, the Company produced 300,049 silver equivalent ounces, a 44% increase compared to 207,832 produced in the third quarter of 2022, consisting of 154,552 ounces of silver (41% increase from 106,671 in Q3 2022), 345 ounces of gold (80% increase from 191 in Q3 2022), 811,492 pounds of lead (51% increase from 537,608 in Q3 2022) and 1,261,554 pounds of zinc (86% increase from 677,127 in Q3 2022). Total mineralized material processed amounted to 18,516 tonnes, an increase of 59% over the prior quarter.

Silver grades in the third quarter averaged 283.00 g/t, 11% lower than 317.55 from prior quarter, gold grades averaged 0.91 g/t, 14 % higher than 0.80 from prior quarter, lead grades averaged 2.41% and zinc grades averaged 3.43%, a 2% and 5% increase, respectively compared to Q3, 2022.

Cash Cost and All-In Sustaining Cost per Ounce (see "Non-IFRS Financial Measures" on page 33).

Cash cost and All-In Sustaining cost per AgEq ounce produced for the quarter were $17.22 and $18.49, or 9% and 4% increases respectively, compared to prior quarter, primarily due to a decrease in AgEq grades partially offset by increase in zinc recoveries.

(Scoop tram working in the Argentina Mine at Topia)

DEVELOPMENT ACTIVITIES

EL CUBO MINES COMPLEX

(Mastrantos IIIb - the current active tailings area at El Cubo)

At the anticipated run rate of 30,000 tonnes per month at the El Cubo mill, there is current tailings capacity for approximately 5 years at four different dams at the El Cubo Complex. Wood Engineers PLC of Aberdeen, Scotland (Denver, Colorado office) was engaged in 2022 as the Company's ongoing tailings facility supervisor and to perform tailings geotechnical studies.

The Company has assessed its options to expand its tailings capacity, including new tailings ponds, dry stacking, and hydraulic fill within the past producing open stopes of the El Cubo mine. After evaluating all options, the Company has decided to focus on constructing dry stacking for tailings storage.

Dry stacking is a method of tailings storage that involves the removal of moisture from the tailings and then stacking them in a designated area. This method is considered to be more environmentally friendly than traditional tailing storage methods as it minimizes the water contamination and water usage, reduces the environmental footprint from tailings and improves overall safety.

Technical and environmental studies, as well as advanced engineering for the dry stacking have been finalized, and the Company is now awaiting final regulatory approval. Once the dry stacking is implemented, it will increase the Company's tailing storage capacity from 5 years to over 15 years. This will provide the Company with a more sustainable and long-term solution for tailings storage at El Cubo.

In mid-September 2022, the Company installed a Falcon concentrator at the El Cubo mill to improve the overall metallurgical recoveries, especially for free gold in the mineralization. The Falcon concentrator uses a combination of centrifugal force and fluidization to separate the gold and silver particles from the mineralized material. The process involves feeding the concentrator with mineralized material from the flotation circuit, and as the drum spins at high speed, the denser gold and silver migrates towards the outer edge of the drum and are trapped in grooves, while the lighter particles move towards the center and are discharged to tailings. The concentrator has yielded positive results, with an additional 3% recovery on average. In response to this success, the Company has ordered a second Falcon concentrator to improve recoveries even further, which is anticipated to be onsite and installed by the end of the second quarter in 2023.

Additionally, the Company installed a new exhaust fan at the Villalpando mine that has a capacity to circulate 250 cubic feet per minute, which has substantially improved ventilation at the underground mine. This is an important development in maintaining good air quality in the mine, which is essential for the health and safety of the Company's workers.

In conjunction with the ventilation project, the Company started re-electrification of the Villalpando mine in the third quarter of 2022, after much of the copper electrical wiring had gone missing when the mine was on care and maintenance between November 2019 and when the Company acquired it in April 2021. Electrification is a crucial aspect of mine operations, as it enables the use of electric-powered equipment, which is generally more efficient and environmentally friendly than diesel-powered equipment. The electrification process is expected to be finalized in the second quarter of 2023, which will allow the Company to eliminate the use of most diesel generators in the mine. This is a significant development as diesel generators can contribute to air pollution and their use can lead to health hazards for workers. By eliminating the use of diesel generators, combined with the installation of the new exhaust fan, the Company has taken important steps towards improving the air quality of the mine and ensuring the health and safety of GSilver's workers.

The Company has taken additional significant steps to optimize its mining operations and reduce costs. A notable measure taken by the Company is the decision to employ its own workers and fleet of equipment rather than using contract mining at El Cubo. The transition began in December 2022 and was completed in January 2023. Bringing mining operations in-house will improve operational efficiency and reduce expenses associated with the contract mining; thereby, leading to significant expected cost savings of approximately 5% - 10% in 2023. The Company has also replaced rented compressors used in the mine with Company owned compressors, reducing the recurring rental expenses and improving long-term cost efficiency. These measures are expected to enhance the Company's path to profitability and streamline its mining operations.

MASTRANTOS IV

The Mastrantos IV tailings facility ("Mastrantos IV") is located approximately 3km from the El Cubo mill and had an operational history dating principally between 1986 to 2003. In 2022, the Company completed 134 shallow drillholes, totalling 220.5 drilled meters (holes to approximately 2.0m depth), at Mastrantos IV with over 95% of the drillholes encountering significant mineralization. The 43,000 square meter target area at Mastrantos IV is a gold and silver mineralized layer starting at surface and extending to approximately 1.5 m in depth, with the majority of the value of this mineralization existing as free gold.

At the time Mastrantos IV was in operation the price of gold generally traded below $400 per ounce and most of the material came from the Santa Cecelia mine, which was encountering bonanza gold grades at the time. These combined circumstances may have contributed to the low gold recoveries and the high-grade values left in the tailings.

The Company performed various tests on the material, which has included a bulk sample and numerous metallurgical trials completed in conjunction with the University of Guanajuato's School of Mines and an industrial metallurgical test at nearby facility, which demonstrated economic viability.

The Company installed eight shaking tables in December 2022 to create a gravity extraction circuit to extract gold and silver from the Mastrantos IV tailings with commissioning taking place shortly thereafter.

A shaking tables circuit is a series of tables used to separate the gold and silver by vibrating the tables rapidly back and forth, concentrating the heavier gold particles along the edges of the table while the lighter silver particles are carried away by the shaking motion and discharged in a separate stream which is collected and reprocessed through tables later on in the circuit which are configured to optimize recovery from the lighter silver material. The separation process can be optimized by adjusting the parameters of the shaking table, such as the amplitude, frequency, and tilt.

The Company continues to commission the tables in this real-world environment, with bulk testing commencing in the first quarter of 2023. The Company plans to add grinding of the tailings material to the beginning of the circuit in order to break up solidified material and improve the flow of the material through the tables.

(Workers evaluating Mastrantos IV material)

VALENCIANA MINES COMPLEX

Under Great Panther, the mines situated near the centre of Guanajuato were known as the "Guanajuato Mine Complex" or "GMC". From north to south, these mines are called Guanajuatito, Valenciana, Cata, Los Pozos, and Promontorio. Henceforth, the Company will refer to these mines collectively as "Valenciana Mines Complex" or "VMC" and to the accompanying processing plant as "Cata". VMC has been in near continuous operation since the 1500s and is situated along the highly productive Veta Madre ('Mother Vein'), encompassing a strike length of 4.2km. The Cata processing plant ("Cata") remains in good working condition and has a nameplate capacity of 1000 tonnes per day (30,000 tonnes/month). Cata is a traditional crushing, grinding and floatation system that produces a high-grade silver-gold concentrate. The Cata mill is located at approximately the mid-point of the 4.2-kilometre strike length that spans mineralization at VMC, and sits immediately adjacent to the Company's administrative offices, assay lab, and one of two primary access shafts.

VMC and Cata were put on care and maintenance by Great Panther in November 2021 due to a lack of tailings capacity. The Company determined upon acquisition that there was remaining capacity in the existing tailings dam under MMR's current permits of approximately 45,000 to 70,000 tonnes. The Company has reviewed and evaluated the original permit submissions and correspondence with Comisión Nacional del Agua ("CONAGUA") and, if economic, will be preparing a new submission to implement dry stacking at VMC for the expansion of the Company's tailings capacity, expected to be submitted to SEMERNAT by the beginning of 2024. However, while that submission is being prepared, the Company began re-commissioning the Cata plant and commenced mining operations at VMC, utilizing the22remaining capacity in the existing tailings dam. Continuing operations at VMC will be achieved through the backfilling of tailings underground using a hydraulic fill system that will make use of select voids and open stopes that have been created at VMC over the past 450 years of underground mining. The hydraulic fill system will not only provide VMC with additional tailings capacity, but the process also represents an environmentally benign approach to tailings management. The Company anticipates these areas will provide a minimum of approximately 5 years of tailings storage while the Company pursues a permit for dry stacking.

In December 2022, the Company completed the restart of the Cata processing mill at VMC and began processing of mineralized material from VMC and San Ignacio at an initial run-rate of approximately 8,000 tonnes per month, with plans to ramp up to 20,000 tonnes per month by December 2023. The Cata plant, comprises three balls mills and a two-stage crushing system; the mill is in good working order and did not require any significant capital expenditures prior to restart. The Company plans to operate the Cata mill with production from both VMC and San Ignacio.

(StopeMate pneumatic long hole drill in disrepair, discovered at VMC)

To further improve recoveries at the Cata mill, the Company is also evaluating the benefits of installing a Falcon concentrator on the mill circuit there.

The Company also continues to evaluate the assets acquired from Great Panther and during the initial inspection of the Valenciana mine post acquisition, the mining team discovered, among other pieces of equipment, a StopeMate pneumatic long hole drill in disrepair (pictured left).

The Company's maintenance team refurbished the StopeMate to near original condition (pictured below), saving the Company significant capital expenditure. The cost of the refurbishment was approximately $73,000; whereas, the cost to acquire a new StopeMate is approximately $270,000. To date, more than 10 pieces of equipment have been recovered and refurbished with significant savings.

The Company will benefit from increased operational efficiency through the use of the newly refurbished StopeMate as the Company can now employ longhole stoping as a mining method where appropriate.

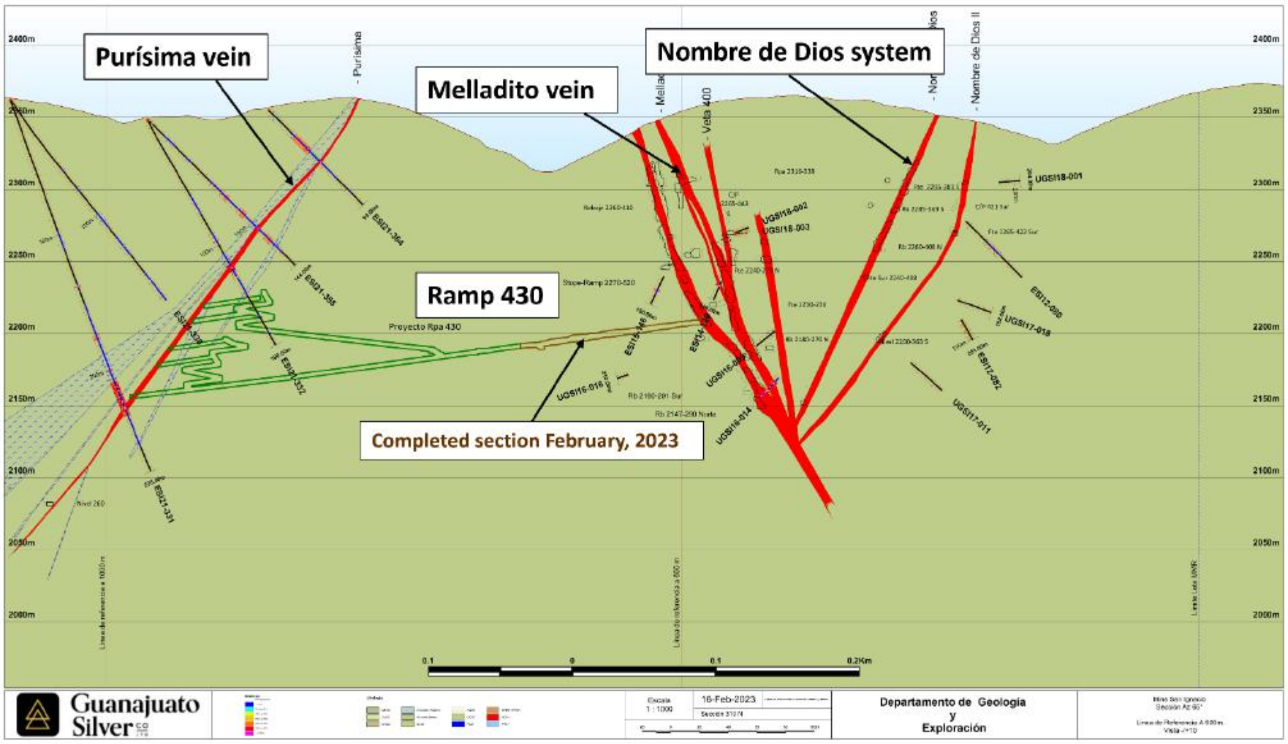
Longhole stoping is used to extract mineralized material from an underground mine by drilling a pattern of closely spaced, parallel holes into the mineralized material and then blasting the mineralized material between the holes. The StopeMate drill is designed to drill these closely spaced, parallel holes quickly and efficiently from a single position. This ensures that the holes are drilled straight and parallel, which is important for extracting mineralized material more effectively, with less dilution and lower costs. The long hole drill is commonly used for underground bulk mining which will be applied in stopes over 1.5 meters in width, this will allow the Company to increase production in approximately 25% of the production areas of the mine.

In February 2023, the Company also acquired a refurbished CIMAC long hole pneumatic drill. By deploying these two drills at San Ignacio, Valenciana and Villalpando, the Company can now effectively implement long hole stoping bulk mining, resulting in cost savings for both mining operations.

(Refurbished StopeMate)

SAN IGNACIO MINE

As part of the its 2023 development program, the Company is developing Ramp 430 at San Ignacio, which will allow for development and production from the Purisima vein located approximately 400 metres to the east of the Melladito vein; approximately 40% of Ramp 430 has been completed to date. The Purisima vein mirrors the Melladito vein system and has the potential to considerably impact production as well as overall mine life once the vein is encountered. The new ramp is expected to be finished by the third quarter of 2023, which will facilitate production of mineralized material from San Ignacio at an expanded rate of over 12,000 tonnes per month. Current production from San Ignacio comes mostly from the Melladito and the Nombre de Dios vein systems.



(Cross Section of the Ramp 430 Project)

Additionally, at San Ignacio, the Company has identified high-grade mineralization within surface waste stockpiles. Rather than processing the entire stockpile, which would include substantial low-grade material as well, the Company has decided to use hand sorting to isolate the high-grade content for processing.

Hand sorting is a labour-intensive process that involves visually inspecting and manually selecting the desired mineralized material. It is typically used when the high-grade mineralized material is mixed with waste rock, as it allows the Company to extract the valuable minerals while minimizing the amount of waste material that needs to be processed.

To increase the efficiency and reduce the labour costs associated with the hand sorting, the Company has installed a hopper and conveyor belt system. This system allows the material to be fed into the hopper, where it is then transported along the conveyor belt for visual inspection and manual sorting. By automating the process as much as possible, the Company can process more material in less time, thereby increasing efficiency and reducing costs. The Company is also investigating the cost benefit of completely automating the sorting process in the future using an automated ore sorting machine which uses sensors and algorithms to sort material based on physical properties such as size, density, atomic scanning and color.

Haulage trucks working at San Ignacio

TOPIA MINES COMPLEX

The Company has set its sights on modernizing and expanding the Topia plant's capacity in 2023 and 2024, upgrading from a nameplate capacity of 250 tonnes per day to 400 tonnes per day. The upgrade will take place in phases over the next 12 to 18 months, with the first phase involving the modernization of the tailings filter press circuit. By upgrading the 50-year-old plant with new equipment, the daily processing capacity will increase by 12% to 15%, reaching 270 tonnes per day. Future phases include upgrading existing flotation cells, potentially adding two new ones, constructing a new reagent area, and refurbishing the crushing and grinding capacity, which is already built to handle 400 tonnes per day.

Moreover, the Company is currently undertaking a modernization project to improve the connection between the lower Argentina levels and the Cantarana vein systems with the Victoria tunnel in the lower level of the mine. This project will involve enlarging the tunnel to 4m x 4m to allow for the use of mechanized vehicles, which will significantly enhance productivity. By transitioning from artisanal to modern mechanized mining methods in this area of the mine, the Company aims to achieve greater efficiency and output.

In addition, the Company has started procuring high-grade mineralized material from third-party vendors to process through the Topia plant, which will boost overall production by approximately 10%. Combined with the increased production from the Argentina level at the Topia mine, the Company will have ample mineralized material for the expanded mill capacity. Additionally, the purchase of this material from third-party vendors benefits the community of Topia by increasing employment opportunities and productivity in the area.

EXPLORATION

The Company's exploration efforts at El Cubo continues to be focused on drilling expansion of the main Villalpando vein systems and exploration of numerous NE striking, transversal veins. These transverse veins are well known in the region, are usually narrow but are often high grade and with proportionately higher gold grades.

Stope development and drilling in the Villalpando area of El Cubo in 2022, along with detailed computer modeling and reinterpretation of previous operators' drill results, has revealed a new vein structure that has been christened the "San Luis" vein. The San Luis vein runs perpendicular to the primary regional north-west Villalpando and Dolores mineralized vein structures, and like other transverse veins at El Cubo, the San Luis vein is anticipated to often carry proportionally higher gold content. The San Luis vein can be accessed from several existing adits and ramps, with production having already commenced. It is further envisioned that San Luis may develop into a gold-rich vein system and grow in importance in the same way that the Santa Cecilia area has become the largest source of high-grade material at El Cubo. The San Luis drill results are as follows:

Drillhole	From (m)	To (m)	True width	Au	Ag	Ageq
SL22-003	275.9	278.2	0.85	3.54	398	681
and	286.0	289.7	1.29	0.79	102	166
including	288.7	289.7	0.38	2.15	216	389
SL22-004	285.5	286.5	0.90	0.82	112	178
and	294.7	295.1	0.37	0.80	91	155
SL22-005	249.5	251.4	0.92	2.15	278	450
and	360.0	361.0	0.46	0.48	154	193
SL22-006	355.3	358.5	1.28	1.70	205	341
and	363.3	365.7	0.93	0.38	70	100
Historical drilling from 2018-2019 that contacted the San Luis vein(1)						
CUDG-1118	97.3	87.6	0.35	1.10	234	322
CUDG-1120	20.3	20.6	0.30	0.39	216	247

(1) Source: Behre Dolbear& Company (USA Inc.) PEA Jan 29, 2021

(El Cubo personnel examining the San Luis vein discovery)

Current production from San Ignacio comes mostly from the Melladito and the Nombre de Dios vein systems. The primary focus of the Company's most recent San Ignacio drill program was to target the Melladito vein system with the goal of extending silver and gold mineralization in the south and north areas of the mine. The Melladito vein dips to the east, with a true width ranging from 0.25 m to over 19 m; the vein has been delineated to a depth of 350 metres but retains deeper potential. Additionally, the vein often returns proportionately higher gold with lesser silver values. The results from the drilling campaign are outlined in the table below:

HOLE ID	VEIN	FROM (m)	TO (m)	WIDTH (m)	TRUE WIDTH (m)	Au (g/t)	Ag (g/t)	AgEq (g/t)(1)
UGSI22-002	**Melladito**	**67.80**	**68.40**	**0.60**	**0.56**	**1.65**	**12**	**144**
UGSI22-004	**Melladito (Branch)**	**61.95**	**62.60**	**0.65**	**0.62**	**1.92**	**11**	**165**
	Melladito	**68.30**	**70.80**	**2.50**	**1.82**	**3.11**	**14**	**263**
	include	68.30	68.80	0.50	0.36	3.32	12	278
	include	68.80	69.55	0.75	0.55	2.37	12	202
	include	69.55	70.3	0.75	0.55	3.32	21	287
	include	70.30	70.80	0.50	0.36	3.70	7	304
UGSI22-005	**Melladito (Branch)**	**38.50**	**39.85**	**1.35**	**1.31**	**0.74**	**87**	**146**
UGSI22-006	**Melladito**	**93.75**	**100.20**	**6.45**	**4.92**	**5.11**	**810**	**1,219**
	include	93.75	94.30	0.55	0.42	25.84	4,914	6,981
	include	94.30	94.85	0.55	0.42	28.23	1,693	3,951
	include	94.85	96.35	1.50	1.14	0.70	84	140
	include	96.35	97.40	1.05	0.81	0.37	123	153
	include	97.40	98.50	1.10	0.84	0.54	434	478
	include	98.50	99.50	1.00	0.77	0.71	610	667
	include	99.50	100.20	0.70	0.53	0.71	354	411
UGSI22-008	**Melladito (Branch)**	**57.15**	**58.05**	**0.90**	**0.89**	**1.58**	**2**	**129**
UGSI22-009	**Melladito (Branch)**	**70.20**	**71.10**	**0.90**	**0.46**	**1.01**	**76**	**158**
UGSI22-014	**Melladito (Branch)**	**66.75**	**57.85**	**1.10**	**0.63**	**1.91**	**5**	**158**
UGSI23-002	**Hanging Wall Vein**	**23.30**	**26.00**	**0.70**	**0.57**	**1.28**	**26**	**129**
UGSI23-003	**Hanging Wall Vein**	**35.25**	**35.60**	**0.35**	**0.17**	**4.026**	**52**	**374**
UGSI23-005	**Melladito**	**87.50**	**89.00**	**1.50**	**1.50**	**0.85**	**8**	**76**
UGSI23-006	**Melladito**	**109.25**	**111.75**	**2.50**	**2.48**	**1.08**	**6**	**93**

(1) All silver equivalent (AgEq) values are calculated based on a long-term gold to silver price ratio of 80:1

The most significant result was hole UGSI22-006 having almost five meters of true width intersecting 1,219 g/t AgEq, which includes 0.42m true width of 6,981 g/t AgEq. This outstanding result will be followed up with additional drill holes attempting to follow the down dip extension of the vein within the Company's 2023 drill campaign. In parallel, as mentioned above, we are in the midst of driving a 400-metre access ramp from Melladito to the analogous Purisima vein, which offers the potential for expanded production at San Ignacio.

Since acquiring the Topia mine, the Company has been actively conducting an exploration program aimed at increasing resources and extending the mine's lifespan. Recent drill results, outlined below, have concentrated on the La Prieta, Rosario, and Dos Amigos veins located in the central part of the district, forming part of the infill and resource expansion drill program. By the end of 2022, drilling had provided a better understanding of the deposit bodies' control and trend in these veins, revealing that the mineralization's lateral extension will continue to the west. Similar findings have been observed on other veins, making lateral exploration along the mineral horizon the Company's primary focus for the coming year.

HOLE ID	VEIN	FROM (m)	TO (m)	WIDTH (m)	TRUE WIDTH (m)	Au (g/t)	Ag (g/t)	Pb %	Zn %	AgEq (g/t)(1)
UT22-440	**Prieta**	**30.08**	**30.77**	**0.69**	**0.43**	**1.22**	**455**	**1.36**	**2.07**	**677**
	Including	30.61	30.77	0.16	0.10	3.69	1854	2.49	4.61	2411
	and	**50.87**	**51.93**	**1.26**	**0.81**	**1.38**	**42**	**4.00**	**1.96**	**344**
	Including	51.4	51.68	0.28	0.18	4.67	122	17.37	8.12	1311
UT22-441	**Rosario**	**11.74**	**12.83**	**1.09**	**1.09**	**0.05**	**373**	**1.30**	**0.39**	**429**
	Including	12.00	12.3	0.30	0.30	0.05	589	3.63	0.37	708
UT22-442	**Rosario**	**17.91**	**19.64**	**1.73**	**0.50**	**0.05**	**394**	**0.93**	**0.29**	**436**
	and	**26.40**	**29.60**	**3.20**	**0.60**	**0.07**	**944**	**9.26**	**4.18**	**1375**
UT22-445	**Rosario**	**7.10**	**8.96**	**1.86**	**1.55**	**0.08**	**206**	**1.18**	**2.77**	**358**
	Including	7.76	8.36	0.60	0.50	0.06	436	**2.45**	**3.82**	**665**
	and	**32.25**	**32.95**	**0.70**	**0.70**	**0.05**	**334**	**2.65**	**1.49**	**472**
	and	**56.85**	**57.12**	**0.27**	**0.20**	**0.05**	**1211**	**0.78**	**4.39**	**1417**
UT22-446	**Prieta**	**19.97**	**20.21**	**0.24**	**0.20**	**9.74**	**404**	**7.18**	**1.93**	**1470**
UT22-448	**Dos Amigos**	**64.11**	**64.66**	**0.55**	**0.50**	**3.98**	**808**	**8.06**	**4.38**	**1532**
UT22-449	**Prieta**	**20.05**	**21.65**	**1.60**	**1.12**	**1.74**	**39**	**3.37**	**0.73**	**303**
	Including	20.78	21.28	0.50	0.35	5.57	105	10.39	1.88	919
UT22-450	**Dos Amigos**	**63.40**	**63.87**	**0.47**	**0.47**	**1.78**	**285**	**1.23**	**2.24**	**555**
	Including	63.73	63.87	0.14	0.14	2.49	840	2.40	4.18	1280
UT22-451	**Prieta**	**38.10**	**39.08**	**0.98**	**0.98**	**4.48**	**107**	**7.98**	**13.72**	**1254**
UT22-453	**Prieta**	**59.06**	**60.41**	**1.35**	**1.15**	**3.38**	**2173**	**6.68**	**12.86**	**3159**

(1) All silver equivalent (AgEq) values are calculated based on a long-term gold to silver price ratio of 80:1

The Company has planned extensive exploration programs for 2023, which will cover infill, brownfield and greenfield areas. The main objectives are to replace and expand resources to ensure the longevity of the mines. Company wide, the program involves a total of 37,800 meters of exploration drilling. The 2023 target is to replace 130% of this year's mined ounces.

The priorities at El Cubo include exploring several veins such as San Luis, Villalpando, Dolores and San Nicolas with approximately 45% being infill drilling and 55% distributed between brownfield and greenfield exploration.

At VMC, the program will concentrate on identifying new deposits in the extensions of previously mined large deposits on the Veta Madre vein and at San Ignacio, the drilling will continue to expand the resources along the mineralized horizon on the Melladito and Purisima veins. Overall, the Company is targeting 43% infill drilling and 57% brownfield exploration at VMC and San Ignacio.

Additionally, Topia's drilling program will target the Higuera, Argentina, Santa Cruz, Dos Amigos, Unión del Pueblo, and La Prieta veins with infill and brownfield drilling being split evenly.

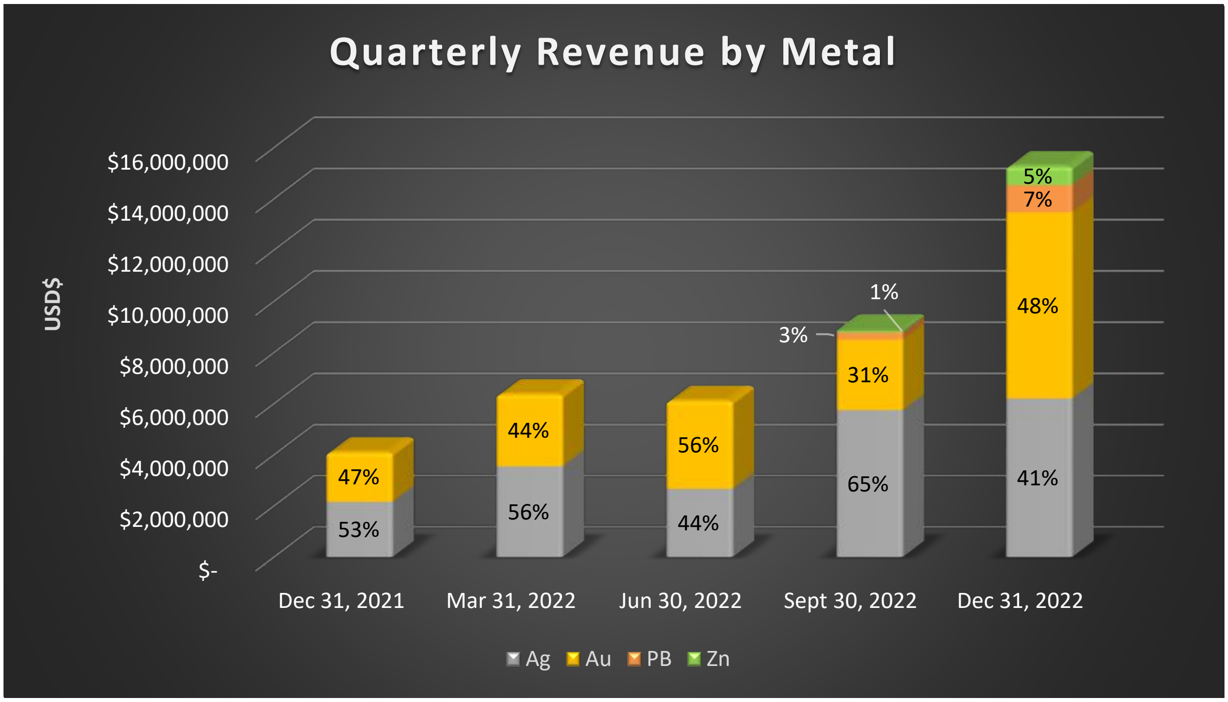
(Claudio Conseco, geologist at Topia, checking drill core at the core shack facilities)

FINANCIAL PERFORMANCE

The Financial Results below includes the Company's newly acquired subsidiary, MMR, from August 4, 2022, and commercial production from the El Cubo from October 1, 2021.

	Three Months Ended			Year Ended		
CONSOLIDATED	**December 31 2022**	**December 31 2021**	**Variance**	**December 31 2022**	**December 31 2021**	**Variance**
Financial Results	**$**	**$**		**$**	**$**	
Revenue	**15,487,714**	**4,116,811**	**276%**	**36,880,204**	**4,116,811**	**796%**
Gold	7,801,529	1,938,839	302%	17,566,756	1,938,839	806%
Silver	5,884,559	2,177,972	170%	17,162,212	2,177,972	688%
Lead	742,249	-	100%	1,013,517	-	100%
Zinc	1,059,377	-	100%	1,137,720	-	100%
Cost of Sales	**(15,635,542)**	**(6,350,863)**	**146%**	**(43,763,193)**	**(6,350,863)**	**589%**
Production Costs	(12,911,042)	(4,911,576)	163%	(33,868,211)	(6,132,275)	452%
Transportation and selling cost	(596,918)	(109,452)	445%	(1,011,083)	(109,452)	824%
Inventory changes	387,767	(60,994)	(736%)	37,003	1,159,705	(97%)
Mine operating cashflow before taxes (7)	**2,367,522**	**(965,211)**	**(345%)**	**2,037,914**	**(965,211)**	**(311%)**
Depreciation	(2,515,349)	(1,268,841)	98%	(8,920,902)	(1,268,841)	603%
Mine operating loss	**(147,830)**	**(2,234,052)**	**(93%)**	**(6,882,989)**	**(2,234,052)**	**208%**
General and Administration	(2,303,435)	(1,201,721)	92%	(7,389,441)	(4,326,383)	71%
SBC Compensation	(268,164)	(349,992)	(23%)	(1,511,071)	(2,547,339)	(41%)
Exploration - other direct costs	(691,134)	(224,692)	208%	(2,962,384)	(1,140,308)	160%
Care & maintenance	(681,795)	-	100%	(1,242,324)	-	100%
Foreign exchange loss	(987,607)	(199,204)	396%	(1,308,357)	(453,185)	189%
Other operating (expense) income	(1,699,281)	18,077	(9,500%)	(1,880,328)	(199,526)	842%
Interest and finance (costs) income, net	(1,452,284)	(585,545)	148%	(3,786,748)	(1,234,704)	207%
(Loss) gain on derivatives	(1,677,253)	30,884	(5,531%)	54,567	285,697	(81%)
Other finance (expense) income, net	(115,211)	-	100%	137,490	-	100%
Current income tax (expense) recovery	118,287	-	100%	-	-	-%
Net loss	**(9,905,707)**	**(4,746,245)**	**109%**	**(26,771,585)**	**(11,849,800)**	**126%**
Loss per share - basic and diluted	**(0.03)**	**(0.02)**	50%	**(0.10)**	**(0.06)**	54%
EBITDA[1]	$(5,997,153)	$(2,858,086)	110%	$(13,825,789)	$(9,312,481)	48%
Adjusted EBITDA	$(2,129,871)	$(2,538,978)	(16%)	$(9,192,344)	$(7,050,839)	30%
Cash cost Ag/Eq per ounce	$15.55	$25.45	(39%)	$15.84	$25.45	(38%)
AISC cost per Ag/Eq ounce	$20.80	$38.39	(46%)	$21.55	$73.70	(71%)
Realized silver price per ounce	$21.23	$23.35	(9%)	$21.23	$23.35	(9%)
Realized gold price per ounce	$1,783.36	$1,784.02	(0%)	$1,783.36	$1,784.02	(0%)
Realized lead price per pound	$0.92	$-	100%	$0.92	$-	100%
Realized zinc price per pound	$1.42	$-	100%	$1.42	$-	100%

1. See Reconciliation of Earnings before interest, taxes, depreciation, and amortization on page 32.
2. See reconciliation of Adjusted EBITDA on page 32.
3. Cash cost per silver equivalent ounce include mining, processing, and direct overhead. See Reconciliation to IFRS on page 33.
4. AISC per Ag/Eq oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital. See Reconciliation to IFRS on page 33.
5. See "Non-IFRS Financial Measures" on page 31.
6. Based on provisional sales before final price adjustments, before payable metal deductions, treatment, and refining charges.
7. Mine operating cash flow before taxes is calculated by adding back depreciation, depletion, and inventory write-downs to mine operating loss. See Reconciliation to IFRS on page 32.



Revenues

During the three months ended December 31, 2022, the Company generated revenues of $15,487,714 net of treatment and refining costs; this represents a 75% increase compared to last quarter, and is mainly due to sales of 405,348 ounces of silver and 3,865 ounces of gold which is a 30% and 29% increase respectively, as compared to Q3 2022 due to the addition of the Valenciana Mines Complex. Additionally, the Company sold 846,281 pounds of lead at a realized price of $0.95 and 1,600,811 pounds of zinc at a realized price of $1.37 from the Topia Mine. During the quarter realized silver and gold price per ounce sold averaged $21.23 and $1,783.36 an 11% and a 3% increase respectively, compared to $19.06 and 1,724.81 per ounce in Q3 2022. There was a negative impact of $134,398 on provisional pricing and settlement adjustments during the quarter.

For the year ended December 31, 2022, the Company sold 1,011,258 ounces of silver at an average realized price of $21.23, 11,064 ounces of gold at an average realized price of $1,783.36, 1,350,688 pounds of lead at an average realized price of $0.92 and 1,874,138 pounds of zinc at an average realized price of $1.42. Total revenues net of treatment and refining costs for the year were $36,880,204, compared to $4,116,811 in the year ended December 31, 2021.

Cost of sales

Cost of sales is comprised of production cost, including mining, processing, maintenance and site general administration net of inventory changes, transportation and selling cost and depreciation and depletion. The increase of 28% in cost of sales for the three months ended December 31, 2022, compared to Q3 2022 is mainly due to 34% increase in production cost from the addition of production from the San Ignacio, Valenciana and Topia operations and additional $181,171 of depreciation, transportation, and other selling cost due to increase in concentrate delivered.

General and administration

General and administration expenses decreased by 62% or $220,952 during the three months ended December 31, 2022, compared to Q3 2022. This decrease is mainly due to the one time advisory fee and other transaction costs associated with the acquisition of MMR in Q3 2022; this was offset by increases in insurance, travel, office expenses, accounting, legal and audit, due to the Company's increased operations with the acquisition of MMR and the costs of the integration of that operation.

General and administrative expenses increased by $3,063,058, or 71% for the year ended December 31, 2022, compared to the year ended December 31, 2021 as the Company grew significantly with a full year of production at El Cubo and the acquisition of MMR resulting in additions to the executive team and employees in the Vancouver, Canada office, at the Guanajuato, Mexico office as well as, increased professional fees, insurance, travel and office expenses, accounting, legal and audit, and the integration cost associated with the acquisition of MMR. Transaction and integration cost for the year ended December 31, 2022, totalling $1,362,379 were expensed as incurred within general and administration expense.

Exploration

General exploration costs increased 2% to $691,132 in the three months ended December 31, 2022, compared to $679,026 in Q3 2022 as the Company added 2,978 drill meters at San Ignacio and Topia while continuing to focus its exploration program on the Villalpando area at El Cubo.

For the year ended December 31, 2022, general exploration costs increased $1,822,076 from the same period in 2021 as the Company drilled a total of 17,057 meters in 2022 versus 6,728 meters in 2021. The 2022 program included diamond drilling 12,680 metres at Villalpando, Santa Cecilia, and Mastrantos IV, 873 metres at El Pinguico, 526 metres on the Veta Madre at El Cubo, 1,818 metres at San Ignacio and 1,160 metres at Topia. The average cost per meter in 2022 was $174 compared with $169 in 2021.

Share-based compensation

Share-based compensation decreased by $81,828 or 23% for the three months ended December 31, 2022, compared to the three months ended December 31, 2021, as no options were granted during the fourth quarter of 2022 compared to 175,000 options granted in the 2021 fourth quarter of which 1/3 vested immediately.

Share-based compensation decreased by $1,036,268 or 41% to $1,511,071 for the twelve months ended December 31, 2022, due to 46% decrease in the Company's share price and 1,000,000 less options granted compared to the same period in 2021.

Interest and finance costs

Interest and finance costs increased to $866,739 and $2,552,044 for the three and twelve months ended December 31, 2022, respectively, due to interest accrued on the $7,500,000 loan with OCIM and the two Ocean Partners loan of $5,000,000 each received in August 2022 and December 2022 (*See Liquidity and Capital Resources)*.

Loss on derivatives

Under the OCIM Loans, the requirement to deliver gold and silver ounces is considered a derivative which is required to be revalued at the end of each reporting period. Additionally, as the Company repays the OCIM loans, the derivative portion of the loan will result in a gain or loss on settlement.

For the three months ended December 31, 2022, the Company recognized a loss of $1,988,467 on the revaluation of the derivative on the outstanding OCIM Loans due to a 26% and 9% increase in the price and silver and gold, respectively from September 30, 2022 to December 31, 2022, offset by a gain of $311,214 on the settlement of the derivative portion of the repayment to OCIM (three months ended December 31, 2021 – $30,884 gain) (See *Liquidity and Capital Resources*).

For the twelve months ended December 31, 2022, the Company recognized a gain of $54,567 on the settlement of the derivative portion of the repayment to OCIM as well as on the revaluation of the derivative on the outstanding OCIM loans due to slightly lower silver and gold prices compared to prior year (December 31, 2021 – $285,697 gain) (See *Liquidity and Capital Resources*).

Other finance items, net

For the three months and year ended December 31, 2022, the Company recognized a realized gain of $nil and $195,910, respectively due to the early repayment of a portion of the initial OCIM loan (three months and year ended December 31, 2021 - $nil). Additionally, the Company realized gain of $nil and $190,597 on disposal of the ounces of gold and silver during the three and twelve months ended December 31, 2022 (three months and year ended December 31, 2021 - $nil), offset by $nil and $249,017 unrealized loss on changes in fair value on forward silver and gold pricing sales (three months and year ended December 31, 2021 - $nil).

LIQUIDITY AND CAPITAL RESOURCES

The Company's ability to generate sufficient amounts of cash, both in the short term and the long term, to maintain existing capacity and to fund ongoing development and exploration, is dependent upon the ability of the Company to generate positive cash flows from operations and/or obtain the financing necessary to generate and sustain profitable operations. Refer to going concern section above.

The Company will evaluate, from time to time, sales of its common shares to improve the Company's liquidity and working capital position. To the extent that cash generated by operations during 2023 is less than anticipated or in the event the Company determines it will undertake other projects that are currently not part of its plans, or if the Company undertakes another acquisition, additional capital may be required. Sources of capital include accessing the private and public capital markets for debt and equity over the next 12 months. Adverse movement in metal prices and unforeseen impacts to the Company's operation may increase the need to raise new external sources of capital, and the inability to access sources of capital could adversely impact the Company's liquidity and require the Company to curtail capital and exploration program and other discretionary expenditures.

	Three Months Ended			Years Ended		
	December 31 2022	December 31 2021	% Change	December 31 2022	December 31 2021	% Change
Cash Flow	**$**	**$**		**$**	**$**	
Cash used in operating activities	(4,785,033)	(2,302,062)	108%	(15,056,830)	(8,929,043)	69%
Cash used in investing activities	(1,478,509)	(811,474)	82%	(11,853,372)	(13,963,888)	(15%)
Cash provided by financing activities	8,124,912	6,017,918	35%	27,125,000	27,120,690	0%
Effect of exchange rate changes on cash	606,542	(101,914)	(695%)	384,096	(173,681)	(321%)
Change in cash and cash equivalents	2,467,911	2,248,149	10%	598,893	4,054,081	(85%)
Cash and cash equivalents, beginning of period	6,365,025	5,985,894	6%	8,234,043	4,179,962	97%
Cash and cash equivalents, end of period	8,832,936	8,234,043	7%	8,832,936	8,234,043	7%

As at December 31, 2022, the Company had cash and cash equivalents of $8,832,936 and negative working capital of $3,972,704 compared with cash of $8,234,043 and positive working capital of $1,670,108 at December 31, 2021.

Operating activities

Cash used in operating activities was $15,056,830 during the twelve months ended December 31, 2022 (December 31, 2021 - $8,929,043). The significant non-cash adjustments to the net loss of $25,471,585 in the year ended December 31, 2022 (December 31, 2021 – $11,849,800) were depreciation and amortization of $9,165,643 (December 31, 2021 – $1,518,580), share-based compensation of $1,511,071 (December 31, 2021 – $2,547,339), gain on change in fair value of contingent payments of $248,972 (December 31, 2021 – $Nil) and a decrease in non-cash working capital of $4,581,006 (December 31, 2021 – decrease of $2,044,065). The net change in non-cash working capital was primarily due to a decrease in amounts receivable, prepaid expenses and deposits and purchase of gold and silver bullion offset by an increase in proceeds from sale of gold and silver bullion, accounts payable and accrued liabilities and other assets. The Company took an allowance of $1,300,000 against the $2,416,318 amount receivable due to the uncertainty surrounding the Great Panther bankruptcy and the ability of the Company to collect the full receivable due from them.

Investing activities

Investing activities used cash of $11,853,372 in the twelve months ended December 31, 2022, compared with the use of cash of $13,963,888 in the twelve months ending December 31, 2021. The use of cash during the twelve months ending December 31, 2022, was for mine development, the acquisition of machinery and other equipment by $3,411,768, which comprises of $311,862 of minor machinery and equipment, $950,315 of construction in progress and $1,947,893 of mine development at the El Cubo Mines Complex and $201,698 of mine development at Topia. Additionally, the payment to acquire royalties was $206,124 and $8,235,480 was paid for the acquisition of MMR.

Financing activities

Cash generated from financing activities for the twelve months ended December 31, 2022, was $27,125,000 mainly from proceeds from the new silver and gold Pre-payment Facility with OCIM, a credit facility with Ocean Partners, the issuance of 65,807,321 common shares through a private placement and from the exercises of warrants and options offset by lease and loan payments.

OCIM

The Company has an existing loan facility with OCIM Precious Metals SA ("OCIM") for $7,500,000 (the "Initial Loan") and on May 4, 2022, the Company entered into a new silver and gold pre-payment facility amount of $7,500,000 with OCIM ("Secondary Loan") secured against GSilver's El Cubo assets. The Secondary Loan is for a term of 18-months and repayable over a period of 12 months, following a six-month grace period, by the Company delivering 20,240 ounces of silver and 163 ounces of gold on a monthly basis (an aggregate of 242,877 ounces of silver and 1,958 ounces of gold), calculated at a fixed discount to the prevailing London Bullion Market Association (LBMA) spot metals' prices on May 4, 2022.

A portion of the pre-payment facility was used to repay to OCIM the cash equivalent of six of the Company's remaining nine monthly deliveries of silver and gold ounces due under the Initial Loan and the Company received the remaining balance of $2,913,610 in cash. On November 17, 2022, the Company made an early repayment on the Initial Loan and the Secondary Loan of 683.14 ounces of gold and 76,278 ounces of silver, resulting in a discount of 2,354 ounces of silver. The final payment of on the Initial Loan of 19,076 ounces of silver and 178.4 ounces of gold was made on January 26, 2023, extinguishing the Initial Loan.

On March 29, 2023, the Company completed a new $5,000,000 pre-payment agreement with OCIM (the "Tertiary Loan"). The Tertiary Loan has a term of 19-months and is repayable over 16 months, following a 3 month grace period, by delivering 9,832 ounces of silver and 77 ounces of gold on a monthly basis (an aggregate of 157,232 ounces of silver and 1,241 ounces of gold), calculated at a fixed discount to the prevailing London Bullion Market Association (LBMA) spot metals' prices on March 29, 2023. The full proceeds of the pre-payment facility plus an additional payment of $510,143 were used to extinguish the outstanding balance on the Secondary Loan.

Ocean Partners

On August 22, 2022, the Company entered into a credit facility (the "OP Facility") with Ocean Partners (UK) Limited, a metals off-take and trading firm, for $5,000,000 which the Company drew down on August 30, 2022. The OP Facility is for a term of 24-months, repayable over a period of 21-months following a three-month grace period, and secured by a guarantee of MMR, a pledge over the Company's shares of MMR and, if required by Ocean Partners, a first ranking security interest over the property and assets of MMR. Interest on the loan will be calculated at 12-month LIBOR + 7.5%.

Concurrent with the OP Facility, the Company agreed to sell 100% of its silver and gold concentrate produced from the Valenciana Mines Complex and San Ignacio to Ocean Partners for a period of 24 months subject to a minimum delivery of 6,000 wet metric tonnes of concentrate. As further consideration for the OP Facility, the Company issued a total of 2,500,000 share purchase warrants to Ocean Partners; each warrant entitling Ocean Partners to purchase one common share of GSilver at a price of C$0.50 for period 24 months.

On December 8, 2022, the Company drew down on a new $5,000,000 credit facility (the "New Facility") with Ocean Partners (UK). The New Facility has an initial payment free period until March 31, 2023, and thereafter will be revolving in nature whereby it is re-payable and re-drawable in 4-month intervals over a term of 24 months. As with the OP Facility, this loan is also secured by the OP Security. Interest will be calculated at 12-month SOFR + 7.5%. A portion of the New Facility was used to extinguish $701,644 of the amount owing to Ocean Partners on the Company's Advance Payment.

Non-brokered Private Placement

During the year ended December 31, 2022, concurrent with the closing of the acquisition of MMR, the Company issued 41,885,388 Units for gross proceeds of $10,722,659 (CAD$13,822,178). Each Unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable for one common share of the Company for 36 months at a price of CAD$0.50. The Company paid the Agents a cash commission (the "Agency Fee") equal to 6% (2% for arm's length purchasers and 0% for non-arm's length purchasers on the Company's president's list (the "President's List")) of the gross proceeds from the private placement and issued agents' warrants ("Agents' Warrants") equal to 6% (2% for arm's length purchasers and 0% for non-arm's length purchasers on the President's List) of the total number of Units sold. The Agents were also paid an advisory fee equal to $298,000 and 905,695 Agents' Warrants. Each Agents' Warrant entitles the holder to purchase one common share of the Company at a price of $0.33 for a period of three years following completion of the MMR acquisition.

On December 22, 2022, the Company completed the first tranche of a non-brokered "listed issuer financing exemption" private placement and issued 15,952,196 units at $0.312 (CAD$0.425) per unit for gross proceeds of $4,971,307. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at CAD$0.60 per share for a period of two years. The proceeds from the private placement were allocated to the shares $4,275,191 and warrants $696,116 based on their relative fair values. In connection with the private placement, the Company incurred issue costs of $190,356 in cash and issued 514,591 finder's warrants with an exercise price of CAD$0.60 exercisable for two years and a fair value of $163,462 (CAD$222,962) as finders fees.

SELECTED ANNUAL INFORMATION

	For the Years Ended December 31		
	2022	2021	2020
	$	$	$
Revenue	36,880,204	4,116,811	-
Net loss	(26,771,585)	(11,849,800)	(1,721,817)
Basic loss per share	(0.10)	(0.06)	(0.02)
Adjusted EBITDA[(1)(2)]	(9,192,344)	(7,050,839)	(1,374,769)
Cash and cash equivalents	8,832,936	8,234,043	4,179,962
Total assets	85,648,898	51,319,876	7,873,129
Total non-current liabilities	19,981,817	7,571,042	15,303
Working capital (deficiency) [(2)]	(5,972,704)	1,670,108	4,278,430

1. See Reconciliation of earnings before interest, taxes, depreciation, and amortization on page 32.
2. See "Non-IFRS Financial Measures" on page 31.

NON-IFRS FINANCIAL MEASURES

The Company has disclosed certain non-IFRS financial measures and ratios in this MD&A, as discussed below. These non-IFRS financial measures and non-IFRS ratios are widely reported in the mining industry as benchmarks for performance and are used by Management to monitor and evaluate the Company's operating performance and ability to generate cash. The Company believes that, in addition to financial measures and ratios prepared in accordance with IFRS, certain investors use these non-IFRS financial measures and ratios to evaluate the Company's performance. However, the measures do not have a standardized meaning under IFRS and may not be comparable to similar financial measures disclosed by other companies. Accordingly, non-IFRS financial measures and non-IFRS ratios should not be considered in isolation or as a substitute for measures and ratios of the Company's performance prepared in accordance with IFRS.

Non-IFRS financial measures are defined in National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure ("NI 52-122") as a financial measure disclosed that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ration, fraction, percentage or similar representation.

A non-IFRS ratio is defined by 52-112 as a financial measure disclosed that (a) is in the form of a ration, fraction, percentage or similar representation, (b) has a non-IFRS financial measure as one or more of its components, and (c) is not disclosed in the financial statements.

Working Capital

Working capital is a non-IFRS measure that is a common measure of liquidity but does not have any standardized meaning. The most directly comparable measure prepared in accordance with IFRS is current assets and net of current liabilities. Working capital is calculated by deducting current liabilities from current assets. Working capital should not be considered in isolation or as a substitute from measures prepared in accordance with IFRS. The measure is intended to assist readers in evaluating our liquidity.

As at	**December 31 2022**	**December 31 2021**	**December 31 2020**
	$	$	$
Current assets	27,182,590	14,618,380	4,479,006
Current liabilities	33,155,294	12,948,272	200,576
Working capital	(5,972,704)	1,670,108	4,278,430

MINE OPERATING CASH FLOW BEFORE TAXES

Mine operating cash flow before taxes is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Mine operating cash flow is calculated as revenue minus production costs, transportation and selling costs and inventory changes. Mine operating cash flow is used by management to assess the performance of the mine operations, excluding corporate and exploration activities and is provided to investors as a measure of the Company's operating performance.

	Three months ended				
	December 31 2022	**September 30 2022**	**June 30 2022**	**March 31 2022**	**December 31 2021**
	$	$	$	$	$
Revenues	15,487,714	8,871,863	6,133,989	6,386,638	4,116,811
Production cost	(12,911,041)	(9,670,274)	(5,767,560)	(5,583,155)	(4,911,576)
Transportation and other support cost	(596,916)	(178,676)	(69,021)	(102,646)	(109,452)
Inventory changes	387,765	626,923	(289,485)	(688,203)	(60,994)
Mine operating cash flows before taxes	**2,367,522**	**(350,164)**	**7,923**	**12,634**	**(965,211)**

	Year ended December 31 2022	**Nine months ended September 30 2022**	**Six months ended June 30 2022**	**Three months ended March 31 2022**	**Year ended December 31 2021**
	$	$	$	$	$
Revenues	36,880,204	21,392,490	12,520,627	6,386,638	4,116,811
Production cost	(33,868,211)	(20,957,169)	(11,350,715)	(5,583,155)	(4,911,576)
Transportation and other support cost	(1,011,081)	(414,165)	(171,667)	(102,646)	(109,452)
Inventory changes	37,003	(350,764)	(977,688)	(688,203)	(60,994)
Mine operating cash flows before taxes	**2,037,915**	**(329,608)**	**20,557**	**12,634**	**(965,211)**

EBITDA

EBITDA is a non-IFRS financial measure, which excludes the following from net earnings:

- Income tax expense;
- Finance costs;
- Amortization and depletion.

Adjusted EBITDA excludes the following additional items from EBITDA:

- Share based compensation;
- Non-recurring impairments (reversals);
- Loss (gain) on derivative;
- Significant other non-routine finance items.

Adjusted EBITDA per share is calculated by dividing Adjusted EBITDA by the basic weighted average number of shares outstanding for the period.

Management believes EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures. Management uses EBITDA for this purpose. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" based on an observed or inferred relationship between EBITDA and market values to determine the approximate total enterprise value of a Company.

EBITDA is intended to provide additional information to investors and analysts. It does not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of operating performance prepared in accordance with IFRS. EBITDA excludes the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore is not necessarily indicative of operating profit or cash flow from operations as determined by IFRS. Other companies may calculate EBITDA and Adjusted EBITDA differently.

	Three months ended				
	December 31 2022	**September 30 2022**	**June 30 2022**	**March 31 2022**	**December 31 2021**
	$	**$**	**$**	**$**	**$**
Net loss per financial statements	(9,905,707)	(8,405,337)	(3,521,390)	(4,939,152)	(4,746,245)
Depreciation and depletion – cost of sales	2,515,349	2,991,577	1,664,219	1,749,757	1,268,841
Depreciation and depletion – general and administration	59,208	57,210	70,543	51,184	33,774
Interest and finance costs (income), net	1,452,284	1,045,309	654,350	634,806	585,545
Current income tax	(118,287)	118,287	-	-	-
EBITDA	**(5,997,153)**	**(4,192,955)**	**(1,132,278)**	**(2,503,405)**	**(2,858,086)**
Share based compensation	268,164	601,100	231,594	410,213	349,992
Gain on derivative	1,677,253	(754,358)	(1,220,275)	242,813	(30,884)
Other finance items, net	115,212	80,150	(123,634)	(209,217)	-
Transaction cost associated with the acquisition of MMR	145,387	1,216,992	-	-	-
Union payment associated with acquisition of "EL Cubo Mines Complex"	-	488,634	-	-	-
Gain on change of fair value on gold contingent payments to Endeavour	(1,624)	(516,824)	-	-	-
Loss on change of fair value on silver contingent payments to Great Panther	269,478	-	-	-	-
Allowance on receivable amount from Great Panther	1,300,000	-	-	-	-
VAT write-off	93,412	318,975	-	-	-
Adjusted EBITDA	**(2,129,871)**	**(2,758,286)**	**(2,244,593)**	**(2,059,596)**	**(2,538,978)**

	Year ended December 31 2022	Nine months ended September 30 2022	Six months ended June 30 2022	Three months ended March 31 2022	Year ended December 31 2021
	$	$	$	$	$
Net loss per financial statements	(26,771,585)	(16,865,880)	(8,460,542)	(4,939,152)	(11,849,800)
Depreciation and depletion – cost of sales	8,920,902	6,405,553	3,413,976	1,749,757	1,268,841
Depreciation and depletion – general and administration	238,146	180,508	121,727	51,184	33,774
Interest and finance costs (income), net	3,786,748	2,334,464	1,289,155	634,805	1,234,704
Current income tax	-	118,287	-	-	-
EBITDA	**(13,825,789)**	**(7,827,068)**	**(3,635,684)**	**(2,503,405)**	**(9,312,481)**
Share based compensation	1,511,071	1,242,907	641,807	410,213	2,547,339
Loss (gain) on derivatives	(54,567)	(1,731,820)	(977,462)	242,813	(285,697)
Other finance items, net	(137,489)	(252,701)	(332,851)	(209,217)	-
Transaction cost associated with the acquisition of MMR	1,362,379	1,216,992	-	-	-
Union payment associated with acquisition of "EL Cubo Mines Complex"	488,634	488,634	-	-	-
Gain on change of fair value on gold contingent payments to Endeavour	(518,448)	(516,824)	-	-	-
Loss on change of fair value on silver contingent payments to Great Panther	269,477	-	-	-	-
Allowance on receivable amount from Great Panther	1,300,000	-	-	-	-
VAT write-off	412,388	-	-	-	-
Adjusted EBITDA	**(9,192,344)**	**(7,379,880)**	**(4,304,190)**	**(2,059,596)**	**(7,050,839)**

Cash Cost per Ag/Eq Ounce, All-In Sustaining Cost per Ag/Eq Ounce and Production Cost per Tonne

Cash costs per silver equivalent oz and production costs per tonne are measures developed by precious metals companies in an effort to provide a comparable standard; however, there can be no assurance that the Company's reporting of these non-IFRS measures and ratios are similar to those reported by other mining companies. Cash costs per silver equivalent ounce and total production cost per tonne are non-IFRS performance measures used by the Company to manage and evaluate operating performance at its operating mining unit, in conjunction with the related IFRS amounts. They are widely reported in the silver mining industry as a benchmark for performance, but do not have a standardized meaning and are disclosed in addition to IFRS measures. Production costs include mining, milling, and direct overhead at the operation sites**.** Cash costs include all direct costs plus royalties and special mining duty. Total production costs include all cash costs plus amortization and depletion, changes in amortization and depletion in finished goods inventory and site share-based compensation. Cash costs per silver equivalent ounce is calculated by dividing cash costs and total production costs by the payable silver ounces produced. Production costs per tonne are calculated by dividing production costs by the number of processed tonnes. The following tables provide a detailed reconciliation of these measures to the Company's direct production costs, as reported in its consolidated financial statements.

All-in Sustaining Costs ("AISC") is a non-IFRS performance measure and was calculated based on guidance provided by the World Gold Council ("WGC"). WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining capital expenditures. AISC is a more comprehensive measure than cash cost per ounce and is useful for investors and management to assess the Company's operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its current operations, in conjunction with related IFRS amounts. AISC helps investors to assess costs against peers in the industry and help management assess the performance of its mine.

AISC includes total production costs (IFRS measure) incurred at the Company's mining operation, which forms the basis of the Company's total cash costs. Additionally, the Company includes sustaining capital expenditures, corporate general and administrative expense, operating lease payments and reclamation cost accretion. The Company believes this measure represents the total sustainable costs of producing silver and gold concentrate from current operations and provides additional information of the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of silver and gold concentrate production from current operations, new projects capital at current operation is not included. Certain other cash expenditures, including share-based payments, tax payments, dividends and financing costs are also not included.

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The following tables provide detailed reconciliations of these measures to cost of sales, as reported in notes to our consolidated financial statements.

		Three months ended December 31, 2022				Three months ended December 31 2021
		El Cubo	**VMC**	**Topia**	**Consolidated**	**El Cubo**
Cost of sales		**9,554,657**	**403,990**	**5,676,894**	**15,635,542**	**6,350,863**
Transportation and selling cost		(211,807)	-	(385,111)	(596,918)	(134,363)
Inventory changes		311,878	-	75,889	387,767	(60,994)
Depreciation		(2,282,031)	-	(233,317)	(2,513,349)	(1,268,841)
Production cost(4)	A	**7,372,697**	**403,990**	**5,134,355**	**12,911,042**	**4,886,665**
Add (subtract):						
Government royalties and mining taxes		51,277	14,287	31,938	97,502	24,911
Total cash cost(2)	B	**7,423,974**	**418,277**	**5,166,292**	**13,008,544**	**4,911,576**
General and administrative - corporate		-			2,303,435	942,237
Operating lease payments		560,494	-	71,939	632,433	-
Sustaining capital expenditures		1,143,303	-	308,724	1,452,027	2,163,893
Total All-in sustaining cost(3)	C	**9,127,771**	**418,277**	**5,546,955**	**17,396,439**	**8,017,706**
Tonnes milled	D	108,897	3,928	18,516	131,341	77,524
Silver equivalent ounces produced(1)	E	523,223	13,104	300,050	836,376	239,968
Production cost per tonne(4)	A/D	**67.70**	**102.85**	**277.29**	**98.30**	**63.03**
Cash cost per AgEq ounce produced(2)	B/E	**14.19**	**31.92**	**17.22**	**15.55**	**20.47**
All-in sustaining cost per AgEq ounce produced(3)	C/E	**17.45**	**31.92**	**18.49**	**20.80**	**33.41**
Mining cost per tonne		38.91	67.61	194.07	61.64	26.81
Milling cost per tonne		17.59	23.56	45.50	21.70	22.18
Indirect cost per tonne		11.21	11.68	37.72	14.96	14.04
Production cost per tonne(4)		**67.70**	**102.85**	**277.29**	**98.30**	**63.03**
Mining		4,236,637	265,573	3,593,341	8,095,551	2,078,418
Milling		1,915,650	92,541	842,563	2,850,754	1,719,482
Indirect		1,220,410	45,876	698,451	1,964,657	1,088,764
Production Cost		**7,372,697**	**403,990**	**5,134,355**	**12,911,042**	**4,886,665**

1. Silver equivalents are calculated using an 81.35:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.06:1 (Ag/Zn) ratio for Q4 2022; and 80:1 (Ag/Au) ratio for Q4 2021, respectively.
2. Cash cost per silver equivalent ounce include mining, processing, and direct overhead.
3. AISC per oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital.
4. Production costs include mining, milling, and direct overhead at the operation sites.

		Year ended December 31, 2022				Year ended December 31 2021
		El Cubo	VMC	Topia	Consolidated	El Cubo
Cost of sales		**33,621,969**	**403,990**	**9,737,234**	**43,763,193**	**6,350,863**
Transportation and selling cost		(625,971)	-	(385,112)	(1,011,083)	(134,363)
Inventory changes		(109,419)	-	146,422	37,003	1,159,705
Depreciation		(7,817,781)	-	(1,103,122)	(8,920,902)	(1,268,841)
Production cost[(4)]	A	**25,068,799**	**403,990**	**8,395,423**	**33,868,211**	**6,107,364**
Add (subtract):						
Government royalties and mining taxes		150,268	14,287	31,938	196,493	24,911
Total cash cost[(2)]	B	**25,219,067**	**418,277**	**8,427,359**	**34,064,703**	**6,132,275**
General and administrative - corporate		-	-	-	7,389,441	942,237
Operating lease payments		853,057	-	242,714	1,095,771	-
Sustaining capital expenditures		3,239,988	-	553,620	3,793,608	10,636,780
Total All-in sustaining cost[(3)]	C	**29,312,112**	**418,277**	**9,223,694**	**46,343,523**	**17,711,292**
Tonnes milled	D	384,777	3,928	30,145	418,850	77,524
Silver equivalent ounces produced[(1)]	E	1,629,244	13,104	507,882	2,150,229	239,968
Production cost per tonne[(4)]	A/D	**65.15**	**102.85**	**278.50**	**80.86**	**78.78**
Cash cost per AgEq ounce produced[(2)]	B/E	**15.48**	**31.92**	**16.59**	**15.84**	**25.55**
All-in sustaining cost per AgEq ounce produced[(3)]	C/E	**17.99**	**31.92**	**18.16**	**21.55**	**73.81**
Mining cost per tonne		33.85	67.61	190.05	45.41	42.55
Milling cost per tonne		18.81	23.56	44.86	20.73	22.18
Indirect cost per tonne		12.49	11.68	43.59	14.72	14.05
Production cost per tonne[(4)]		**65.15**	**102.85**	**278.50**	**80.86**	**78.78**
Mining		13,027,413	265,573	5,729,067	19,022,053	3,298,646
Milling		7,235,786	92,541	1,352,335	8,680,662	1,719,482
Indirect		4,805,600	45,876	1,314,020	6,165,496	1,089,236
Production Cost		**25,068,799**	**403,990**	**8,395,421**	**33,868,211**	**6,107,364**

1. Silver equivalents are calculated using an 83.22:1 (Ag/Au), 0.05:1 (Ag/Pb) and 0.07:1 (Ag/Zn) ratio for 2022; and 80:1 (Ag/Au) ratio for 2021, respectively.
2. Cash cost per silver equivalent ounce include mining, processing, and direct overhead.
3. AISC per oz include mining, processing, direct overhead, corporate general and administration expenses, on-site exploration, reclamation and sustaining capital.
4. Production costs include mining, milling, and direct overhead at the operation sites.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recent quarters:

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
Total revenue	**15,487,714**	**8,871,863**	**6,133,989**	**6,386,638**	**4,116,811**	**-**	**-**	**-**
Production costs	12,911,041	9,670,274	5,767,560	5,583,155	4,911,576	-	-	-
Transportation and other selling costs	596,916	178,676	69,021	102,646	109,452	-	-	-
Inventory changes	(387,765)	(626,923)	289,485	688,203	60,994	-	-	-
Mine operating cashflows before taxes	**2,367,522**	**(350,164)**	**7,923**	**12,634**	**(965,211)**	**-**	**-**	**-**
Depreciation	(2,515,349)	(2,991,577)	(1,664,219)	(1,749,757)	(1,268,841)	-	-	-
Mine operating income (loss)	(147,830)	(3,341,741)	(1,656,295)	(1,737,122)	(2,234,052)	-	-	-
Net loss	(9,905,707)	(8,405,337)	(3,521,390)	(4,939,152)	(4,746,245)	(2,571,355)	(1,661,568)	(2,678,703)
EBITDA	(5,997,153)	(4,192,955)	(1,132,278)	(2,503,405)	(2,858,086)	(1,933,186)	(1,639,224)	(2,644,110)
Adjusted EBITDA	(2,129,871)	(2,758,286)	(2,244,593)	(2,059,596)	(2,538,978)	(1,532,866)	(1,178,010)	(1,544,857)
Basic and fully diluted loss per share	(0.03)	(0.03)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)	(0.02)
Weighted Average shares outstanding	302,153,922	271,509,812	226,033,272	224,556,314	210,531,741	201,458,554	195,301,309	126,138,294

The Company generated revenues of $15,487,714 net of treatment and refining costs, which was a 75% increase compared to last quarter, mainly due to sales of 405,348 ounces of silver and 3,865 ounces of gold a 30% and 29% increase respectively, as compared to Q3 2022 due to the addition of the Valenciana Mines Complex. Additionally, the Company sold 846,281 pounds of lead at a realized price of $0.95 and 1,600,811 pounds of zinc at a realized price of $1.37 from the Topia Mine. During the quarter realized silver and gold price per ounce sold averaged $21.23 and $1,783.36 an 11% and a 3% increase respectively, compared to $19.06 and 1,724.81 per ounce in Q3 2022. There was a negative impact of $134,398 on provisional pricing and settlement adjustments during the quarter.

The Company generated revenues of $8,871,863 net of treatment and refining costs, during the three months ended September 30, 2022, a 45% increase compared to the prior quarter, from the sales of 311,754 ounces of silver at a realized price of $19.06 and 2,997 ounces of gold at a realized price of $1,1,724.81 a 95% and 37% increase in ounces respectively, as compared to Q2 2022. In addition, the Company sold 504,408 pounds of lead at a realized price of $0.86 and 237,327 pounds of zinc at a realized price of $1.44 from the Topia Mines. There was an increase of 102% of mine operating losses and 133% of net loss compared to prior quarter mainly due to the integration of MMR's operations.

In the second quarter of 2022, the Company sold 159,840 ounces of silver at a realized price of $22.56 per ounce and 2,195 ounces of gold at realized price of $1,873.26 per ounce, resulting in revenues of $6,133,989 net of treatment and refining cost of $555,126. An increase of 19% and 9% in ounces of silver and gold sold respectively, but a decrease of 4% on revenues, compared to the first quarter of 2022. The Company generated $1,656,297 of mine operating loses and $3,521,392 of net loss a 5% and 29% decrease respectively, compared to prior quarter.

Revenue increased by 55% in the first quarter of 2022 to $6,386,638 compared to $4,116,811 in Q4 2021 due primarily to higher silver (28%) and gold (70%) ounces sold to 134,281 and 2,007 respectively. Mine operating loss decreased by 22% over Q4 2021 due primarily to the increase in ounces sold and slightly higher realized metal prices.

In the fourth quarter of 2021 the Company started producing and selling silver and gold concentrate. During the three months ended December 31, 2021, the Company sold 105,203 ounces of silver at a realized price of $23.35 and 1,179 ounces of gold at a realized price of $1,748.02 resulting in revenues of $4,116,811 net of treatment and refining costs which amounted $302,166. The Company generated $2,234,052 of mine operating losses and $4,746,245 of net loss.

The following is a summary of the Company's production information for the eight most recent quarters:

	2022				2021			
PRODUCTION	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Processed tonnes	131,341	107,009	94,212	86,288	77,524	-	-	-
El Cubo	108,897	95,380	94,212	86,288	77,524	-	-	-
VMC	3,928	-	-	-	-	-	-	-
Topia	18,516	11,629	-	-	-	-	-	-
Silver ounces	401,244	329,298	155,912	125,423	124,750	-	-	-
El Cubo	242,039	219,627	155,912	125,423	124,750	-	-	-
VMC	4,653	-	-	-	-	-	-	-
Topia	154,552	109,671	-	-	-	-	-	-
Silver Grade (g/t)	106	106	64	61	62	-	-	-
El Cubo	80	75	64	61	62	-	-	-
VMC	49	-	-	-	-	-	-	-
Topia	283	318	-	-	-	-	-	-
Silver Recovery (%)	86.8	88.5	80.9	75	82.9	-	-	-
El Cubo	86.4	87.1	80.9	75	82.9	-	-	-
VMC	72.9	-	-	-	-	-	-	-
Topia	91.8	92.4	-	-	-	-	-	-
						-	-	-
Gold Ounces	3,907	3,226	2,161	1,880	1,440	-	-	-
El Cubo	3,452	3,035	2,161	1,880	1,440	-	-	-
VMC	110	-	-	-	-	-	-	-
Topia	345	191	-	-	-	-	-	-
Gold Grade	1.09	1.08	0.86	0.88	0.75	-	-	-
El Cubo	1.12	1.05	0.86	0.88	0.75	-	-	-
VMC	1.19	-	-	-	-	-	-	-
Topia	0.91	0.80	-	-	-	-	-	-
Gold Recovery	84.2	86.3	82.6	77	78.8	-	-	-
El Cubo	88.2	88.4	82.6	77	78.8	-	-	-
VMC	74.5	-	-	-	-	-	-	-
Topia	63.3	64	-	-	-	-	-	-
						-	-	-
Lead pounds	811,492	537,608	-	-	-	-	-	-
Topia	811,492	537,608	-	-	-	-	-	-
Lead Grade	2.3	2.3	-	-	-	-	-	-
Topia	2.3	2.3	-	-	-	-	-	-
Lead Recovery	88.2	89.5	-	-	-	-	-	-
Topia	88.2	89.5	-	-	-	-	-	-
						-	-	-
Zinc pounds	1,261,554	677,127	-	-	-	-	-	-
Topia	1,261,554	677,127	-	-	-	-	-	-
Zinc Grade	3.6	3.3	-	-	-	-	-	-
Topia	3.6	3.3	-	-	-	-	-	-
Zinc Recovery	86.7	80.9	-	-	-	-	-	-
Topia	86.7	80.9	-	-	-	-	-	-
Cost per tonne	98.30	90.37	60.89	64.32	63.35	-	-	-
El Cubo	67.70	67.20	60.89	64.32	63.35	-	-	-
VMC	102.85	-	-	-	-	-	-	-
Topia	277.29	280.44	-	-	-	-	-	-
Cash costs per ounce	15.55	13.86	17.08	20.24	20.36	-	-	-
El Cubo	14.19	13.09	17.08	20.24	20.36	-	-	-
VMC	31.92	-	-	-	-	-	-	-
Topia	17.22	15.69	-	-	-	-	-	-
AISC per ounce	20.80	19.53	24.15	25.79	33.31	-	-	-
El Cubo	17.45	15.18	24.15	25.79	33.31	-	-	-
VMC	31.92	-	-	-	-	-	-	-
Topia	18.49	17.69	-	-	-	-	-	-

OTHER FINANCIAL INFORMATION

SHARE CAPITAL

The Company's authorized share capital consists of unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

The common shares, warrants and stock options outstanding are as follows:

	December 31, 2022			April 10, 2023		
	#	Weighted average exercise price	Weighted average life (years)	#	Weighted average exercise price	Weighted average life (years)
Common shares	318,628,147			323,866,633		
Warrants	96,470,019	0.50	1.96	98,546,262	0.50	1.70
Stock options	20,187,500	0.38	2.71	19,029,500	0.40	2.84
Fully diluted	**435,285,666**			**441,442,395**		

MANAGEMENT OF CAPITAL

The Company considers the items included in the consolidated statement of shareholder's equity as capital. The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and
- To obtain the necessary financing to complete mine refurbishment and exploration and development of its properties, when it is required.

The properties in which the Company currently holds interests in are in the production, pre-production and exploration stages and the Company is dependent on external financing to fund its activities in order to carry out planned activities and pay for administrative costs. Management reviews its capital management approach on an ongoing basis and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets, and believes that this approach, given the relative size of the Company, is reasonable.

In order to maintain or adjust the capital structure, the Company may issue new equity, incur additional debt, option its exploration and evaluation assets for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company is not subject to externally imposed capital requirement.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management personnel

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to key management personnel is as follows:

	Three months ended		Year ended	
	December 31 2022	December 31 2021	**December 31 2022**	December 31 2021
	$	$	**$**	$
Salaries, bonus and benefits	55,269	35,900	169,901	123,654
Consulting fees (1)	193,371	38,413	569,480	310,411
Share-based compensation	145,423	233,225	825,686	1,464,713
Total	**394,063**	**307,538**	**1,565,067**	**1,898,778**

(1) Consulting fees were paid to Blueberry Capital Corp. a company controlled by the CEO of the Company, Universal Solution Inc a company controlled by the VP Corporate Development and Corporate Secretary of the Company and Ramon T. Davila Flores a company controlled by the President of the Company.

Royalty purchase option

On August 18, 2020, as amended on November 8, 2020, the Company entered into a royalty purchase option agreement to acquire 3 of the 4 underlying royalties on El Pinguico from the original vendor of the property (the "Option Agreement"), Exploraciones Mineras Del Bajio S.A. de C.V. ("EMBSA"), a company controlled by a director of the Company. Under the Option Agreement, the Company has the option to repurchase the following royalties from EMBSA:

- the 4% NSR on all "broken material" within both the above ground and underground stockpiles;
- the 3% NSR on all newly established in-situ material discovered on the El Pinguico Project; and
- the 5% NPI on all newly established in-situ material discovered on the El Pinguico Project.

Under the terms of the Option Agreement, the Company will pay a total of CAD$1,675,000 cash and issue 3,750,000 units (each unit comprised of one common share and one non-transferable share purchase warrant, exercisable at CAD$0.175 per share for a term of 5 years) to EMBSA. On April 7, 2022, the Company and EMBSA amended the Option Agreement whereby the CAD$525,000 option payment originally due on February 22, 2022, was deferred. The revised payment schedule is as follows:

- CAD$200,000 cash (paid) and 3,750,000 units on or before November 30, 2020 (issued);
- CAD$325,000 cash on or before February 22, 2021 (paid);
- CAD$262,500 ($206,124) on or before April 10, 2022 (paid)
- CAD$262,500 on or before October 10, 2022 (Second Installment)
- CAD$625,000 cash on or before February 22, 2023.

On March 16, 2023, the Company amended the Option Agreement with EMBSA whereby the final option payment of C$625,000, originally due on or before February 22, 2023, was split into two equal payments of C$312,500 each, of which the first payment will be made to EMBSA immediately with the second payment now due on or before October 16, 2023. In addition, the Company purchased all of EMBSA's interest in its 15% royalty on net profits derived from the surface stockpile of historically mined (but unprocessed) mineralized material at El Pinguico for a purchase price of US$70,000. Accordingly, upon payment of the final option payment of C$312,500 to EMBSA on or before October 16, 2023, the only royalty that will remain over the El Pinguico project will be a 15% net profits royalty on the underground stockpile of previously mined material in favour of EMBSA.

CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

a) Commitments

As at December 31, 2022, the Company had no commitments which are expected to be expended within one year.

b) Contingencies - El Cubo Complex

The Company has certain contingent payments in relation to the acquisition of El Cubo Complex in 2021 as follows:

i. $1,000,000 upon the Company producing 3,000,000 ounces of silver equivalent from the Combined Project (Contingent Payment #1). At the Company's option, the Company can issue common shares for up to 50% of Contingent Payment #1, based on the volume weighted average trading price of the Company's common shares for the 10 trading days immediately preceding the date of such payment.

ii. $1,000,000 if the London Bullion Market Association ("LBMA") spot price of gold closes at or above $2,000 per ounce for 20 consecutive trading days within two years after closing ("Contingent Payment #2"). Subsequent to December 31, 2022, Contingent Payment #2 expired unpaid.

iii. $1,000,000 if the LBMA spot price of gold closes at or above $2,200 per ounce for 20 consecutive trading days within three years after closing ("Contingent Payment #3").

The Company has accrued a total of $231,552 for contingent payment #2 and contingent payment #3 as other current liabilities on the statement of financial position with fair value gains of $518,448 recorded in Other operating expense (income)

c) Contingencies – Minera Mexicana el Rosario

The Company has certain contingent payments in relation to the acquisition of MMR in 2022 as follows:

- $500,000 upon GSilver producing 2,500,000 ounces of silver from the purchased MMR assets.
- $750,000 if the price of silver closes at or above US$27.50 per ounce for 30 consecutive days within two years after closing.
- $750,000 if the price of silver closes at or above US$30.00 per ounce for 30 consecutive days within three years after closing.

The Company has accrued a total of $1,097,789 for these contingent payments in other current liabilities on the statement of financial position with fair value loss of $269,478 recorded in Other operating expense (income).

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value measurement and valuation techniques

Financial instruments included in the consolidated statements of financial position are measured either at fair value or amortized cost. Estimated fair values for financial instruments are designed to approximate amounts for which the instruments could be exchanged in an arm's-length transaction between knowledgeable and willing parties.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (interest rate, yield curves), or inputs that are derived principally from or corroborated observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The table below summarizes the valuation methods used to determine the fair value of each financial instrument:

Financial asset or liability	**Methods and assumptions used to estimate fair value**
Silver and gold bullion (other assets)	Valued at the lower of cost or net realizable value, which is the estimated sale price of the silver and gold, generally determined based on the spot price at the period end.
Trade receivables	Trade receivables arising from the sales of metal concentrates are subject to provisional pricing, and the final selling price is adjusted at the end of a quotational period. These are marked to market at each reporting date based on the forward price corresponding to the expected settlement date.
OCIM Loan	The fair value of the loan was estimated using the discounted cash flow method at a rate that equates to the risk-free rate plus a comparable current market interest rate.
Derivative	Valued using inputs derived from observable market data, including quoted commodity forward prices
Vehicle loans	The carrying values of vehicle loans approximate their fair values as a result of relatively unchanged interest rates since inception of the loans.
Other current liabilities	The fair value of the contingent liabilities where payment is contingent on the price of gold and silver was estimated using the Monte-Carlo averaging simulation technique on simulated gold and silver prices. The fair value of the contingent liability where payment is contingent on achieving production milestones was estimated using the discounted cash flow method and an assigned probability of the achievement of the production milestones.

The carrying value of cash and cash equivalents, accounts payable, and accrued liabilities, all of which are carried at amortized cost, approximate their fair value given their short-term nature. Trade receivables, loans, leases, advance payment, contingent liability, and the derivative are classified within Level 2 of the fair value hierarchy.

During the three and year ended December 31, 2022, and 2021, there were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy.

December 31, 2022	Fair value through profit or loss	Amortized Cost	Total	Level 1	Level 2	Carrying value approximates Fair Value
	$	$	$	$	$	$
Financial assets measured at Fair Value						
Trade receivables from sale of concentrate	3,857,355	-	3,857,355	-	3,857,355	-
	3,857,355	**-**	**3,857,355**	**-**	**3,857,355**	**-**
Financial assets not measured at Fair Value						
Cash and cash equivalents	-	8,832,936	8,832,936	-	-	8,832,936
Other receivables	-	9,093,024	9,093,024	-	-	9,093,024
	-	**17,905,960**	**17,905,960**	**-**	**-**	**17,905.960**
Financial liabilities measured at Fair Value						
Other current liabilities	(3,403,491)	-	(3,403,491)	-	(3,403,491)	-
Derivative	(155,179)	-	(155,179)	-	(155,179)	-
	(3,558,670)	-	(3,558,670)	-	(3,558,670)	-
Financial liabilities not measured at Fair Value						
Accounts payable and accrued liabilities	-	(12,532,918)	(12,532,918)	-	-	(12,532,918)
Vehicle loan	-	(118,220)	(118,220)	-	-	(118,220)
OCIM Loan	-	(7,108,524)	(7,108,524)	-	-	(7,108,524)
Ocean Partners Loan	-	(9,106,182)	(9,106,182)	-	-	(9,106,182)
	-	**(28,865,844)**	**(28,865,844)**	**-**	**-**	**(28,865,844)**

December 31, 2021	Fair value through profit or loss	Amortized Cost	Total	Level 1	Level 2	Carrying value approximates Fair Value
	$	$	$	$	$	$
Financial assets measured at Fair Value						
Trade receivables from sale of concentrate	491,731	-	491,731	-	491,731	-
Derivative	365,293	-	365,293	-	365,293	-
	857,024	**-**	**857,024**	**-**	**857,024**	**-**
Financial assets not measured at Fair Value						
Cash and cash equivalents	-	8,234,043	8,234,043	-	-	8,234,043
Other assets - silver and gold bullion	-	1,622,935	1,622,935	-	-	1,622,935
Other receivables	-	2,129,178	2,129,178	-	-	2,129,178
	-	**11,986,156**	**11,986,156**	**-**	**-**	**11,986,156**
Financial liabilities measured at Fair Value						
Other current liabilities	(750,000)	-	(750,000)	-	(750,000)	-
	(750,000)	-	(750,000)	-	(750,000)	-
Financial liabilities not measured at Fair Value						
Accounts payable and accrued liabilities	-	(3,467,293)	(3,467,293)	-	-	(3,467,293)
Vehicle loan	-	(174,277)	(174,277)	-	-	(174,277)
OCIM Loan	-	(8,372,366)	(8,372,366)	-	-	(8,372,366)
	-	**(12,013,936)**	**(12,013,936)**	**-**	**-**	**(12,013,936)**

RISKS AND UNCERTAINTIES

The Company is exposed to many risks in conducting its business, including but not limited to: metal price risk as the Company derives its revenue from the sale of silver and gold; trading and credit risk in the normal course of dealing with other companies; foreign exchange risk as the Company reports its financial statements in USD dollars whereas the Company operates in Canada and Mexico that utilize the Canadian and Mexican Peso, respectively; risks relating to cyber security; the inherent risk of uncertainties in estimating mineral reserves and mineral resources; political, economic and social risks related to conducting business in jurisdictions such as Canada, and Mexico; environmental and permitting regulation; risks related to its relations with employees and local communities where the Company operates, and risks relating to the spread of COVID-19, which has to date resulted in profound health and economic impacts globally and which presents future risks and uncertainties that are largely unknown at this time. Certain of these risks are described below and are more fully described in GSilver's Annual Information Form (available on SEDAR at www.sedar.com). Readers are encouraged to refer to these documents for a more detailed description of some of the risks and uncertainties inherent to GSilver's business.

Financial risk management

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include fluctuations in metal prices, exchange risk, credit risk, interest rate risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Commodity price risk

Gold and silver prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production, short-term changes in supply and demand due to speculative hedging activities and certain other factors. The ability of the Company to develop its mineral properties and exploration and evaluation assets is highly correlated to the market price of gold and silver. If metal prices decline for a prolonged period below the anticipated cost of production of the Company's mine, it may not be economically feasible to continue production.

The following table summarizes the effect on provisionally priced sales and accounts receivables of a 10% change in metal prices from the realized prices used at December 31, 2022:

Metal	**Change**	**Effect on Sales $**
Silver	+/- 10%	1,246,738
Gold	+/- 10%	959,287
Lead	+/- 10%	107,115
Zinc	+/- 10%	205,192

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits its cash and cash equivalents with high credit quality major Canadian and Mexican financial institutions as determined by ratings agencies. Trade accounts receivables from concentrate sales are held with large international metals trading companies. Within other receivables there are $1,116,318 owed by Great Panther. On December 15, 2022, Great Panther filed a termination application to make a voluntary assignment into bankruptcy pursuant to the Bankruptcy and Insolvency Act. The Company has the right of offset against any contingent payments owed to Great Panther. The Company took an allowance of $1,300,000 against the $2,416,318 amount receivable due to the uncertainty surrounding the Great Panther bankruptcy and the ability of the Company to collect the full receivable due from them.

As of	**December 31, 2022**	**December 31, 2021**
	$	$
Cash and cash equivalents	**8,832,936**	8,234,043
Trade receivables	**3,857,355**	491,731
VAT recoverable	**7,398,102**	3,809,363
Other receivables	**1,504,922**	55,651
	21,593,315	12,590,788

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

The Company enters into contracts that give rise to commitments in the normal course of business. The following table summarizes the remaining contractual maturities of the Company's financial liabilities, operating and capital commitments, shown in contractual undiscounted cash flows, including interest, at December 31, 2022:

	Expected payments by year as at December 31, 2022			
	Less than 1 year	1 -3 years	After 5 years	Total
	$	$	$	$
Trade and other payables	12,532,916	-	-	**12,532,916**
Loans	19,126,017	1,904,762	-	**21,030,779**
Lease obligations	2,802,958	1,605,720	-	**4,408,678**
Other liabilities	3,403,491	-	26,755,325	**30,158,816**
Total	**37,865,382**	**3,510,482**	**26,755,325**	**68,131,189**

Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is mainly held in bank accounts at Canadian and Mexican chartered banks. The interest rate risks on cash and cash equivalents are not considered significant.

The Company's interest rate risk principally arises from the interest rate impact on interest charged on its loan payable and lease liability. The Company's loan payable and lease liability are subject to fixed interest rates thus any changes in external interest rates would not result in a significant impact on the Company's net loss. The Company's advance payment is subject to 12-month LIBOR. Based on the Company's interest rate exposure at December 31, 2022, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net loss.

Currency risk –

Currency risk is the risk that foreign exchange rates will fluctuate significantly from expectations. The Company reports its financial statements in US dollars; however, it operates in Mexico which utilized both the Mexican Peso ("MXN") and the US Dollar ("USD") and Canada which utilized the Canadian dollar ("CAD") (collectively "Local Currencies"). Consequently, the financial results of the Company's operations as reported in US dollars are subject to changes in the value of the US dollar relative to the Local Currencies. Since a significant 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 US dollar and positively impacted by the inverse.

The Company is exposed to foreign currency risk through the following financial assets and liabilities:

As at December 31, 2022	Canadian dollars	Mexican pesos
Cash and cash equivalents	7,939,130	1,716,473
Amounts receivable	-	129,285,340
Accounts payable and accrued liabilities	(562,374)	(158,223,949)
Current portion of lease liabilities	(71,808)	(23,035,441)
Lease liabilities	(214,389)	(25,401,617)
Provision for reclamation and rehabilitation	-	(324,728,675)
Total foreign currency exposure	7,090,559	(400,387,869)
US$ equivalent of foreign currency exposure	5,235,203	(17,939,985)

The Company is primarily exposed to fluctuations in the value of CAD against USD and USD against MXN. With all other variables held constant, a 10% change in CAD against USD or USD against MXN would result in the following impact on the Company's net loss for the period:

Currency	Change	Effect $
Canadian dollars	+/- 10%	460,416
Mexican pesos	+/- 10%	1,632,236

COVID-19 Pandemic

The Company's business could be significantly adversely affected by the effects of a widespread global outbreak of contagious disease, including the continued outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on third parties' ability to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the risk of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of the COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions to planned drill programs, mining and processing operations shutdowns, and other factors that will depend on future developments beyond the Company's control. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries (including those in which the Company operates), resulting in an economic downturn that could negatively impact the Company's operating results and ability to raise capital.

Climate Change

Extreme weather events (such as prolonged drought, increased frequency and intensity of storms, flooding and wildfires) have the potential to disrupt the Company's operations and the transportation routes that the Company uses. The Company's ability to conduct mining operations also depends upon access to the volumes of water that are necessary to operate its mines and processing facilities. Changes in weather patterns and extreme weather events including flooding or wildfires, either due to normal variances in weather or due to global climate change, could adversely impact, disrupt or increase the costs of the Company's mining operations including the volume of water or other supply lines necessary to operate its facilities, or damage to facilities, plant and operating equipment, any of which would adversely impact the Company's cash flow and profitability.

Also, various governments around the world have introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels regulating, among other things, emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If current regulatory trends continue, this may result in increased costs at some or all of the Company's operations.

Calculation of Reserves and Resources and Precious Metal Recoveries

There is a degree of uncertainty attributable to the calculation and estimation of reserves and resources, if any, and their corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties.

Economic Conditions for Mining

Global financial markets are experiencing extreme volatility as a result of the ongoing COVID-19 pandemic, the war in Ukraine and rising inflation and interest rates.. Events in global financial markets, and the volatility of global financial conditions, will continue to have an impact on the global economy. Many industries, including the mining sector, are impacted by market conditions. Some of the key impacts of financial market turmoil include devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. Financial institutions and large corporations may be forced into bankruptcy or need to be rescued by government authorities. Access to financing may also be negatively impacted by future liquidity crises throughout the world. These factors may impact the Company's ability to obtain equity or debt financing and, where available, to obtain such financing on terms favourable to the Company.

Increased levels of volatility and market turmoil could have an adverse impact on the Company's operations and planned growth and the trading price of the securities of the Company may be adversely affected.

The Company assesses on a quarterly basis the carrying values of its mineral properties. Should market conditions and commodity prices worsen and persist in a worsened state for a prolonged period of time, an impairment of the Company's mineral properties may be required.

Assurance on Financial Statements

The Company prepares the financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgement in determining the financial condition of the Company. Significant accounting policies, and practices are described in more detail in the notes to the annual consolidated financial statements for the year ended December 31, 2022. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, the Company has implemented and continues to analyze the internal control systems for financial reporting.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. These critical accounting estimates represent management estimates and judgments that are uncertain, and any changes in these could materially impact the Company's financial statements. Management continuously reviews its estimates, judgments and assumptions using the most current information available. The significant judgments and key sources of estimation uncertainty in the application of accounting policies are described in Note 4 of the December 31, 2022 consolidated financial statements.

Readers should also refer to Note 3 of the December 31, 2022, consolidated financial statements, for the Company's summary of significant accounting policies.

Changes in Accounting Standards

Classification of liabilities as current or non-current (amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2023, with early application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

In May 2021, the IASB issued an amendment to *IAS 12 Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction,* which amended *IAS 12 Income Taxes*. The amendments will become effective January 1, 2023. The Company is assessing the impact of the amendment and does not expect it to have a significant effect on the Company's financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments— Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.
The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The International Accounting Standards Board ("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 to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. This amendment is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

• A change in accounting estimate that results from new information or new developments is not the correction of an error.
• The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of the consolidated financial statements, estimates are sometimes necessary to make a determination of future value or certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. There have been no significant changes in the Company's disclosure controls and procedures during the year ended December 31, 2022.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

(Gerardo Dorado Cantú (left), Vice President Projects and Ramon Davila, President of GSilver)