SANTACRUZ
silver mining ltd

Consolidated Financial Statements

Years ended December 31, 2022 and 2021

(Expressed in thousands of US dollars)

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TABLE OF CONTENTS

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Santacruz Silver Mining Ltd. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of loss and comprehensive loss, changes in shareholders' (deficiency) equity and cash flows for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $22,613,000 during the year ended December 31, 2022 and, as of that date, the Company has working capital of $6,531,000. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Sinchi Wayra and Illapa Business acquisition – Refer to Notes 4 and 5 to the financial statements

Key Audit Matter Description

On March 18, 2022 (the "Acquisition Date"), the Company acquired 100% ownership of the Sinchi Wayra and Illapa Business (the "Acquisition") from Glencore plc. The Acquisition has been accounted for as a business combination. The purchase consideration was allocated to assets acquired, including Mineral properties, Plant and Equipment ("M&PE") and liabilities assumed based on their respective fair value at the Acquisition Date. Management used income, market and cost valuation methods to determine the fair value of the M&PE acquired. In determining the fair values of M&PE, management was required to make several judgments, estimates and assumptions relating to future silver, zinc and lead prices ("metal prices"), quantities of reserves and resources, forecasted production and sales, comparable M&PE market values, discount rate and tax rate.

While there are several judgments, estimates and assumptions required relating to the Acquisition and the determination of the fair value of the M&PE, those with the highest degree of subjectivity relate to the 1) appropriate accounting treatment of the Acquisition; 2) future metal prices and 3) discount rate. This required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of accounting and fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the Acquisition included the following, among others:

- With the assistance of accounting specialists, evaluated management's assessment related to the accounting treatment of the Acquisition by:
  - Obtaining and reviewing the executed contracts to determine whether all key facts and circumstances were incorporated into management's assessment; and
  - Analyzing relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance;
- With the assistance of fair value specialists,
  - Evaluated the future metal prices by comparing management forecasts to third party forecasts; and
  - Evaluated the reasonableness of the discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates of the discount rate and comparing those to the discount rate selected by management.

Other matter

The financial statements of the Company as of December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those financial statements on May 2, 2022.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is David Macdonald.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
June 2, 2023

SANTACRUZ SILVER MINING LTD.
Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31, 2022 and 2021
(Expressed in thousands of US dollars, except for share amounts and number of shares)

	Note	**2022**	2021
		$	$
ASSETS			
Current			
Cash and cash equivalents		**4,609**	938
Marketable securities	6	**2,769**	4,102
Trade and other receivables	7	**99,027**	13,260
Inventories	8	**29,452**	1,271
Prepaid expenses and deposits		**5,803**	2,503
Assets held for sale	9	**3,841**	-
		145,501	22,074
Other assets		**53**	53
Trade and other receivables	7	**31,759**	-
Mineral properties, plant and equipment	10	**146,522**	38,787
Goodwill	5(a)	**10,973**	-
Deferred income tax asset	20	**2,712**	-
Total assets		**337,520**	60,914
LIABILITIES			
Current			
Trade payables and accrued liabilities	11	**66,023**	29,618
Consideration payable	12	**7,618**	-
Loans payable	13	**17,957**	4,832
Current taxes payable	20	**20,267**	7,270
Other liabilities	14	**6,875**	175
Liabilities associated with assets held for sale	9	**20,230**	-
		138,970	41,895
Trade payables and accrued liabilities	11	**3,418**	-
Consideration payable	12	**148,095**	-
Loans payable	13	**4,258**	7,166
Other liabilities	14	**10,429**	167
Taxes payable	20	**8,953**	-
Decommissioning and restoration provision	15	**20,618**	6,715
Deferred income tax liability	20	**15,814**	2,233
Total liabilities		**350,555**	58,176
SHAREHOLDERS' (DEFICIENCY) EQUITY			
Share capital	16	**136,122**	129,532
Equity reserves		**11,046**	11,148
Deficit		**(160,203)**	(137,942)
Total shareholders' (deficiency) equity		**(13,035)**	2,738
Total liabilities and shareholders' equity		**337,520**	60,914

Approved and authorized for issue on behalf of the Board of Directors:

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

SANTACRUZ SILVER MINING LTD.
Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31, 2022 and 2021
(Expressed in thousands of US dollars, except for share amounts and number of shares)

	Note	**2022**	2021
		$	$
Revenues	24	**278,594**	53,334
Mine operating costs			
Cost of sales	17	**241,073**	40,671
Depletion, depreciation and amortization	10	**14,647**	4,137
Gross profit		**22,874**	8,526
General and administrative expenses	18	**(21,552)**	(11,932)
Share-based payments	16	**(1,256)**	(3,363)
Operating profit (loss)		**66**	(6,769)
Finance costs	19	**(7,022)**	(3,497)
Gain on foreign exchange		**620**	126
Transaction costs for the Sinchi Wayra and Illapa Business acquisition	5(a)	**(3,600)**	-
Impairment on property, plant and equipment	9, 10	**(4,538)**	-
Fair value (loss) gain on marketable securities	6	**(1,544)**	2,083
Gain on sale of Zacatecas properties		**-**	911
Loss on Rosario Project transactions		**-**	(1,095)
Loss before tax		**(16,018)**	(8,241)
Income tax expense	20	**(6,243)**	(3,324)
Net loss for the year		**(22,261)**	(11,565)
Other comprehensive income:			
Currency translation differences		**380**	106
Comprehensive loss for the year		**(21,881)**	(11,459)
Net loss per share:			
Basic and diluted	25	**(0.07)**	(0.04)
Weighted average number of common shares:			
Basic and diluted		339,100,644	308,017,196

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

SANTACRUZ SILVER MINING LTD.
Consolidated Statements of Cash Flows
Years ended December 31, 2022 and 2021
(Expressed in thousands of US dollars)

	Note	**2022**	2021
		$	$
Operating activities:			
Net loss for the year		**(22,261)**	(11,565)
Items not affecting cash:			
Depletion, depreciation and amortization	10	**14,647**	4,137
Impairment on property, plant and equipment	9,10	**4,538**	-
Finance costs	19, 26	**9,809**	6,752
Share-based compensation	16	**1,256**	3,363
Shares issued as payment for transaction costs	5(a)	**1,000**	-
Unrealized gain on marketable securities	6	**1,544**	(2,083)
Gain on sale of Zacatecas Properties		**-**	(911)
Loss on Rosario Project transactions		**-**	1,095
Unrealized foreign exchange gain		**(254)**	(4,991)
Income tax expense	20	**6,243**	(382)
Operating cash flows before non-change working capital		**16,522**	(4,585)
Changes in non-cash working capital:			
Trade and other receivables	7	**(7,681)**	(5,605)
Inventories	8	**59,797**	154
Prepaid expenses and deposits		**809**	(1,434)
Trade payables and accrued liabilities	11	**(5,861)**	9,998
Other liabilities	14	**(34,214)**	-
Net cash generated by (used by) operating activities		**29,372**	(1,472)
Investing activities:			
Cash acquired on the acquisition of Sinchi Wayra and Illapa	5(a)	**13,780**	-
Cash paid on acquisition of Sinchi Wayra and Illapa	5(a)	**(2,106)**	-
Expenditures on mineral properties, plant and equipment	10	**(15,773)**	(3,598)
Proceeds on disposition of mineral properties, plant and equipment	10	**1,755**	-
Cash paid on acquisition of the Zimapan mine	5(b)	**-**	(20,000)
Reimbursement of deposit on acquisition of Zimapan mine	5(b)	**-**	1,000
Cash received from sale of Zacatecas Properties		**-**	1,500
Net cash used by investing activities		**(2,344)**	(21,098)
Financing activities:			
Proceeds from exercise of options	16(c)	**72**	193
Proceeds from exercise of warrants	16(d)	**3,780**	1,882
Proceeds from loans payable	13	**32,572**	17,896
Repayments of loans payable	13	**(59,184)**	(7,562)
Lease payments on plant and equipment	14(c)	**(576)**	(165)
Proceeds from issuance of common shares	16	**-**	11,228
Share-issuance costs	16	**-**	(572)
Net cash (used by) provided by financing activities		**(23,336)**	22,900
Effect of exchange rate on changes in cash		**(6)**	178
Cash in assets held for sale	9	**(15)**	-
Net change in cash and cash equivalents		**3,671**	330
Cash and cash equivalents – beginning of year		**938**	430
Cash and cash equivalents – end of year		**4,609**	938
Cash paid during the year for:			
Interest expense		**1,682**	976
Supplemental cash flow information (Note 26)			

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

SANTACRUZ SILVER MINING LTD.
Consolidated Statements of Changes in Shareholders' (Deficiency) Equity
Years ended December 31, 2022 and 2021
(Expressed in thousands of US dollars, except number of shares)

(Deficiency) Equity attributable to Shareholders

	Share Capital		Equity reserves					
	Shares	**Amount**	**Share-based payment reserve**	**Contributed surplus**	**Accumulated other comprehensive (loss) income**	**Total equity reserves**	**Deficit**	**Total shareholders' (deficiency) equity**
	#	$	$	$	$		$	$
Balance, December 31, 2020	261,606,664	113,217	7,042	(1,872)	(1,429)	3,741	(126,377)	(9,419)
Shares issued in private placement	46,980,000	11,228	-	-	-	-	-	11,228
Share issuance costs	-	(815)	243	-	-	243	-	(572)
Shares issued from exercise of options	1,359,300	319	(126)	-	-	(126)	-	193
Shares issued from exercise of warrants	9,939,253	1,882	-	-	-	-	-	1,882
Shares issued as settlement of debt	10,342,604	3,701	-	-	-	-	-	3,701
Warrants issued to Trafigura	-	-	3,821	-	-	3,821	-	3,821
Share-based compensation	-	-	3,363	-	-	3,363	-	3,363
Comprehensive loss	-	-	-	-	106	106	(11,565)	(11,459)
Balance, December 31, 2021	330,227,821	129,532	14,343	(1,872)	(1,323)	11,148	(137,942)	2,738
Shares issued from exercise of options	310,000	117	(45)	-	-	(45)	-	72
Shares issued from exercise of warrants	12,851,500	5,473	(1,693)	-	-	(1,693)	-	3,780
Shares issued for transaction costs	3,077,317	1,000	-	-	-	-	-	1,000
Share-based compensation	-	-	1,256	-	-	1,256	-	1,256
Comprehensive loss	-	-	-	-	380	380	(22,261)	(21,881)
Balance, December 31, 2022	**346,466,638**	**136,122**	**13,861**	**(1,872)**	**(943)**	**11,046**	**(160,203)**	**(13,035)**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Santacruz Silver Mining Ltd. (the "Company" or "Santacruz") was incorporated pursuant to the Business Corporations Act of British Columbia on January 24, 2011. The Company's registered office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5. The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "SCZ".

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Latin America, with a primary focus on silver and zinc, but also including lead and copper. As at December 31, 2022, the Company had interests in, including mining concession rights, to the following:

- The producing Zimapan mine located in Mexico held by Carrizal Mining S.A. de C.C. ("Carrizal Mining");
- Sinchi Wayra S.A. ("Sinchi Wayra") and Sociedad Minera Illapa S.A. ("Illapa") which consist of the following mineral properties and businesses located in Bolivia: the producing Tres Amigos, Reserva and Colquechaquita mines, collectively the "Caballo Blanco Group"; the producing Bolivar and Porco mines held under an association agreement with Corporación Minera de Bolivia ("COMIBOL"), a Bolivian state-owned entity; the Soracaya exploration project ("Soracaya Project"); as well as the San Lucas ore sourcing and trading business ("San Lucas");
- The La Pechuga Property and the Santa Gorgonia Prospect, which are exploration properties located in Mexico, and;
- Various other properties located in Mexico, noting that the Rosario Project was placed on care and maintenance in August 2021 and certain assets related to the Rosario Project were sold in December 2021 as part of a tax restructuring of Impulsora Minera Santacruz, S.A. de C.V. ("IMSC").

Going concern

These consolidated financial statements for the years ended December 31, 2022 and 2021 ("consolidated financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. For the year ended December 31, 2022, the Company incurred a net loss of $22,613 and as at December 31, 2022, the Company has working capital of $6,531 (December 31, 2021 – deficiency of $19,821). The Company has non-current loans payable of $4,258 (December 31, 2021 - $7,166), and consideration payable to Glencore of $148,095 (2021 - $nil). In addition, the Company has an accumulated deficit of $160,203 (December 31, 2021 - $137,942) and a shareholders' deficiency of $113,035 (December 31, 2021 – shareholders' equity of $2,738). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

Should the Company be unable to continue as a going concern, asset and liability realization values may be substantially different from their carrying values. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue on June 2, 2023.

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

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

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

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

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

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

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

All intercompany transactions and balances are eliminated on consolidation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(1) On April 21, 2021, the Company acquired a 100% interest in Carrizal Mining.
(2) On March 18, 2022, the Company acquired a 100% interest in the Sinchi Wayra and Illapa Business (Note 5).
(3) Sociedad Minera Illapa S.A. is the operator of the Illapa Joint Operation (Note 27).

b) Basis of measurement

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

c) Functional and presentation currency

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Business combinations

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

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

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

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

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

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

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

e) Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

for goodwill is not reversed in subsequent periods.

f) Joint arrangements

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

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

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

g) Cash and cash equivalents

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

h) Inventories

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

If the carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exist, to the extent that the related inventory has not been sold. Net realizable value is calculated as the estimated price at the time of sale based on prevailing metal prices less estimated future costs to convert the inventories into saleable form and estimated costs to sell.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Assets held for sale

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

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

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

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

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

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

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

Operational mining properties and mine development

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

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs incurred to develop such property including costs to further delineate the ore body and remove overburden to initially expose the ore

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

body prior to the start of mining operations, are also capitalized. Such costs are amortized using the units-of-production method over the estimated life of the ore body based on proven and probable reserves.

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

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

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

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

Depreciation of MPPE

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

For mining properties and leases and certain mining equipment, the economic benefits from the asset are consumed in a pattern which is linked to the production level. Except as noted below, such assets are depreciated on a units of production basis. In applying the units of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on the mineral resource estimates.

After the date that management's intended production levels have been achieved, mining properties are depleted using the straight-line method over the estimated remaining life of the mine. The Company estimates the remaining life of its producing mineral properties on an annual basis using a combination of quantitative and qualitative factors including historical results, mineral resource estimates, and management's intent to operate the property. Such estimation is a subjective process and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices, discount rate and market conditions could have a material effect in the future on the Company's financial position, results of operation and cash flows. The Company does not have sufficient reserve information to form a basis for the application of the units-of production method for depreciation and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

depletion.

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

- Land – not depreciated
- Mobile equipment – 3 to 7 years
- Buildings and plant facilities – 25 to 50 years
- Mining properties and leases including capitalized evaluation and development expenditures – based on applicable mineral resource estimates on a unit of production basis, if possible.
- Exploration and evaluation – not depreciated until mine goes into production
- Assets under construction – not depreciated until assets are ready for their intended use

k) Exploration and evaluation assets

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

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

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

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

l) Impairment of non-current assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment losses are evaluated for potential reversals when events or circumstances warrant such consideration. Where an impairment loss is subsequently reversed, the amount of such reversal is limited such that, the revised carrying amount of the asset or cash-generating unit does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in the prior years. A reversal of an impairment loss is recognized into earnings immediately.

m) Leases

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Provisions

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

Decommissioning and restoration costs

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

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

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

o) Share capital

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Share-based payments

Employees (including directors and officers) of the Company may receive a portion of their remuneration in the form of stock options which are share-based payment transactions ("share-based payments"). Stock options issued to employees are measured by reference to their fair value using the Black-Scholes model at the date on which they were granted. Forfeitures are estimated at grant date and adjusted prospectively based on actual forfeitures. Share-based payments expense, for stock options that are forfeited or cancelled prior to vesting, is reversed. The costs of share-based payments are recognized, together with a corresponding increase in the equity reserve, over the period in which the services and/or performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). On exercise by the employee, the associated option value in the equity reserve is reclassified to share capital.

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

q) Revenue

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

r) Income taxes

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

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

Deferred tax expense is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax expense is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments

in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax expense is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

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

s) Earnings (loss) per share

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Financial instruments

Measurement – initial recognition

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

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

Classification of financial assets

Amortized cost

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

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

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

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

FVTPL

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

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

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

Financial liabilities and equity

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

u) New accounting standards and interpretations not yet adopted

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

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

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
The amendment clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. Early application is permitted. This amendment is not expected to have a material impact on the Company.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

<u>Collectability and classification of value added tax ("VAT") recoverable</u>
VAT recoverable is collectible from the governments of Mexico and Bolivia. The collection of VAT is subject to risk due to the complex application and collection process and, therefore, risk related to the collectability and timing of payment from the Mexican and Bolivian governments. The Company uses the facts known at the time and its historical experience to determine its best estimate of the collectability and timing of these recoveries. Changes in the assumptions regarding collectability and the timing of collection could impact the valuation and classification of VAT recoverable.

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

mineral resources and/or adverse or favorable current economics can result in a write-down or write-up of the carrying amounts of the Company's mining interests.

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

Income taxes and recoverability of deferred tax assets
In assessing the probability of realizing income tax assets recognized, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified.

Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period. Refer to Note 20 for further discussion on income taxes.

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

5. ACQUISITIONS

a) Sinchi Wayra and Illapa

On March 18, 2022 (the "Acquisition Date"), the Company acquired 100% ownership of Sinchi Wayra and Illapa (the "Acquisition") from Glencore plc ("Glencore"). Sinchi Wayra and Illapa consist of the following mineral properties and businesses located in Bolivia: the producing Tres Amigos, Reserva and Colquechaquita mines, collectively the "Caballo Blanco Group"; the producing Bolivar and Porco mines held in partnership with COMIBOL (Illapa holds a 45% interest – Note 3(f)); the Soracaya Project; as well as the San Lucas ore sourcing and trading business.

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

Consideration for the acquisition of Sinchi Wayra and Illapa comprised: $2,106 cash payment which was made in the fourth quarter of 2022; $90,000 deferred cash consideration payable in installments from March 18, 2024 to March 18, 2026, a 1.5% NSR over the producing life of the mineral property (excluding the San Lucas ore sourcing and trading business), as well as a 14% adjusted gross margin royalty exclusively over the San Lucas ore sourcing and trading business in perpetuity. These royalties are determined to be contingent consideration and are classified as liabilities measured at fair value. In addition, the Company will pay to Glencore the value of certain assets acquired as part of the acquisition which existed as at the Acquisition Date (Note 12) including (a) the total profits on sale of the inventory acquired, and (b) the amount of value added taxes ("VAT") receivable from the Bolivian government, which is expected to be recovered through to the end of 2023 upon completion of requisite and customary government audit procedures for which the timing is not certain.

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

The final estimates of fair value have been adjusted retrospectively at the Acquisition Date. Certain previously reported financial statement line items were updated to reflect the impact of the adjusted final estimates of fair value of assets acquired and liabilities assumed related to the acquisition.

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

5. ACQUISITIONS (continued)

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

	Final
	$
Initial cash payment	2,106
Deferred purchase price (i)	84,454
Royalties payable to Glencore (ii)	17,395
Payables to Glencore	
(a) Profits (after-tax) on sale of inventory acquired (iii)	4,555
(b) Payment of VAT to be collected (iv)	43,483
Consideration payable	**151,993**

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

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

	Final
	$
Fair values of net assets acquired	
Cash and cash equivalents	13,780
Trade and other receivables	62,744
COMIBOL receivables	50,464
Inventories	87,978
Prepaid expenses and deposits	4,908
Mineral properties, plant and equipment	110,472
Goodwill (*)	10,973
Trade payables and accrued liabilities	(58,691)
Loans payable	(34,135)
Taxes payable	(20,923)
Other liabilities	(50,878)
Decommissioning and restoration provision	(13,726)
Deferred income tax liability	(10,973)
Net assets acquired	**151,993**

Note:
(*) Goodwill of $10,973 was recognized due to the net deferred tax liability of $10,973 generated on the business combination (deferred tax liability of $19,776 offset by a deferred tax asset of $8,803).

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

5. ACQUISITIONS (continued)

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

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

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

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

The Company incurred acquisition-related costs of $3,600, including the issuance of 3,077,317 common shares with a fair value of $1,000 (C$0.41 per common share), in the year ended December 31, 2022 which are recorded as a separate line item in the Consolidated Statements of Loss and Comprehensive Loss.

The revenue and net loss of the Sinchi Wayra and Illapa since the Acquisition Date included in the Consolidated Statement of Comprehensive Loss for the year ended December 31, 2022 are disclosed in note 24.

The revenue and net loss of the combined entity for the year ended December 31, 2022 as though the Acquisition had been as at January 1, 2022 would have been $342,103 and $45,784, respectively.

b) Zimapan Mine

On April 23, 2021, the Company acquired 100% ownership of the Zimapan Mine (the "Zimapan Mine Acquisition") from Minera Cedros S.A. de C.V. ("Minera Cedros"). Prior to this acquisition, the Company, via its subsidiary Carrizal Mining, operated the Zimapan Mine under a lease arrangement with Minera Cedros. The Company paid cash consideration of $20,000, which was funded in part by a loan facility with Trafigura Mexico, S.A. de C.V. (Note 13) for $15,000 and by $5,000 from the Company's treasury. The Company also paid Minera Cedros a $661 deferred purchase price charge in cash as a result of the acquisition closing subsequent to December 31, 2020.

The assets acquired pursuant to this transaction Ide the Zimapan mill facility, surface and underground infrastructure, and 34 mining concessions. Environmental and retirement obligations were also assumed with the transaction.

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

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

5. ACQUISITIONS (continued)

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

	$
Fair values of net acquired assets:	
Mineral properties, plant and equipment (1)	25,984
Trade payables and accrued liabilities	(113)
Decommissioning and restoration provision	(4,059)
Deferred tax liability	(1,151)
	20,661
Consideration paid:	
Cash	20,000
Deferred purchase price	661
	20,661

(1) Consists of producing and depleting mineral property of $14,584 and non-depleting mineral property of $1,467 which represents further exploration potential at Zimapan Mine and plant and equipment of $9,933.

The fair value of the mineral property was determined with the assistance of an independent valuation firm who completed a valuation of the Zimapan mining operations, including the mining concessions, using a discounted cash flow model. The model takes into account forecasted production and sales, which is derived from a technical resource study completed by the Company in 2021. Significant assumptions used in the valuation were: silver price of $22.80 to $25.60 per ounce, discount rate of 19.0%, and a tax rate of 30.0%.

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

Property comprises 308 hectares of land with surface and underground infrastructure. Buildings include various on-site structures. The fair value was determined by an independent valuation firm, which reviewed similar commercial real estate transactions to determine this fair value.

The decommissioning and restoration provision represents the Company's future obligation to remediate the Zimapan Mine site after completion of the mining activities. The fair value was determined using a discounted cash flow analysis adjusted for the impacts for inflation and changes in the period-end exchange rate. Significant assumptions used in the determination of the fair value were: discount rate of 10.75%, inflation rate of 4.65%, and 7.5 years until payment of the rehabilitation costs.

6. MARKETABLE SECURITIES

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

	December 31, 2022	December 31, 2021
	$	$
Balance, beginning of year	**4,102**	-
Foreign exchange gain	**211**	1,980
Change in fair value	**(1,544)**	2,083
Shares received on sale of the Zacatecas Properties	-	39
Balance, end of year	**2,769**	4,102

The securities owned by the Company represent a 6.1% ownership in Zacatecas Silver Corp ("Zacatecas"). The change in fair value represents the change in price of the underlying shares of Zacatecas from the date of sale of the Zacatecas Properties to December 31, 2022. The shares of Zacatecas are measured at FVTPL using Level 1 inputs (Note 22).

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

7. TRADE AND OTHER RECEIVABLES

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

	December 31, 2022	December 31, 2021
	$	$
Trade receivables	**16,916**	5,278
COMIBOL contract receivables	**38,519**	-
Mexican VAT recoverable	**1,915**	7,277
Bolivian VAT recoverable (Note 5)	**63,657**	-
Canadian GST recoverable	**33**	27
Other receivables	**9,746**	678
Balance, end of year	**130,786**	13,260
Less: non-current portion	**31,759**	**-**
Current portion	**99,027**	13,260

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

8. INVENTORIES

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

	December 31, 2022	December 31, 2021
	$	$
Mineralized material stockpiles	**542**	39
Concentrate inventory	**5,793**	548
Supplies inventory	**23,117**	684
	29,452	1,271

During the year ended December 31, 2022, the inventory recognized as cost of sales was $241,073 (2021 – $40,671), which includes production costs and amortization and depletion directly attributable to the inventory production process.

During the year ended December 31, 2022, the Company recognized through cost of sales a net realizable value write-off of inventory related to the Rosario Project for $nil (2021 - $146).

9. ASSETS HELD FOR SALE

IMSC is a non-operational Mexican subsidiary of the Company, which holds the Rosario Project and the accompanying infrastructure assets including the milling facility, and third-party liabilities including the Rosario Project reclamation obligation. IMSC also has approximately $45.0 million of unrecognized non-capital loss carryforwards. IMSC has a wholly-owned subsidiary OMA which is a holding company with historical tax balances payable to the Mexican tax authorities.

In October 2021, the Company placed the Rosario Project on care and maintenance, which resulted in the impairment of certain remaining carrying value of associated plant and equipment used on site, mainly the mine access ramp and electrical installation. Subsequent to placing the Rosario Project in care and maintenance, a decision was made to sell any other remaining assets and liabilities related to the Rosario Project. The Company incorporated a new wholly owned subsidiary Mineworks, S.A. de C.V. ("Mineworks"), and transferred from IMSC to Mineworks certain assets and liabilities related to the Rosario Project, except for the decommissioning and rehabilitation provision, which remained with IMSC. The entire ownership in Mineworks was then sold to a third-party buyer in December 2021.

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

9. ASSETS HELD FOR SALE (continued)

In the fourth quarter of 2022, the Company adopted a plan for the sale of shares in IMSC to an unrelated third party which was approved by the Board of Directors. The Company is currently assessing the tax implications of the sale transaction. It is in the final stages of negotiation with the counterparty and the sale is expected to be completed by the end of the third quarter of 2023.

The components of assets and liabilities of IMSC and OMA classified as held for sale as at December 31, 2022 are as follows:

	2022
	$
Assets:	
Cash and cash equivalents	**15**
Trade and other receivables	**3,027**
Prepaid expenses and deposits	**799**
Total assets held for sale	**3,841**
Liabilities:	
Trade payables and accrued liabilities	**17,697**
Decommissioning and restoration provision	**2,533**
Total liabilities associated with assets held for sale	**20,230**
Net assets (liabilities) held for sale	**(16,389)**

In accordance with *IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations*, the Company assessed the carrying amount of all of the assets and liabilities of IMSC and OMA for impairment prior classifying IMSC and OMA as assets held for sale, as the decision to sell IMSC and OMA is a triggering event for impairment assessment. The Company concluded that the carrying value of the property, plant and equipment should be fully impaired. Accordingly, the Company recorded an impairment charge of $4,538 in the year ended December 31, 2022 (note 10).

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

10. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Depletable mineral properties	Non-depletable mineral properties	Exploration and evaluation	Plant and equipment	Total
	$	$	$	$	$
Cost					
Balance, December 31, 2020	-	-	-	23,737	23,737
Acquisition (Note 5(b))	14,584	1,467	-	9,933	25,984
Additions	-	-	-	1,312	1,312
Mine development expenditures	2,286	-	-	-	2,286
Change in decommissioning and restoration costs (note 15)	277	-	-	-	277
Balance, December 31, 2021	**17,147**	**1,467**	**-**	**34,982**	**53,596**
Acquisition (Note 5(a))	19,521	-	7,291	83,660	110,472
Additions	2,775	-	-	6,610	9,385
Mine development expenditures	7,208	-	-	-	7,208
Change in decommissioning and restoration costs (note 15)	1,610	-	-	-	1,610
Disposals	-	-	-	(1,890)	(1,890)
Balance, December 31, 2022	**48,261**	**1,467**	**7,291**	**123,362**	**180,381**
Accumulated depreciation and impairment					
Balance, December 31, 2020	-	-	-	8,832	8,832
Depletion, depreciation and amortization	2,760	-	-	1,377	4,137
Impairment	-	-	-	1,840	1,840
Balance, December 31, 2021	**2,760**	**-**	**-**	**12,049**	**14,809**
Depletion, depreciation and amortization	2,224	-	-	12,423	14,647
Disposals	-	-	-	(135)	(135)
Impairment (note 9)	-	-	-	4,538	4,538
Balance, December 31, 2022	**4,984**	**-**	**-**	**28,875**	**33,859**
Cost as at December 31, 2021	17,147	1,467	-	34,982	53,596
Accumulated depreciation and impairment	2,760	-	-	12,049	14,809
Carrying value - December 31, 2021	**14,387**	**1,467**	**-**	**22,933**	**38,787**
Cost as at December 31, 2022	48,261	1,467	7,291	123,362	180,381
Accumulated depreciation and impairment	4,984	-	-	28,875	33,859
Carrying value - December 31, 2022	**43,277**	**1,467**	**7,291**	**94,497**	**146,522**

As at December 31, 2022, the Company's plant and equipment included right-of-use assets with a carrying amount of $2,674 for leased mining equipment (December 31, 2021 - $1,122). Depreciation on the right of use assets for the year ended December 31, 2022 was $403 (2021 - $211).

During the year ended December 31, 2022, the Company recorded impairment on mineral properties, plant and equipment of $4,538 (2021 - $1,840) for IMSC (note 9).

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

11. TRADE PAYABLES AND ACCRUED LIABILITIES

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

	December 31, 2022	December 31, 2021
	$	$
Trade payables	**52,756**	25,729
COMIBOL contract obligations	**9,109**	-
Accrued liabilities	**7,576**	3,889
Balance, end of year	**69,441**	29,618
Less: non-current portion of COMIBOL contract obligations	**3,418**	-
Current portion	**66,023**	29,618

12. CONSIDERATION PAYABLE

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

	Cash	**Deferred cash consideration (a)**	**Royalties payable (b)**	**Other payables (c)**	**Total**
	$	$	**$**	$	$
Balance, December 31, 2020 and 2021	-	-	-	-	-
Acquisition (Note 5(a))	2,106	84,454	17,395	48,038	151,993
Cash paid	(2,106)	-	-	-	(2,106)
Accretion	-	3,120	931	1,775	5,826
Balance, December 31, 2022	**-**	**87,574**	**18,326**	**49,813**	**155,713**
Less: current portion		**-**	**5,971**	**1,647**	**7,618**
Non-current portion	**-**	**87,574**	**12,355**	**48,166**	**148,095**

a) Deferred cash consideration

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

b) Royalties payable

Royalties are payable monthly except with respect to the royalty payment for the period from March 18, 2022 to December 31, 2022 which is due by November 30, 2023. Royalties payable are determined to be contingent consideration and are classified as liabilities at fair value with changes recorded in the consolidated statements of loss and comprehensive loss.

c) Other payables

(i) Profits (after-tax) on sale of inventory acquired.

The profits (after-tax), of $5,055, on the sale of inventory acquired by the Company shall be paid as to one-third of the aggregate amount of such profits by each of June 30, 2023, June 30, 2024, and June 30, 2025. Interest accrues on the amounts due from the original payment date for the specific inventory acquired at a rate of SOFR plus 4% and interest is to be paid on each of the instalment dates.

(ii) Payment of certain VAT amounts collected by the Company.

The Company is required to pay all amounts collected in accordance with the VAT Receivable agreement in the SPA by December 31, 2024, except as detailed below:

(1) if, in any calendar year, the amount paid or payable by the Company would exceed $15,000, then the Company shall only pay $15,000 in that calendar year and the balance of the monies that would otherwise be payable in that calendar year will be paid to Glencore on or before March 31 of the following calendar year;

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

12. CONSIDERATION PAYABLE (continued)

(2) any amounts paid on or before March 31 of a calendar year pursuant to (1) shall be taken into account in determining the total amount paid by the Company in that calendar year; and
(3) if a payment due on or before March 31 of a calendar year pursuant to (1) would exceed $15,000, then only $15,000 shall be paid and the balance shall be paid on the first Business Day of the following calendar year.

13. LOANS PAYABLE

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

	Bank facilities (a)	**Bank loan (b)**	**Trafigura (c)**	**Glencore credit facility (d)**	**Promissory loan payable**	**Other loans payable (e)**	**Total**
			$	$	$	$	$
Balance, December 31, 2020	-	-	2,677	-	-	3,610	6,287
Proceeds advanced	-	-	17,616	-	-	280	17,896
Repayments of loan payable	-	-	(2,616)	-	-	-	(2,616)
Equity component of proceeds advanced – represented by warrants issues	-	-	(3,821)	-	-	-	(3,821)
Carrying charges and restructuring fees	-	-	-	-	-	615	615
Accretion	-	-	1,152	-	-	-	1,152
Interest expense accrual	-	-	818	-	-	158	976
Repayment with shares	-	-	-	-	-	(3,545)	(3,545)
Repayment with cash	-	-	(3,828)	-	-	(1,118)	(4,946)
Balance, December 31, 2021	**-**	**-**	**11,998**	-	-	-	**11,998**
Less: Current portion	-	-	4,832	-	-	-	4,832
Non-current portion	-	-	7,166	-	-	-	7,166
Balance, December 31, 2021	**-**	**-**	**11,998**	**-**	**-**	**-**	**11,998**
Assumed on acquisition (note 5)	4,823	4,312	-	-	25,000	-	34,135
Proceeds advanced	31,440	-	-	-	-	1,132	32,572
Accretion	-	-	1,428	-	-	-	1,428
Interest expense accrual	196	-	825	-	245	-	1,266
Repayment with cash	(26,336)	(1,848)	(5,755)	-	(25,245)	-	(59,184)
Balance, December 31, 2022	**10,123**	**2,464**	**8,496**	**-**	**-**	**1,132**	**22,215**
Less: Current portion	10,123	2,464	5,164	-	-	206	17,957
Non-current portion	-	-	3,332	-	-	926	4,258

a) Bank facilities

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

13. LOANS PAYABLE (continued)

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

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

The Company also has an unsecured revolving credit facility with Banco de Credito de Bolivia S.A. of $5,000 (BOL 34,800) with a fixed interest rate of 5.75% per annum. As at December 31, 2022, $4,928 was drawn down which are repayable by June 2023.

b) Bank loan

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

c) Trafigura loan facility

On April 23, 2021, in connection with the Zimapan Mine Acquisition (Note 5), Trafigura Mexico, S.A. de C.V. ("Trafigura") loaned the Company $17,616 under a new loan facility ("Trafigura Loan Facility"), which included the recapitalization of $2,616 of indebtedness outstanding under the 2020 Facility in addition to the new $15,000 loan amount. The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5%, approximately 6.66% (December 31, 2021 - approximately 6.71%), repayable in monthly installments of principal plus accrued interest for the respective period.

Pursuant to the terms of the Zimapan Mine Acquisition, the Company had until September 23, 2021 to pay Minera Cedros the outstanding Mexican VAT of $3,200 owed in connection with the Zimapan Mine Acquisition. As at December 31, 2021, $981 of the Mexican VAT owed to Minera Cedros was outstanding (subsequent to December 31, 2021, the full amount of this VAT was paid to Minera Cedros).

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

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

Pursuant to the Trafigura Loan Facility, Trafigura will have the right to offset payments owing by Trafigura to Carrizal Mining and/or its affiliates under existing commodity purchase and sale agreements against payments owing by Carrizal Mining to Trafigura under the Trafigura Loan Facility. No offsets were made as at December 31, 2022.

13. LOANS PAYABLE (continued)

d) Glencore credit facility

As at the Acquisition Date, the Company entered into a $10,000 senior secured working capital revolving credit facility (the "Credit Facility") with Glencore with a maturity date of March 18, 2024, which shall only be used for working capital purposes of the Company and its Bolivian subsidiaries. As at December 31, 2022, no amount has been drawn under this Credit Facility.

The Credit Facility bears an interest rate of Adjusted Term SOFR plus 6.0% per annum. The Adjusted Term SOFR is defined as the Term SOFR plus 0.11448% for one-month, 0.26161% for three-month, and 0.42826% for six-month. The Term SOFR is defined as the greater of (a) the Term SOFR Reference Rate for a tenor comparable to the applicable interest period on the day that is two U.S. Government Securities Business Days prior to the first day of such interest period, as such rate published by the Term SOFR Administrator, and (b) the Floor, which is defined as 2.5% per annum. The interest payment shall be paid on the last business day of each applicable interest period, which is one or three months duration commencing the date of drawdown as selected by the Company.

Subject to the terms and conditions of the Credit Facility, the Company can make drawdowns and repayments. Each drawdown must be in a minimum principal amount of $1,000 and increments of $100.

Full repayment (principal plus accrued interest) must be made on the maturity date, upon a change of control, or upon election by Glencore. At any time, the Company can also make voluntary repayments at a minimum of amount of $1,000 and in minimum increments of $100.

Should the Company utilize this Credit Facility, the Company must provide collateral in the form of a securities pledge agreement that provides a first-priority ranking encumbrance in favour of Glencore over all equity interests owned.

e) Other loans payable

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

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

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

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

14. OTHER LIABILITIES

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

	December 31, 2022	December 31, 2021
	$	$
Provisions (a)	**10,268**	-
Deferred revenue (b)	**6,397**	-
Lease liability (c)	**639**	342
Balance, end of the year	**17,304**	342
Less: current portion	**6,875**	175
Non-current portion	**10,429**	167

a) Provisions

As at December 31, 2022, the Company recognized a provision of $10,268 (December 31, 2021 - $nil) for payments that will be made to employees of Sinchi Wayra and Illapa in the event that their employment is terminated and is in compliance with Bolivian labour legislation. Based on expected employee turnover, this provision is considered non-current.

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

b) Deferred revenue

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

c) Lease liability

The Company entered into certain mining equipment leases with an interest rate between 6.5% and 10.5% per annum. The outstanding balances of the Company's mining equipment leases as at December 31, 2022 and December 31, 2021 are as follows:

	$
Balance, December 31, 2020	469
Finance costs	40
Lease payments	(165)
Foreign exchange gain	(2)
Balance, December 31, 2021	342
Additions	820
Finance costs	46
Lease payments	(576)
Foreign exchange loss	7
Balance, December 31, 2022	**639**
Current portion	477
Non-current portion	162

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

14. OTHER LIABILITIES (continued)

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

	December 31, 2022
	$
2023	465
2024	138
2025	49
2026	33
Total future minimum lease payments	685
Effects of discounting	(46)
Total present value of minimum lease payments	**639**
Current portion	477
Non-current portion	162

15. DECOMMISSIONING AND RESTORATION PROVISION

The Company has an obligation to undertake decommissioning, restoration, rehabilitation and environmental work when environmental disturbance is caused by the development and ongoing production of a mining operation. Movements in decommissioning liabilities during the years ended December 31, 2022 and 2021 are allocated as follows

	Bolivar	**Porco**	**Caballo Blanco Group**	**Zimapan**	**Rosario**	**Veta Grande**	**Total**
	$	$	$	$	$	$	$
Balance, December 31, 2020	-	-	-	-	1,203	345	1,548
Acquisition (Note 5(b))	-	-	-	4,059	-	-	4,059
Change in estimate	-	-	-	277	854	-	1,131
Accretion	-	-	-	436	40	-	476
Foreign exchange gain	-	-	-	(461)	(38)	-	(499)
Balance, December 31, 2021	-	-	-	4,311	2,059	345	6,715
Acquisition (Note 5(a))	2,940	4,361	6,425	-	-	-	13,726
Change in estimate	443	689	478	-	-	-	1,610
Accretion	146	228	346	523	-	-	1,243
Reclassification to assets held for sale	-	-	-	-	(2,188)	(345)	(2,533)
Foreign exchange gain	-	-	-	(272)	129	-	(143)
Balance, December 31, 2022	**3,529**	**5,278**	**7,249**	**4,562**	**-**	**-**	**20,618**

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

Decommissioning and restoration provisions – December 31, 2022						
	Bolivar	**Porco**	**Caballo Blanco Group**	**Zimapan**	**Rosario**	**Veta Grande**
Undiscounted uninflated estimated cash flow	4,111	6,044	8,167	7,076	2,182	N/A
Discount rate	7.6%	7.6%	7.4%	9.2%	9.2%	N/A
Inflation rate	3.5%	3.5%	3.5%	4.5%	4.5%	N/A

16. SHARE CAPITAL

a) Authorized share capital

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

b) Issued – share capital

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

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

During the year ended December 31, 2021, the Company had the following share capital transactions:

- On April 13, 2021, the Company completed a non-brokered private placement of 46,980,000 units ("2021 Units") for gross proceeds of $11,228 (C$14,094). Each 2021 Unit consisted of one common share of the Company and one non-transferable common share purchase warrant ("2021 Warrant"). Each 2021 Warrant entitles the holder to acquire one common share of the Company at a price of C$0.45 until April 13, 2024, expiring thereafter. In consideration for their services, the Company paid to certain finders cash finder's fees of $572 and issued 1,671,961 finders' warrants having the same terms as the 2021 Warrants.

- The Company issued 9,939,253 shares from the exercise of warrants for proceeds of $1,882 and 1,359,300 shares from the exercise of options for proceeds of $193.

- On July 15, 2021, the Company issued 10,342,604 shares with a fair value of $3,701 pursuant to the settlement of accounts payable and loans payable.

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

16. SHARE CAPITAL (continued)

c) Stock options

On December 30, 2022, the Company's shareholders approved the 10% Rolling Stock Option Plan (the "Plan") for directors, officers, employees, management company employees, consultants and eligible charitable organizations of the Company and its subsidiaries, effective November 14, 2022. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Options granted under the Plan have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board of Directors. This Plan replaces the Company's previous stock option plan.

The following is a summary of the Company's stock options for the years ended December 31, 2022 and 2021:

	Number of stock options	Weighted average exercise price
	#	C$
Balance, December 31, 2020	7,113,700	0.18
Granted	16,250,000	0.47
Exercised	(1,359,300)	0.18
Expired	(280,000)	0.18
Balance, December 31, 2021	21,724,400	0.40
Granted	2,300,000	0.40
Exercised	(310,000)	0.30
Balance, December 31, 2022	**23,714,400**	**0.40**

As at December 31, 2022, the Company had the following stock options outstanding:

	Options outstanding			Options exercisable		
Date of expiry	Number of options	Weighted average exercise price	Weighted average remaining years	Number of options	Weighted average exercise price	Weighted average remaining years
	#	C$	Years	#	C$	Years
August 6, 2024	5,464,400	0.18	1.60	5,464,400	0.18	1.60
August 16, 2024	1,000,000	0.45	1.63	250,000	0.45	1.63
May 7, 2026	16,250,000	0.47	3.35	16,250,000	0.47	3.35
June 10, 2027	1,000,000	0.39	4.44	600,000	0.39	4.44
	23,714,400	**0.40**	**2.92**	**22,564,400**	**0.40**	**2.94**

During the year ended December 31, 2022, the Company granted a total of 2,300,000 stock options with a fair value of $438, of which $332 was recognized in operating expenses during the year ended December 31, 2022. The weighted average assumptions used in the Black-Scholes option pricing model were as follows:

Assumption	Based on	2022	2021
Risk-free rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	2.93	0.87
Expected life (years)	Expiry term of the options	3.8	5.0
Expected volatility (%)	Historical volatility of the Company's share price	86	88
Dividend yield (%)	Annualized dividend rate as of the date of grant	Nil	Nil

The weighted average closing share price on the date of the option exercises for the year ended December 31, 2022 was C$0.48 per share (2021 - C$0.42).

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

16. SHARE CAPITAL (continued)

d) Warrants

The following is a summary of the Company's warrants for the years ended December 31, 2022 and 2021:

	Number of warrants	**Weighted average exercise price**
	#	C$
Balance, December 31, 2020	53,613,510	0.29
Issued - private placement	46,980,000	0.45
Issued - finders' warrants	1,671,961	0.45
Issued - Trafigura Loan Facility (Note 13)	28,000,000	0.40
Exercised	(9,939,253)	0.23
Balance, December 31, 2021	120,326,218	0.38
Exercised	(12,851,500)	0.38
Balance, December 31, 2022	**107,474,718**	**0.38**

As at December 31, 2022, the Company had the following warrants outstanding:

Date of expiry	**Number of warrants**	**Weighted average exercise price**	**Weighted average remaining years**
	#	C$	Years
October 7, 2023	27,780,705	0.30	0.77
October 15, 2023	13,472,052	0.30	0.79
April 12, 2024	48,501,961	0.45	1.28
October 24, 2024	17,720,000	0.40	1.82
	107,474,718	**0.38**	**1.18**

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

Assumption	**Based on**	**2022**	2021
Risk-free rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the warrants' expected life	N/A	0.88
Expected life (years)	Expiry term of the warrants	N/A	3.00
Expected volatility (%)	Historical volatility of the Company's share price	N/A	88.1
Dividend yield (%)	Annualized dividend rate as of the date of grant	N/A	Nil

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

17. COST OF SALES

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

	2022	2021
	$	$
Consulting fees	**1,496**	-
Consumables and materials	**34,208**	2,384
Energy	**5,114**	3,413
Insurance	**937**	-
Labour costs	**63,021**	24,397
Mine and plant maintenance	**7,250**	7,929
Mining contractors	**33,659**	-
Ore and concentrate purchase costs	**57,448**	-
Other costs	**1,842**	685
Production Costs	**204,975**	38,808
Transportation and other selling costs	**29,893**	1,613
Mine royalty expense	**12,018**	-
Finished goods inventory changes	**(5,813)**	250
Cost of sales	**241,073**	40,671

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

18. GENERAL AND ADMINISTRATIVE EXPENSES

A summary of the Company's operating expenses for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
	$	$
Community relationship	**1,773**	-
Corporate administration	**4,819**	5,025
Professional fees	**2,997**	2,639
Salaries and benefits	**8,046**	1,877
Other	**3,917**	2,391
	21,552	11,932

During the year ended December 31, 2022, the Company recognized $nil (December 31, 2021 - $522) in severance accruals related to the closure of the Rosario mine, which are recorded in salaries and benefits. Also included in salaries and benefits, and pursuant to Mexican labour laws, is $429 (2021 - $767) for annual employee profit sharing tax related to Carrizal Mining.

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

19. FINANCE COSTS

A summary of the Company's finance (expense) income for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
	$	$
Accretion of consideration payable (note 12)	(5,826)	-
Accretion of decommissioning provisions (note 15)	(1,243)	(476)
Accretion of Trafigura Facility Loan (note 13)	(1,428)	(1,152)
Change in decommissioning and restoration provision (note 15)	-	(854)
Deferred purchase price charge for Zimapan Mine Acquisition (note 5(b))	-	(661)
Financing charge on leases (note 14)	(46)	(40)
Interest expense, carrying charges and finance charges on loans payable	(2,785)	(2,097)
Interest income	947	274
IVA recovery inflationary gain	-	1,694
Other (expense) income	3,359	(185)
	(7,022)	(3,497)

20. INCOME TAX EXPENSE

a) Income tax expense

	2022	2021
	$	$
Current tax expense	6,320	3,706
Deferred tax (recovery)	(77)	(382)
Income tax expense	6,243	3,324

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	$	$
Loss before income taxes	(16,018)	(8,241)
Combined federal and provincial statutory income tax rates	27%	27%
Income tax recovery at statutory rates	(4,325)	(2,225)
Change due to differences in tax rates	1,969	(82)
Permanent differences	7,095	1,695
Deferred tax assets not recognized	(1,699)	2,225
Change due to foreign translation	(1,077)	850
Mexican mining royalty tax	141	861
Inflation adjustment	(1,538)	-
Tax effect of investment in subsidiaries	5,773	-
Other	(96)	-
Income tax expense (recovery)	6,243	3,324

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

20. INCOME TAX EXPENSE (continued)

b) Deferred taxes

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

	December 31, 2022	December 31, 2021
	$	$
Other liabilities	**3,969**	-
Trade and other receivables	**3,987**	-
Non-capital losses	**3,566**	-
Mineral properties, plant and equipment	**2,542**	-
Decommissioning and restoration provision	**1,871**	-
Inventories	**429**	-
Other assets	**291**	-
Other	**367**	-
Deferred tax assets	**17,022**	-

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

	December 31, 2022	December 31, 2021
	$	$
Mineral properties, plant and equipment	**(17,982)**	(4,499)
Investment in subsidiaries	**(5,772)**	-
Other liabilities	**(603)**	-
Inventories	**(1,578)**	-
Withholdings taxes	**(1,435)**	(1,435)
Trade payables and accrued liabilities	**(1,285)**	-
Decommissioning and restoration provision	**(1,127)**	-
Non-capital losses	**-**	3,701
Other	**(342)**	-
Deferred tax liabilities	**(30,124)**	(2,233)

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

	December 31, 2022	December 31, 2021
	$	$
Deferred tax assets	**2,712**	-
Deferred tax liabilities	**(15,814)**	(2,233)
	(13,102)	(2,233)

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

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

20. INCOME TAX EXPENSE (continued)

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

	December 31, 2022	December 31, 2021
	$	$
Deferred income tax assets:		
Non-capital loss carry-forwards and other	**1,518**	17,719
Deferred financing costs	**439**	167
Other	**1,135**	-
Unrecognized deferred tax assets	**3,092**	17,886

As at December 31, 2022, the Company had unrecognized non-capital losses of approximately $1,518 (C$1,925) that arose in Canada which will expire in various years between 2031 and 2039.

The Mexican subsidiary, IMSC, that is held for sale (note 9), had unrecognized deferred tax assets of $15,167 as at December 31, 2022 (December 31, 2021 - $14,988).

As at December 31, 2022, the Company had unrecognized taxable temporary differences totaling $76,310 (December 31, 2021 - $nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries of the Company.

21. CAPITAL MANAGEMENT

The Company's objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing the growth of its business and providing returns to its shareholders. The Company's capital structure consists of shareholders' equity (comprising issued capital plus equity reserves plus deficit) with a shareholders' deficiency of $13,035 as at December 31, 2022 (2021 – shareholders' equity of $2,738). The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company's assets. The Company's capital requirements are effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

The Company is not subject to any externally imposed capital requirements with the exception of complying with covenants for the Trafigura Loan Facility. As at December 31, 2022 and December 31, 2021, the Company was fully in compliance with these covenants.

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

December 31, 2022	**Amortized cost**	**FVTPL**	**Total**
	$	$	$
Financial assets			
Cash and cash equivalents	4,609	-	4,609
Marketable securities	-	2,769	2,769
Trade and other receivables	113,870	16,916	130,786
	118,479	19,685	138,164
Financial liabilities			
Trade payables and accrued liabilities	69,441	-	69,441
Consideration payable	137,387	18,326	155,713
Loans payable	22,215	-	22,215
Other liabilities	17,304	-	17,304
	246,347	18,326	264,673
December 31, 2021			
Financial assets			
Cash and cash equivalents	938	-	938
Marketable securities	-	4,102	4,102
Trade and other receivables	7,982	5,278	13,260
	8,920	9,380	18,300
Financial liabilities			
Trade payables and accrued liabilities	29,618	-	29,618
Loans payable	11,998	-	11,998
	41,616	-	41,616

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

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3: Inputs for the asset or liability based on unobservable market data.

As at December 31, 2022, marketable securities are measured at fair value using Level 1 inputs. The fair value of marketable securities is measured based on the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in profit or loss.

Trade receivables are measured at fair value using Level 2 inputs. The fair value of trade receivables is measured based on inputs other than quoted prices for the underlying commodity prices (silver, lead, zinc, copper) to which the receivable relates as the trade receivables are provisionally priced at the time of sale.

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

Royalties payable, included within consideration payable, are measured at fair value using Level 3 inputs.

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

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	December 31, 2022			December 31, 2021		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
	$	$	$	$	$	$
Assets						
Marketable securities	2,769	-	-	4,102	-	-
Trade and other receivables	16,916	-	-	5,278	7,982	-
	19,685	-	-	9,380	7,982	-
Liabilities						
Consideration payable	-	-	18,326	-	-	-
	-	-	18,326	-	-	-

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

The methodology and assessment of inputs for determining the fair value of financial assets and liabilities as well as the levels of hierarchy for the Company's financial assets and liabilities measured at fair value remains unchanged from that at December 31, 2021.

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

Credit risk

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

The Company has concentrate contracts to sell the zinc and lead concentrates produced by all of the Company's mines. Concentrate contracts are a common business practice in the mining industry. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of concentrates. Should any of these counterparties not honour purchase arrangements, or should any of them become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrates on the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. At December 31, 2022, the Company had receivable balances associated with buyers of its concentrates of $16,916 (2021 - $5,278). The vast majority of the Company's concentrate is sold to well-known concentrate buyers.

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	December 31, 2022	December 31, 2021
	$	$
Cash and cash equivalents	**4,609**	938
Trade and other receivables	**130,786**	13,260
Supplier advances	**5,803**	2,503

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

Liquidity risk

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

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

	<1 year	**1 – 2 years**	**2 – 5 years**	**>5 years**	**Total**
	$	$	$	$	$
Trade payables and accrued liabilities	73,667	2,916	8,747	-	85,330
Consideration payable	5,589	40,602	124,474	4,611	175,276
Loans payable	20,195	4,714	-	-	24,909
Operating lease payments	495	180	82	-	757
	99,946	**48,412**	**133,303**	**4,611**	**286,272**

Currency risk

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

The sensitivity of the Company's net loss to changes in the exchange rate between the US dollar and the Bolivian boliviano, the Mexican peso and the Canadian dollar, respectively, would be as follows: a 1% change in the US dollar exchange rate relative to the Bolivian boliviano would change the Company's net profit by approximately $169, a 1% change in the US dollar exchange rate relative to the Mexican peso would change the Company's net loss by approximately $91, and a 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately $83.

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company's financial assets and liabilities as at December 31, 2022 are denominated in Canadian dollars, US dollars, Bolivian bolivianos and Mexican pesos and translated to US dollars as follows:

	CAD	BOB	USD	MXN	Total
	$	$	$	$	**$**
Financial assets					
Cash and cash equivalents	52	4,356	-	201	**4,609**
Marketable securities	2,769	-	-	-	**2,769**
Trade and other receivables	33	111,922	16,916	1,915	**130,786**
	2,854	116,278	16,916	2,116	**138,164**
Financial liabilities					
Trade payables and accrued liabilities	2	67,760	-	1,679	**69,441**
Consideration payable	-	-	155,713	-	**155,713**
Loans payable	-	13,719	8,496	-	**22,215**
	2	81,479	164,209	1,679	**247,369**
Net financial assets (liabilities)	**2,852**	**34,799**	**(147,293)**	**437**	**(109,205)**

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. As at December 31, 2022, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its consideration payable, debt facilities and lease liabilities. Based on the Company's interest rate exposure at December 31, 2022, a change of 1% increase or decrease of market interest rate would impact the Company's profit or loss by approximately $229.

Price risk

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

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

23. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company's related parties include its subsidiaries, joint arrangements and key management personnel. During its normal course of operation, the Company enters into transactions with its related parties for goods and services. All related party transactions for the year ended December 31, 2022 and 2021 have been disclosed in these consolidated financial statements.

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

Remuneration of key management personnel

Key management includes directors of the Company, the CEO and the Executive Chairman. The remuneration of directors and other members of key management personnel during the year was as follows:

	2022	2021
	$	$
Management and consulting fees	**3,656**	499
Share-based compensation	**786**	2,525
	4,442	3,024

Of the $3,656 in management and consulting fees incurred with related parties during the year ended December 31, 2022, $100 was related to directors' fees and $3,556 was related to management fees (2021 - $79 and $420, respectively).

As at December 31, 2022, directors and officers or their related companies were owed $43 (December 31, 2021 - $26) in respect of the services rendered. These are non-interest bearing with standard payment terms.

A total of $38 of the leases payable remains outstanding as at December 31, 2022 (December 31, 2021 - $38) and are owed to a company owned by the Executive Chairman.

24. SEGMENT INFORMATION

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

a) Operating segments

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

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

24. SEGMENT INFORMATION (continued)

Significant information relating to the Company's reportable operating segments is summarized in the tables below:

Year ended December 31, 2022	Bolivar	Porco	Caballo Blanco Group	San Lucas	Zimapan	Corporate and other	Illapa Joint Operation eliminations(1)	Inter-company eliminations	Total
	$	$	$	$	$	$	$	$	$
Revenues	67,351	43,810	94,774	107,484	54,345	34	(53,922)	(35,282)	278,594
Mine operating costs									
Cost of sales	50,334	36,061	92,258	96,824	43,106	-	(42,228)	(35,282)	241,073
Depletion and amortization	7,928	4,716	8,378	4	2,422	-	(8,801)	-	14,647
	58,262	40,777	100,636	96,828	45,528	-	(51,029)	(35,282)	255,720
Gross profit (loss)	**9,089**	**3,033**	**(5,862)**	**10,656**	**8,816**	**34**	**(2,893)**	**-**	**22,874**

(1) The CODM reviews Bolivar and Porco Revenues and Cost of Sales information on a 100% basis whereas this financial information is recorded at 45% in the Consolidated Statements of Loss and Comprehensive Loss.

Year ended December 31, 2021	Bolivar	Porco	Caballo Blanco Group	San Lucas	Zimapan	Corporate and other	Illapa Joint Operation eliminations	Inter-company eliminations	Total
	$	$	$	$	$	$	$	$	$
Revenues	-	-	-	-	51,796	1,538	-	-	53,334
Mine operating costs									
Cost of sales	-	-	-	-	35,883	4,788	-	-	40,671
Depletion and amortization	-	-	-	-	4,084	53	-	-	4,137
	-	**-**	**-**	**-**	**39,967**	**4,841**	**-**	**-**	**44,808**
Gross profit (loss)	**-**	**-**	**-**	**-**	**11,829**	**(3,303)**	**-**	**-**	**8,526**

As at December 31, 2022	Bolivar	Porco	Caballo Blanco Group	San Lucas	Zimapan	Corporate and other	Illapa Joint Operation eliminations	Inter-company eliminations	Total
	$	$	$	$	$	$	$	$	$
Capital expenditures	8,344	2,513	8,766	37	2,084	-	(5,971)	-	15,773
Total assets	136,092	57,544	75,121	46,345	35,598	22,230	(35,410)	-	337,520
Total liabilities	101,830	37,894	36,588	27,587	39,413	142,554	(35,312)	-	350,555

As at December 31, 2021	Bolivar	Porco	Caballo Blanco Group	San Lucas	Zimapan	Corporate and other	Illapa Joint Operation eliminations	Inter-company eliminations	Total
	$	$	$	$	$	$	$	$	$
Capital expenditures	-	-	-	-	3,598	-	-	-	3,598
Total assets	-	-	-	-	45,610	15,304	-	-	60,914
Total liabilities	-	-	-	-	35,617	22,559	-	-	58,176

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

24. SEGMENT INFORMATION (continued)

b) Segment revenue by location and major customers

Year ended December 31, 2022	Bolivar	Porco	Caballo Blanco Group	San Lucas	Zimapan	Corporate and other	Illapa Joint Operation eliminations(2)	Inter-company eliminations	Total
	$	$	$	$	$	$	$	$	$
Silver	29,094	10,669	25,292	33,916	22,824	-	-	-	121,794
Zinc	42,070	33,022	54,480	99,541	31,549	-	-	-	260,662
Lead	2,569	1,591	6,514	7,403	7,424	-	-	-	25,501
Copper	-	-	-	-	9,711	-	-	-	9,711
Illapa joint operation 55% interest	-	-	-	-	-	-	(53,922)	-	(53,922)
Intercompany transactions	1,138	4,802	29,342	-	-	-	-	(35,282)	-
Provisional pricing and quantity adjustments	2,004	(226)	(9,585)	(939)	1,495	34	-	-	(7,216)
Smelting and refining costs	(9,524)	(6,047)	(11,269)	(32,438)	(18,658)	-	-	-	(77,936)
Sales to external customers	67,351	43,811	94,774	107,483	54,345	34	(53,922)	(35,282)	278,594

(2) The CODM reviews Bolivar and Porco Revenues and Cost of Sales information on a 100% basis whereas this financial information is recorded at 45% in the Consolidated Statements of Loss and Comprehensive Loss.

Year ended December 31, 2021	Bolivar	Porco	Caballo Blanco Group	San Lucas	Zimapan	Corporate and other	Illapa Joint Operation eliminations	Inter-company eliminations	Total
	$	$	$	$	$	$	$	$	$
Silver	-	-	-	-	23,716	790	-	-	24,506
Zinc	-	-	-	-	30,275	912	-	-	31,187
Lead	-	-	-	-	6,184	156	-	-	6,340
Copper	-	-	-	-	8,570	-	-	-	8,570
Gold	-	-	-	-	-	153	-	-	153
Provisional pricing adjustments	-	-	-	-	-	-	-	-	-
Smelting and refining costs	-	-	-	-	(16,949)	(473)	-	-	(17,422)
Sales to external customers	-	-	-	-	51,796	1,538	-	-	53,334

The Company had two customers during the year ended December 31, 2022 (2021 – one customer). One customer accounted for 83% of the total sales revenue. The other customer accounted for the remaining 17% of the total sales revenue.

25. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share for the years ended December 31, 2022 and 2021 was calculated based on the following:

	2022	2021
	$	$
Net loss for the year	**(22,261)**	(11,565)
Weighted average number of shares – basic and diluted	**339,100,644**	308,017,196
Loss per share – basic and diluted	**($0.07)**	($0.04)

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

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

25. EARNINGS (LOSS) PER SHARE (continued)

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

	2022	2021
	$	$
Stock options	**23,714,400**	142,050,618
Warrants	**107,474,718**	120,326,218
	131,189,118	262,376,836

26. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2022	2021
	$	$
Accretion of consideration payable	**5,826**	-
Accretion of decommissioning provision	**1,243**	476
Accretion of Trafigura Loan Facility	**1,428**	1,152
Change in decommissioning and restoration provisions	**-**	854
Finance charges on leases	**46**	655
Inflation adjustments, surcharges and penalties	**-**	2,639
Interest expense on loans payable	**1,266**	976
	9,809	6,752

During the years ended December 31, 2022 and 2021, the following transactions were excluded from the consolidated statements of cash flows:

	2022	2021
	$	$
Warrants issued for share-issuance costs related to private placements (Note 16)	**-**	243
Shares issued for settlement of debt	**-**	3,701
Warrants issued to Trafigura (Note 13)	**-**	3,821

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

27. ILLAPA JOINT OPERATION

The association agreement with COMIBOL has been determined to be a Joint Operation ("Illapa Joint Operation") and as such the Company records 45% of the assets, liabilities, revenues and expenses of the Illapa Joint Operation other than with respect to certain specific balances which per the association agreement with COMIBOL are defined to be 100% obligations of the Company.

A summary of financial information of the Illapa Joint Operation on a 100% basis and the Company's 45% share (except for certain contractual assets and liabilities which are recorded at 100%) recorded by the Company in these consolidated financial statements is as follows:

Illapa Joint Operation Statement of Financial Position as at December 31, 2022

	100%	45%
	$	$
ASSETS		
Current		
Cash and cash equivalents	7,716	3,472
Trade and other receivables[1]	37,478	32,690
VAT receivables	41,531	18,689
COMIBOL contract receivables	12,240	12,240
Inventories	22,805	10,262
Prepaid expenses and deposits	1,056	475
	122,826	**77,828**
COMIBOL contract receivables	26,281	26,281
Mineral properties, plant and equipment	96,662	43,498
Total assets	**245,769**	**147,607**
LIABILITIES		
Current		
Trade payables and accrued liabilities[1]	52,708	39,981
Loans payable	5,138	5,138
COMIBOL contract payables	5,632	5,632
Current taxes payable	604	604
Other liabilities	3,536	1,591
	67,618	**52,946**
Loans payable	2,464	2,464
COMIBOL contract payables	3,418	3,418
Other liabilities	11,401	5,131
Taxes payable	373	373
Decommissioning and restoration provision	19,240	8,658
Deferred income tax liability	13,767	6,195
Total liabilities	**118,281**	**79,185**
NET ASSETS		
Illapa net assets	68,311	68,422
COMIBOL net assets	59,066	-
Total net assets	**127,489**	**68,422**

[1] Intercompany receivables and payables are recorded at 100% to enable elimination upon consolidation.

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

27. ILLAPA JOINT OPERATION (continued)

Illapa Joint Operation Statement of loss for the period from March 19, 2022 to December 31, 2022

	100%	45%
	$	$
Revenues	100,968	50,057
Mine operating costs		
Cost of sales	78,573	36,341
Depletion, depreciation and amortization	16,001	7,200
Gross profit	**6,394**	**6,516**
General and administrative expenses	899	405
Operating profit	**5,495**	**6,111**
Loss on foreign exchange[2]	**8,279**	8,279
Other expense (income)	**(7,561)**	(3,403)
Finance costs	**1,921**	864
Profit before tax	**2,857**	**370**
Income tax expense	**2,052**	**923**
Net income (loss) for the year	**804**	**(553)**

[2] The foreign exchange that arose from intercompany transactions are recorded at 100% to enable elimination upon consolidation.