

**SIERRA MADRE GOLD AND SILVER LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023**

**Expressed in U.S. Dollars**

**Unaudited**

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

*The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.*

**SIERRA MADRE GOLD AND SILVER LTD.**  
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS**

Expressed in U.S. Dollars

Unaudited

<b>ASSETS</b>	September 30, 2023	December 31, 2022
<b>Current</b>		
Cash and cash equivalents	\$ 3,533,566	\$ 88,242
Value added taxes receivable	495,277	131,390
Other receivables	92,470	-
Inventories	388,662	436,941
Prepaid expenses and other	594,311	51,075
	<u>5,104,286</u>	<u>707,648</u>
<b>Restricted cash</b> (Note 13)	5,707,083	5,130,409
<b>Mining interests</b> (Note 4)	15,072,706	15,370,205
<b>Exploration and evaluation assets</b> (Note 5)	12,510,753	5,885,539
<b>Plant and equipment</b> (Note 6)	1,236,982	969,720
<b>Right-of-use assets</b> (Note 7a)	12,275	15,644
<b>Other assets</b>	28,874	25,956
	<u>\$ 39,672,959</u>	<u>\$ 28,105,121</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 270,603	\$ 135,830
Payroll and withholding taxes payable	50,986	27,868
Current portion of lease liabilities (Note 7b)	8,610	7,740
Due to former parent (Note 9)	-	9,619,551
	<u>330,199</u>	<u>9,790,989</u>
<b>Provision</b> (Note 13)	5,707,083	-
<b>Lease liabilities</b> (Note 7b)	14,388	12,071
<b>Deferred income tax liabilities</b>	191,451	220,384
<b>Decommissioning liability</b> (Note 8)	2,180,626	2,397,407
	<u>8,423,747</u>	<u>12,420,851</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 10)	154,635,928	108,144,970
<b>Subscription receipts</b> (Note 10)	2,415,772	-
<b>Contributed surplus</b>	1,971,147	-
<b>Accumulated other comprehensive loss</b>	(9,782)	-
<b>Deficit</b>	<u>(127,763,853)</u>	<u>(92,460,700)</u>
	<u>31,249,212</u>	<u>15,684,270</u>
	<u>\$ 39,672,959</u>	<u>\$ 28,105,121</u>

**Nature of operations** (Note 1)

**Contingency** (Note 13)

ON BEHALF OF THE BOARD:

\_\_\_\_\_  
 "Alexander Langer", Director

\_\_\_\_\_  
 "Sean McGrath", Director

- the accompanying notes are an integral part of these condensed consolidated interim financial statements -

**SIERRA MADRE GOLD AND SILVER LTD.  
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF  
CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30**

Expressed in U.S. Dollars

Unaudited

	Share Capital (Note 10)	Subscription Receipts	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Total
<b>Balance, December 31, 2021</b>	\$ 108,144,970	\$ -	\$ -	\$ -	\$ (89,897,956)	\$ 18,247,014
Comprehensive loss for the period	-	-	-	-	(2,494,170)	(2,494,170)
<b>Balance, September 30, 2022</b>	108,144,970	-	-	-	(92,392,126)	15,752,844
Comprehensive loss for the period	-	-	-	-	(68,574)	(68,574)
<b>Balance, December 31, 2022</b>	108,144,970	-	-	-	(92,460,700)	15,684,270
Due to former parent converted to shares (Note 10)	11,099,209	-	-	-	-	11,099,209
Share purchase agreement (Note 3)	30,818,380	-	1,828,402	-	-	32,646,782
Concurrent financing (Note 10)	5,190,304	2,450,338	-	-	-	7,640,642
Share issuance costs (Note 10)	(478,440)	(34,566)	-	-	-	(513,006)
Fair value of agents' compensation options (Note 10)	(138,495)	-	138,495	-	-	-
Share-based compensation	-	-	4,250	-	-	4,250
Comprehensive loss for the period	-	-	-	(9,782)	(35,303,153)	(35,312,935)
<b>Balance, September 30, 2023</b>	\$ 154,635,928	\$ 2,415,772	\$ 1,971,147	\$ (9,782)	\$ (127,763,853)	\$ 31,249,212

- the accompanying notes are an integral part of these condensed consolidated interim financial statements -

**SIERRA MADRE GOLD AND SILVER LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS**  
**OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30**

Expressed in U.S. Dollars

Unaudited

	Three Months Sept. 30 2023	Three Months Sept. 30 2022	Nine Months Sept. 30 2023	Nine Months Sept. 30 2022
<b>Expenses</b>				
Care and maintenance	\$ 626,974	\$ 448,543	\$ 1,599,635	\$ 1,407,399
Care and maintenance – mining concession fees	167,963	184,075	644,976	550,096
Care and maintenance – former parent (Note 12)	-	5,207	4,928	296,547
	794,937	637,825	2,249,539	2,254,042
Amortization – right-of-use assets (Note 7a)	1,485	2,547	4,344	11,570
Accretion – decommissioning liability (Note 8)	54,354	49,230	165,370	147,623
Accretion – lease liabilities (Note 7b)	724	675	1,896	2,277
Community relations	62,390	-	62,390	-
Depreciation	3,665	-	7,335	-
General and administrative (Note 11)	723,010	509	1,426,865	48,417
Foreign exchange (gain) loss	242,452	(134,036)	325,542	13,376
Interest expense – former parent (Note 12)	-	113,547	92,923	199,051
Finance income	(43,100)	-	(76,865)	-
RTO transaction cost (Note 3)	-	-	31,072,747	-
<b>Loss before income taxes</b>	1,839,917	670,297	35,332,086	2,676,356
Deferred income taxes (recovery)	476	(40,871)	(28,933)	(182,186)
<b>Loss for the period</b>	1,840,393	629,426	35,303,153	2,494,170
<b>Other comprehensive loss</b>				
Item that may be reclassified subsequently to income or loss:				
Currency translation adjustment	124,517	-	9,782	-
<b>Comprehensive loss for the period</b>	\$ 1,964,910	\$ 629,426	\$ 35,312,935	\$ 2,494,170
<b>Loss per share – basic and diluted</b>	\$ 0.01	\$ 0.01	\$ 0.30	\$ 0.04
<b>Weighted-average number of shares outstanding – basic and diluted (000's) (Note 14)</b>	143,998	59,366	116,661	59,366

- the accompanying notes are an integral part of these condensed consolidated interim financial statements -

**SIERRA MADRE GOLD AND SILVER LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30**

Expressed in U.S. Dollars  
*Unaudited*

<b>CASH RESOURCES PROVIDED BY (USED IN)</b>	2023	2022
<b>Operating activities</b>		
Loss for the period	\$ (35,303,153)	\$ (2,494,170)
Items not involving cash:		
Amortization – right-of-use assets	4,344	11,570
Depreciation	7,335	-
Accretion – decommissioning liability	165,370	147,623
Accretion – lease liabilities	1,896	2,277
Interest expense – former parent	92,923	199,051
Deferred income tax recovery	(28,933)	(182,186)
Unrealized foreign exchange loss (gain)	392,118	(21,319)
Share-based compensation	4,250	-
RTO transaction cost <i>(Note 3)</i>	31,072,747	-
Changes in non-cash working capital		
Value added taxes receivable	(271,240)	747,455
Other receivables	(247,496)	
Inventories	48,279	12,817
Prepaid expenses and other	(443,455)	(100,457)
Accounts payable and accrued liabilities	251,031	(40,093)
Payroll and withholding taxes payable	23,118	(11,907)
	<u>(4,230,866)</u>	<u>(1,729,339)</u>
<b>Investing activities</b>		
Cash acquired in RTO transaction <i>(Note 3)</i>	832,100	-
Purchase of plant and equipment <i>(Note 6)</i>	(265,741)	-
Mine development costs <i>(Note 4)</i>	(319,940)	-
Exploration costs <i>(Note 5)</i>	(481,825)	-
	<u>(235,406)</u>	<u>-</u>
<b>Financing activities</b>		
Shares issued for cash <i>(Note 10)</i>	5,190,304	-
Share issuance costs <i>(Note 10)</i>	(478,440)	-
Subscription receipts <i>(Note 10)</i>	2,450,338	-
Issuance costs <i>(Note 10)</i>	(34,566)	-
Lease payments	-	(16,578)
Advances from former parent company <i>(Note 9)</i>	899,964	2,433,382
	<u>8,027,600</u>	<u>2,416,804</u>
<b>Change in cash position for the period</b>	<b>3,561,328</b>	<b>687,465</b>
Cash and cash equivalents - beginning of period	88,242	17,936
Exchange difference on cash	(116,004)	-
<b>Cash and cash equivalents - end of period</b>	<b>\$ 3,533,566</b>	<b>\$ 705,401</b>

**Supplemental schedule of non-cash investing and financing transactions** *(Note 17)*

- the accompanying notes are an integral part of these condensed consolidated interim financial statements -

**SIERRA MADRE GOLD AND SILVER LTD.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

Expressed in U.S. Dollars

*Unaudited*

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**1. NATURE OF OPERATIONS**

Sierra Madre Gold and Silver Ltd. (the “Company”) is a mineral exploration company incorporated in British Columbia with its registered office located at 10<sup>th</sup> Floor – 595 Howe Street, Vancouver, British Columbia, Canada. The Company received a conditional listing approval from the TSX Venture Exchange (“TSX-V”) on March 25, 2021, and its shares commenced trading on April 19, 2021. On March 29, 2023, the Company completed the acquisition of the La Guitarra silver-gold mine (*Note 3*), by acquiring all of the outstanding shares of La Guitarra Compania Minera, S.A. de C.V. (“La Guitarra”) from Corporacion First Majestic, S.A. de C.V. (“CFM”), a wholly owned subsidiary of First Majestic Silver Corp. (“First Majestic”).

The acquisition of La Guitarra has been accounted for as a reverse acquisition (“RTO”) whereby the Company, the legal acquirer, acquired all of the issued and outstanding shares of La Guitarra, the legal subsidiary. Although the Company remains the legal parent, La Guitarra is considered to be the accounting acquirer. Consequently, these condensed consolidated interim financial statements represent the continuation of the financial statements of La Guitarra except as to share capital structure, which has been retroactively restated to reflect the legal capital of the Company using the exchange ratio established in the Share Purchase Agreement (“SPA”) (*Note 3*).

The Company holds a 100% interest in the La Guitarra silver-gold mine located in Mexico, which is a formerly producing silver and gold mine, currently on care and maintenance, and the Tepic and La Tigra mineral properties located in Mexico, which are all considered to be in the exploration stage. Based on the information available to date, the Company has not yet determined whether its mineral properties contain ore reserves. The Company has no source of operating revenue and is dependent upon the issuance of shares to fund its operations and exploration activities. The Company’s continuing operation is dependent upon establishing reserves and resources, maintaining its rights, access, and title to the properties, obtaining the financing necessary to maintain operations and successfully complete its exploration and development of the properties, and attaining future profitable production.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

**Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments and information considered necessary for fair presentation have been included in these financial statements.

These condensed consolidated interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the audited financial statements of La Guitarra, including the notes thereto, for the year ended December 31, 2022. All financial information presented herein is unaudited. The Company’s board of directors approved these condensed consolidated interim financial statements for issue on November 15, 2023.

**SIERRA MADRE GOLD AND SILVER LTD.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

Expressed in U.S. Dollars  
*Unaudited*

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION** - *continued*

**Basis of measurement**

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for those assets and liabilities that are measured at fair values at the end of each reporting period.

**Adoption of new accounting policies**

As these condensed consolidated interim financial statements have been prepared with La Guitarra as the continuing entity, the following policies of the Company have been adopted effective March 29, 2023:

*Principles of consolidation*

These condensed consolidated interim financial statements include the accounts of the Company and the accounts of its wholly owned subsidiaries, La Guitarra (a Mexican company), Pita Exploration Limited (a British Columbia company), Pita Exploration, S. de R.L. de C.V. (a Mexican company), and Minera Sierra Madre Oro Y Plata, S. de R.L. de C.V (a Mexican company).

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

*Foreign currency translation*

The presentation currency of the Company is the U.S. dollar. The functional currency of the Company and all of its subsidiaries, except La Guitarra, is the Canadian dollar ("CAD"). The functional currency of La Guitarra is the U.S. dollar. Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Translation gains and losses are reflected in profit or loss for the period.

Canadian functional operations are translated into U.S. dollars using the period-end exchange rate for assets and liabilities, and the average exchange rate for income and expenses. All resulting exchange differences are recognized in other comprehensive income or loss.

*Loss per share*

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments and its effect on earnings per share is calculated based on the use of the proceeds that would be obtained upon exercise of in-the-money options, warrants and similar instruments. It is assumed that the proceeds would be used to purchase common shares at the average market price during the period. Stock options and share purchase warrants are not included in the computation of diluted loss per share due to their anti-dilutive effect.

**SIERRA MADRE GOLD AND SILVER LTD.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

Expressed in U.S. Dollars  
*Unaudited*

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION** - *continued*

**Adoption of new accounting policies** - *continued*

*Share capital*

Share capital issued for non-monetary consideration is recorded at the fair value of the non-monetary consideration received, or at the fair value of the shares issued if the fair value of the non-monetary consideration cannot be measured reliably, on the date of issue. The Company uses the residual value approach in respect of unit offerings, whereby the amount assigned to the warrant is the excess, if any, of the unit price over the trading price of the Company's shares at the date of issuance.

*Share-based compensation*

The Company uses the fair value method whereby share-based compensation costs are recognized over the vesting periods for grants of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to share capital. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of its share-based compensation. The fair value of each grant is measured at the grant date and, where vesting is not immediate, each tranche is recognized over the vesting period. In situations where options are granted to non-employees and some or all of the services provided cannot be specifically valued, the services are measured at the fair value of the share-based compensation. At each reporting period-end, the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

**Significant accounting estimates, judgements, and assumptions**

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements, and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual amounts could differ from these estimates. The Company's most significant accounting judgements relate to the determination of impairment indicators for its mining assets and the determination of its functional currency.

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's plant and equipment and mining interests are impaired. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its plant and equipment and mining interests. Internal sources of information management consider include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

Management has determined that acquisition, exploratory drilling, evaluation, development and related costs incurred which were capitalized have potential future economic benefits and are potentially economically recoverable, subject to impairment analysis. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

**SIERRA MADRE GOLD AND SILVER LTD.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

Expressed in U.S. Dollars  
*Unaudited*

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION** - *continued*

**Significant accounting estimates, judgements, and assumptions** - *continued*

Mineral reserve and resource estimates affect the determination of recoverable value used in impairment assessments and the amortization rates for non-current assets using the units of production method. The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101 Technical Report standards. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process and the accuracy of any mineral reserve or 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 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 has considered all primary and secondary indicators under IFRS and determined that the functional currency of the Company and all its subsidiaries, except La Guitarra, is the Canadian dollar.

The Company has further considered all primary and secondary indicators under IFRS and determined that the functional currency of La Guitarra, is the U.S. dollar. While transactions conducted in Mexico are typically denominated in either the Mexican peso or the U.S. dollar, the Company previously generated revenues from operations which were denominated in U.S. dollars and has historically been dependent upon its parent company for financing of care and maintenance and other operating costs and such funding has been and is expected to continue to be denominated in U.S. dollars.

The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of options and warrants, which requires the input of subjective assumptions including the expected price volatility of the Company's common shares and the expected life and forfeiture rate of the security. Changes in these subjective input assumptions can materially affect the fair value estimate.

**3. SHARE PURCHASE AGREEMENT – REVERSE ACQUISITION TRANSACTION**

The Company entered into the SPA dated May 24, 2022, as amended and restated on October 24, 2022, with CFM, a wholly owned subsidiary of First Majestic to acquire 100% of the issued and outstanding common shares of La Guitarra (the "Transaction"). The Transaction was completed on March 29, 2023.

Upon closing the SPA, the Company acquired 100% of the issued and outstanding common shares of La Guitarra from CFM in exchange for 69,063,076 common shares of the Company, the granting of a net smelter returns royalty ("NSR") (*Note 4*), and customary closing adjustments including a working capital adjustment. As provided for in the SPA, CFM and First Majestic capitalized to share capital all intercompany amounts owing prior to the closing (*Notes 9 and 10*).

On completion of the Transaction, the Company became the legal parent of La Guitarra. The Transaction has been accounted for as an RTO as defined by the regulators and as determined under IFRS. Although the Company will remain the legal parent and the continuing company, La Guitarra will be considered to be the accounting acquirer. Consequently, La Guitarra will be deemed to be the continuation of the Company, and control of the assets and operations of the Company will be deemed to have been acquired by La Guitarra in consideration for the deemed issuance of the shares retained by the existing shareholders of the Company.

**SIERRA MADRE GOLD AND SILVER LTD.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

Expressed in U.S. Dollars  
*Unaudited*

**3. SHARE PURCHASE AGREEMENT – REVERSE ACQUISITION TRANSACTION** - *continued*

An RTO involving a non-public enterprise and a non-operating public enterprise is considered to be a capital transaction in substance rather than a business combination. The Company's activities prior to the acquisition were limited to the management of cash resources, maintenance of its listing, and exploration activities, which does not constitute a business. Since the Transaction does not meet the definition of a business combination in accordance with IFRS 3: *Business Combinations*, the Transaction has been accounted for as an asset acquisition in accordance with IFRS 2: *Share-based Payments* as follows:

- The assets and liabilities of La Guitarra are recognized and measured in the consolidated balance sheets at their pre-Transaction carrying amounts;
- The identifiable assets and liabilities of the Company are recognized at fair value at the closing date of the Transaction. The fair value of the Company was determined based on the equity interests deemed to have been issued by La Guitarra to provide the shareholders of the Company with the same proportional interest in the common shares of the Company as they had prior to completion of the Transaction;
- The excess of the consideration paid over the fair value of the identifiable assets and liabilities of the Company was charged to profit or loss as an RTO transaction cost; and
- Deficit and other shareholders' equity balances recognized in the consolidated balance sheets reflect those of La Guitarra, the accounting parent, and share equity is determined by adding the fair value of the Company to the balance of La Guitarra's share equity immediately prior to the Transaction. However, the legal capital structure shown in the consolidated statements reflects that of the Company, the legal parent. Accordingly, the share structure of La Guitarra is retrospectively restated to reflect the legal capital structure of the Company using the exchange ratio established in the SPA plus the number of common shares deemed issued by the Company to effect the Transaction.

The consideration paid in the Transaction is made up of the following:

Fair value of 64,130,678 common shares of the Company at CAD \$0.65 per share (retained by the shareholders of the Company, deemed issued by La Guitarra) (Note 10)	\$ 30,818,380
Fair value of the vested portion of 5,485,000 stock options of the Company (retained by the shareholders of the Company, deemed issued by La Guitarra) (Note 10)	1,828,402
Legal, filing, and consulting costs	458,304
Working capital and value-added tax ("VAT") adjustments (Note 9)	329,378
Provision (Note 13)	5,548,000
Total consideration paid	<u>\$ 38,982,464</u>

The consideration for the acquisition is based on the fair value of the Company's shares using the share price of the concurrent financing of CAD \$0.65 per share, as this is considered to be the most reliable indicator of fair value. The consideration paid is recognized with a corresponding increase in the share capital of the Company. The Company's identifiable assets and liabilities are recognized at their fair value. The difference between the consideration paid and the net identifiable assets received is recognized as an RTO transaction cost in profit and loss.

**SIERRA MADRE GOLD AND SILVER LTD.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

Expressed in U.S. Dollars  
*Unaudited*

**3. SHARE PURCHASE AGREEMENT – REVERSE ACQUISITION TRANSACTION - *continued***

The excess of the consideration paid over the fair value of the identifiable assets and liabilities of the Company at March 29, 2023 is as follows:

Current assets, including cash of \$832,100	\$ 1,788,785
Fair value of the Tepic mineral property <i>(Note 5)</i>	3,600,000
Fair value of the La Tigra mineral property <i>(Note 5)</i>	2,540,000
Fair value of equipment <i>(Note 6)</i>	42,754
Current liabilities	<u>(61,822)</u>
Fair value of net identifiable assets acquired	7,909,717
RTO transaction cost	<u>31,072,747</u>
Total consideration paid	<u>\$ 38,982,464</u>

The identifiable assets and liabilities of the Company as at March 29, 2023, were translated from Canadian dollars to U.S. dollars using a translation of convenience based on the exchange rate in effect at that date. The fair values of the Tepic and La Tigra mineral properties, reported above, are preliminary and are still being assessed and could be revised.

**4. MINING INTERESTS**

Details are as follows:

	September 30, 2023	December 31, 2022
Balance – beginning of period	\$ 15,370,205	\$ 18,955,680
Increase (decrease) in decommissioning liability <i>(Note 8)</i>	(651,220)	(553,540)
Mine development costs		
Wages and benefits	36,776	-
Geological contractors	221,553	-
Geological software license	15,530	-
Studies	35,143	-
Depreciation	33,781	-
Other	10,938	-
Disposal <i>(see below)</i>	-	<u>(3,031,935)</u>
Balance – end of period	<u>\$ 15,072,706</u>	<u>\$ 15,370,205</u>

**SIERRA MADRE GOLD AND SILVER LTD.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

Expressed in U.S. Dollars  
*Unaudited*

**4. MINING INTERESTS** - *continued*

**La Guitarra silver-gold mine, Mexico**

The La Guitarra silver-gold mine is located in the Temascaltepec Mining District in the State of Mexico, near Toluca, Mexico, south-west of Mexico City. The mine consists of two underground operation centers and a flotation mill.

The mine may be subject to an underlying 3% NSR once production reaches certain prescribed accumulated production levels. The Company continues to evaluate the validity and enforceability of this unregistered royalty.

**Disposal**

In accordance with the terms of the SPA (*Note 3*), by an agreement dated December 21, 2022, the Company granted a 2% NSR over the entire La Guitarra claim block to Metalla Royalty & Streaming Ltd. ("Metalla") for cash consideration of \$3,031,935. On January 6, 2023, Metalla notified the Company that it had assigned its interest in the NSR to its Mexican subsidiary, Royalty & Streaming Mexico, S.A. de C.V. ("Metalla Mexico"). The Company retains an option to buy back 1% of the NSR from Metalla Mexico for \$2,000,000.

**Title**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title is in good standing and in accordance with related agreements.

**5. EXPLORATION AND EVALUATION ASSETS**

Details are as follows:

	La Guitarra Project		Tepic Project		La Tigra Project		Total
Balance – beginning of period	\$ 5,885,539	\$	-	\$	-	\$	5,885,539
Acquired in RTO transaction ( <i>Note 3</i> )	-		3,600,000		2,540,000		6,140,000
Exploration capitalized	162,587		153,956		165,282		481,825
Foreign exchange	-		1,423		1,966		3,389
Balance – end of period	\$ 6,048,126	\$	3,755,379	\$	2,707,248	\$	12,510,753

**Exploration Projects**

- La Guitarra, Mexico

Within the La Guitarra silver-gold mine mining claims are several exploration targets, mainly concentrated in the eastern area of the Company's large claim block.

The carrying value \$6,048,126 at September 30, 2023, represents the historical cost of acquiring the asset and exploration and evaluation expenditures and does not necessarily represent the current or future value.

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**5. EXPLORATION AND EVALUATION ASSETS – *continued***

**Exploration Projects – *continued***

- Tepic mineral property, Mexico

In December 2017, the Company entered into an agreement providing it with the option to purchase a 100% interest in the Tepic project located in Nayarit, Mexico. During the term of the option, the Company was required to keep the concessions in good standing and pay the owner \$450,000 in semi-annual payments of \$50,000 over four years. As at September 30, 2023, payments totalling \$450,000 had been made to the option holder and the Company is in a position to exercise its option under the agreement.

The Company can exercise its option and complete the purchase of the property by either making a final payment to the owner of \$1,500,000 or granting a 3% NSR, which would be extinguished upon payment of a total of \$4,000,000 in royalty payments. Should the Company elect to grant the NSR, it would subsequently have the right to purchase the NSR from the owner at a price of US\$1,000,000 for each 1% (one-third) of the NSR purchased, to a maximum of \$3,000,000 for the entire NSR.

The carrying value of \$3,755,199 at September 30, 2023 does not necessarily represent the current or future value.

- La Tigra mineral property, Mexico

In June 2021, the Company entered into an agreement pursuant to which the Company obtained the right to explore and the option to acquire an interest in the La Tigra project located in Nayarit, Mexico. The option payments required to maintain the agreement are as follows:

	Cash Payments
On or before December 31, 2021 ( <i>paid</i> )	\$ 150,000
On or before June 21, 2022 ( <i>paid</i> )	112,500
On or before December 31, 2022 ( <i>paid</i> )	112,500
On or before June 21, 2023 ( <i>see below</i> )	250,000
On or before December 31, 2023	375,000
On or before June 21, 2024	500,000
	<u>\$ 1,500,000</u>

The Company must also complete and deliver a National Instrument 43-101 compliant technical report containing a resource estimation before June 21, 2024. The Company can then make a written election to exercise its right to acquire the property. The owner can then either:

- if the technical report estimate contains more than one million ounces of gold mineral resources, elect to form a joint venture with the Company and be assigned a 51% interest in the joint venture with the Company being assigned a 49% interest; or
- regardless of the number of ounces reported in the technical report, elect to transfer a 100% interest in the property to the Company and retain a 2.5% NSR. The Company can reduce the NSR to 1.5% upon payment to the owner of \$1,500,000 at any time and to 0.5% upon payment to the owner of a further \$1,000,000.

The carrying value of \$2,707,248 at September 30, 2023 does not necessarily represent the current or future value.

The Company elected not to make the \$250,000 payment due on June 21, 2023, notified the owner of the property, and opened negotiations to amend the option agreement. Should the Company be unsuccessful in these negotiations, it may require abandonment of the Company's interest in the project.

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**6. PLANT AND EQUIPMENT**

Details are as follows:

	September 30, 2023	December 31, 2022
Net book value – beginning of period	\$ 969,720	\$ 1,062,987
Acquired in RTO transaction <i>(Note 3)</i>	42,754	-
Additions	265,741	-
Depreciation	(41,116)	-
Foreign exchange	(117)	-
Disposals	-	(93,267)
Net book value – end of period	<u>\$ 1,236,982</u>	<u>\$ 969,720</u>
Cost	\$ 1,278,098	\$ 1,543,482
Accumulated amortization	<u>(41,116)</u>	<u>(573,762)</u>
	<u>\$ 1,236,982</u>	<u>\$ 969,720</u>

During the period ended September 30, 2023, the Company determined that certain fully amortized equipment would not be refurbished and wrote the amounts off through cost and accumulated amortization. No gain or loss occurred.

**7. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS**

**a) Right-of-use assets:**

	September 30, 2023	December 31, 2022
Net book value – beginning of period	\$ 15,644	\$ 27,678
Foreign exchange	975	917
Amortization	(4,344)	(12,951)
Net book value – end of period	<u>12,275</u>	<u>15,644</u>
Cost	35,241	34,266
Accumulated amortization	<u>(22,966)</u>	<u>(18,622)</u>
	<u>\$ 12,275</u>	<u>\$ 15,644</u>

**b) Lease liabilities:**

	September 30, 2023	December 31, 2022
Balance – beginning of period	\$ 19,811	\$ 31,133
Lease payments	-	(16,266)
Accretion	1,896	2,726
Foreign exchange	1,291	2,218
Balance – end of period	<u>22,998</u>	<u>19,811</u>
Current portion	<u>(8,610)</u>	<u>(7,740)</u>
Long-term portion	<u>\$ 14,388</u>	<u>\$ 12,071</u>

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**8. DECOMMISSIONING LIABILITY**

	September 30, 2023	December 31, 2022
Balance – beginning of period	\$ 2,397,407	\$ 2,580,330
Interest or accretion expense	165,370	198,646
Change in inflation and risk-free rate	(651,220)	(604,936)
Foreign exchange	269,069	223,367
Balance – end of period	\$ 2,180,626	\$ 2,397,407

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. The undiscounted cash flows are estimated at \$3.8 million (December 31, 2022 - \$3.8 million). The discount rate is a risk-free rate determined based on Mexican pesos default swap rate of 10.31% (December 31, 2022 – 9.35%) for the respective estimated life of the operations. The inflation rate used is based on historical Mexican inflation rate of 4.48% (December 31, 2022 - 4.88%).

**9. DUE TO FORMER PARENT**

	September 30, 2023	December 31, 2022
Balance – beginning of period	\$ 9,619,551	\$ 9,343,332
Advances received	899,964	2,493,064
Working capital and VAT adjustments <i>(Note 3)</i>	329,378	-
Transfer to other receivables	92,470	-
Advance payment on working capital adjustment	(421,848)	-
Proceeds on disposal of NSR retained by the former parent <i>(Note 4)</i>	-	(3,031,935)
Interest capitalized	92,923	317,627
Foreign exchange loss	486,771	590,730
Equipment transferred to former parent	-	(93,267)
Advances capitalized <i>(Note 10)</i>	(11,099,209)	-
	-	9,619,551
Current portion	-	(9,619,551)
Balance – end of period	\$ -	\$ -

The principal amounts due to CFM were unsecured and bore interest at 4.2% per annum. Pursuant to the SPA *(Note 3)*, CFM and First Majestic capitalized the full inter-company balance outstanding as of March 24, 2023, in exchange for additional share capital in the Company.

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**10. SHARE CAPITAL**

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

In accordance with the reverse acquisition completed on March 29, 2023 (*Note 3*), the Company issued 69,063,076 of its common shares under the SPA. The share capital presented in these financial statements represents that of La Guitarra, the accounting parent, except as to the legal capital structure, which has been retrospectively restated by multiplying the number of outstanding shares of La Guitarra by the exchange ratio established in the SPA, to reflect the number of outstanding shares issued by the Company, the legal parent. Loss-per-share amounts have also been retrospectively restated to reflect the RTO transaction.

Details of the issued and outstanding shares are as follows:

	Number of Shares	Share Capital
Balance – December 31, 2021 and 2022	59,366,886	\$ 108,144,970
Capitalization of advances - CFM ( <i>Note 9</i> )	9,696,190	11,099,209
Balance – prior to closing the Transaction ( <i>Note 3</i> )	69,063,076	119,244,179
Deemed shares issued in RTO transaction ( <i>Note 3</i> )	64,130,678	30,818,380
Private placement	9,504,647	4,567,515
Share issuance costs	-	(421,342)
Agents' compensation options	-	(114,203)
Private placement	1,300,000	622,789
Share issuance costs	-	(57,098)
Agents' compensation options	-	(24,292)
Balance – September 30, 2023	143,998,401	\$ 154,635,928

**Share issuances – post RTO**

On March 30, 2023, the Company received \$4,567,515 from its escrow agent in respect of the first tranche of the concurrent financing, a brokered private placement. The Company issued 9,504,647 common shares in exchange for the subscription receipts issued at CAD \$0.65 per subscription receipt, which included 119,647 subscription receipts of the over-allotment option. In addition to legal and other expenses of the agents totalling \$241,712, the Company paid commissions of \$124,920, a corporate finance fee of \$54,710, and issued 366,949 compensation options to the agents. Each compensation option is exercisable into one common share of the Company at a price of CAD \$0.65 per share for a period of 24 months following the conversion of the subscription receipts. The fair value of the compensation options was estimated at \$114,203 using the Black-Scholes Option-Pricing Model using the following assumptions: risk-free interest rate of 3.75%; expected dividend yield of 0.00%; expected stock price volatility of 100%; expected forfeiture rate of 0.00%; and an expected option life of 2.00 years.

During May 2023, the Company closed the second tranche of the concurrent financing by issuing 1,300,000 common shares at a price of CAD \$0.65 per subscription receipt for gross proceeds of \$622,789. In addition to legal and other expenses of the agents totalling \$19,731, the Company paid commissions of \$37,367 and issued 78,000 compensation options to the agents. Each compensation option is exercisable into one common share of the Company at a price of CAD \$0.65 per share for a period of 24 months. The fair value of the compensation options was estimated at \$24,292 using the Black-Scholes Option-Pricing Model using the following assumptions: risk-free interest rate of 4.22%; expected dividend yield of 0.00%; expected stock price volatility of 100%; expected forfeiture rate of 0.00%; and an expected option life of 2.00 years.

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**10. SHARE CAPITAL** - *continued*

**Share issuances** – *pre RTO*

On March 24, 2023, the Company increased the variable capital issued to CFM by \$11,099,209 (205.9 million pesos) and recorded a \$11,099,209 reduction in advances owing to CFM (*Note 9*). The number of shares issued for the capitalization of the loan has been retrospectively restated using the exchange ratio established in the SPA (*Note 3*).

**Subscription receipts**

During May 2023, as part of closing the second tranche of the concurrent financing, the Company issued 5,123,092 subscription receipts at a price of CAD \$0.65 per subscription receipt for gross proceeds of \$2,450,338. The Company had the right to cancel the subscription receipts at any time up to November 14, 2023 by providing a termination notice to the holders and returning the funds to the subscription receipt holders, plus interest at the rate of 10% per annum. Due to the expiry of the notice period, each subscription receipt will automatically convert into one common share of the Company on November 17, 2023. The Company paid legal costs totalling \$34,566 in respect of the subscription receipts.

**Shares held in escrow**

A total of 20,641,776 shares held by directors, officers and seed shareholders of the Company were held in escrow and subject to release as to 10% on October 19, 2021, with tranches of 15% being released each six months thereafter. As at September 30, 2023, there was a total of 9,288,799 shares remaining in escrow (December 31, 2022 - 12,385,065).

**Stock options**

The Company has an Incentive Stock Option Plan that complies with the rules of the TSX-V, limiting the total number of incentive stock options to 10% of the issued common shares. Stock options may be issued at the discretion of the board of directors, exercisable during a period not exceeding ten years. Vesting provisions and exercise price are at the discretion of the board of directors, subject to the policies of the TSX-V. Details of the related exercise prices and the weighted-average exercise price are as follows:

	Number	CAD
Outstanding, immediately prior to the closing of the Transaction ( <i>Note 3</i> )	5,485,000	\$ 0.74
Agents' options issued	444,949	\$ 0.65
Expired	(415,000)	\$ 0.74
<b>Outstanding, September 30, 2023</b>	<b>5,514,949</b>	<b>\$ 0.73</b>
<b>Exercisable, September 30, 2023</b>	<b>5,514,949</b>	<b>\$ 0.73</b>

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**10. SHARE CAPITAL** - *continued*

**Stock options** - *continued*

At September 30, 2023, the Company had outstanding stock options enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price CAD	Expiry Date
Options	4,570,000	\$ 0.74	April 26, 2026
	500,000	\$ 0.74	April 29, 2027
Agents' compensation options	366,949	\$ 0.65	March 30, 2025
	78,000	\$ 0.65	May 31, 2025
	5,514,949		

At September 30, 2023, the weighted-average remaining life for the outstanding stock options was 2.58 years. The fair value of the vested options outstanding at the close of the Transaction (*Note 3*) was recognized in the accounts as a modification and reported as a part of the consideration paid for the net identifiable assets of the Reporting Issuer, and has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

Risk-free interest rate	3.58%
Expected dividend yield	0.00%
Expected stock price volatility	100%
Expected forfeiture rate	0.00%
Expected option life in years	2.96

**11. GENERAL AND ADMINISTRATIVE EXPENSES**

Details for the three and nine-month periods ended September 30:

	Three Months Sept. 30, 2023	Three Months Sept. 30, 2022	Nine Months Sept. 30, 2023	Nine Months Sept. 30, 2022
Accounting and audit	\$ 102,730	\$ -	\$ 187,546	\$ -
Bonding costs ( <i>Note 13</i> )	16,599	-	47,934	23,790
Consulting	23,340	-	45,595	-
Director fees	20,085	-	40,199	-
Due diligence	19,183	-	19,183	-
Investor relations	272,316	-	413,979	-
Legal	14,900	-	156,811	21,599
Management fees	87,939	-	211,978	-
Office	108,763	509	168,310	3,028
Share-based compensation	-	-	4,250	-
Shareholder communications	2,506	-	8,691	-
Stock exchange and filing fees	27,611	-	38,104	-
Transfer agent	-	-	3,173	-
Travel	27,038	-	81,112	-
	\$ 723,010	\$ 509	\$ 1,426,865	\$ 48,417

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**12. RELATED PARTY TRANSACTIONS**

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations. Due to the RTO accounting as described in Notes 1 and 3, only the key management remuneration of the legal parent from March 29, 2023 is recognized in these condensed consolidated interim financial statements. Key management includes directors and officers. The compensation paid or payable to key management and parties related to them for the nine-month periods ended September 30 is as follows:

	2023	2022
Accounting	\$ 72,416	\$ -
Administration (exploration and evaluation)	30,000	-
Director fees	60,161	-
Geological (exploration and evaluation)	41,778	-
Management fees	288,251	-
	<u>\$ 492,606</u>	<u>\$ -</u>

In addition, the Company recorded share-based compensation of \$3,400 (2022 - \$nil), which relates to incentive stock options granted to directors and officers. Due to the RTO accounting, as described in Notes 1 and 3, only the share-based compensation of the legal parent from March 29, 2023 is recognized in these condensed consolidated interim financial statements. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model.

The Company had transactions with related corporations, which were undertaken in the normal course of operations. Details are as follows for the three-month periods ended September 30:

	2023	2022
Care and maintenance - Majestic Services S.A. de C.V. (i)	\$ -	\$ 5,207
Interest expense – CFM (i)	-	113,547
	<u>\$ -</u>	<u>\$ 118,754</u>

The Company had transactions with related corporations, which were undertaken in the normal course of operations. Details are as follows for the nine-month periods ended September 30:

	2023	2022
Care and maintenance - Majestic Services S.A. de C.V. (i)	\$ 4,928	\$ 296,547
Interest expense – CFM (i)	92,923	199,051
	<u>\$ 97,851</u>	<u>\$ 495,598</u>

(i) A subsidiary of First Majestic.

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**13. CONTINGENCY**

On January 9, 2018, La Guitarra received a ruling from the Manzanillo Customs Tax Authority assessing a tax penalty of \$4.1 million (78.4 million Mexican pesos) for allegedly failing to comply with Mexican Customs Law on a concentrate shipment made in March 2017. La Guitarra filed an appeal with the Federal Tax Court.

On September 17, 2020, the Federal Tax Court in Durango granted La Guitarra a definitive injunction against collection. Based on advice from legal advisors, La Guitarra believes they were in compliance with the applicable Mexican law and therefore no liability was recognized in the financial statements.

As at September 30, 2023, La Guitarra has posted cash as collateral for a bond held with the Servicio de Administracion Tributaria for \$5,707,083 (99.4 million Mexican pesos).

Pursuant to the SPA (*Note 3*), any funds released from the collateral bond after the closing date must be remitted to the former parent or be applied to settle any amounts determined under the appeal process.

As under the terms of the SPA (*Note 3*) the amount on deposit must either be paid to settle any amounts determined to be payable under the customs dispute or any remaining balance must be remitted to First Majestic. A full provision has been recorded as at September 30, 2023 as follows:

Provision assumed in RTO transaction ( <i>Note 3</i> )	\$ 5,548,000
Foreign exchange	<u>159,083</u>
Balance – September 30, 2023	<u>\$ 5,707,083</u>

**14. LOSS PER SHARE**

Loss per share for the current period has been determined using the number of shares of La Guitarra outstanding at December 31, 2022 multiplied by the exchange ratio established in the SPA and adding the weighted-average number of common shares retained by the shareholders of the Company, deemed issued by La Guitarra under the RTO transaction, and the shares issued in the concurrent financing.

Loss per share for the comparative period has been determined using the weighted-average number of shares outstanding of La Guitarra retrospectively restated using the exchange ratio established in the SPA.

**15. FINANCIAL INSTRUMENTS**

The Company's financial instruments include cash and cash equivalents, restricted cash, receivables, accounts payable, payroll and withholding taxes payable, and due to former parent, which are measured at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments.

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**16. RISK MANAGEMENT**

The Company is exposed to various financial risks as detailed below:

**Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's primary credit risk is associated with its Canadian cash and cash equivalent balances, which are held through major Canadian financial institutions with high investment grade ratings. The Company also maintains cash balances denominated in pesos and U.S. dollars, held through major banks in Mexico, which also have high investment grade ratings. The carrying value of the Company's cash and cash equivalents, restricted cash, and receivables totalling \$9,333,119 represents the Company's maximum exposure to credit risk as at September 30, 2023 (December 31, 2022 - \$5,218,651).

**Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of the Company's financial instruments will fluctuate due to changes in exchange rates. As at September 30, 2023, the Company carried cash and accounts payable balances denominated in Mexican pesos and U.S. dollars in the Canadian dollar functional entities, which are subject to currency risk due to fluctuations in the exchange rates with the Canadian dollar. Due to the volatility of the exchange rates between the Canadian dollar, the peso, and the U.S. dollar, such currency risk could result in future gains or losses to the Company. Based on the Company's monetary assets and liabilities denominated in Mexican pesos in the Canadian dollar functional entities as at September 30, 2023, a 10% decrease in the number of Mexican pesos required to buy a Canadian dollar would result in a gain of approximately \$1,500. Based on the Company's monetary assets and liabilities denominated in U.S. dollars in the Canadian dollar functional entities as at September 30, 2023, a 10% decrease in the number of U.S. dollars required to buy a Canadian dollar would result in a gain of approximately \$37,000.

As at September 30, 2023, the Company carried cash, restricted cash, value added taxes receivable, accounts payable, decommissioning liability and provision balances denominated in Mexican pesos in the U.S. dollar functional entity, which are subject to currency risk due to fluctuations in the exchange rates with the U.S. dollar. Due to the volatility of the exchange rates between the Mexican peso and the U.S. dollar, such currency risk could result in future gains or losses to the Company. Based on the Company's net monetary liabilities denominated in Mexican pesos in the U.S. dollar functional entity as at September 30, 2023, a 10% decrease in the number of Mexican pesos required to buy a U.S. dollar would result in a loss of approximately \$172,000 and a 10% increase would have the converse effect.

**Liquidity Risk**

The Company does not currently have profitable operations, the La Guitarra silver-gold mine has been on care and maintenance since August 3, 2018, and the Tepic and La Tigra properties are in the exploration and evaluation stage. Without operating revenues, the Company is subject to liquidity risk such that it may not be able to meet its obligations under its financial instruments as they fall due. The Company manages this risk by maintaining cash balances to ensure that it is able to meet its short- and long-term obligations as and when they fall due. Cash projections are regularly updated to reflect the dynamic nature of the business. Since the completion of the Transaction, the Company's capital requirements have been met by equity subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company's working capital (current assets less current liabilities) as at September 30, 2023 was \$4,774,087. The Company estimates that its current cash reserves provide sufficient working capital for its present obligations and commitments for at least twelve months commencing September 30, 2023c.

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**16. RISK MANAGEMENT** - *continued*

Interest Rate Risk

Interest rate risk relates to the effect on the Company's financial instruments due to changes in market rates of interest. The Company holds cash and cash equivalents, which earn market rates of interest, and restricted cash, which is non-interest bearing. The Company considers its interest rate risk in respect of these instruments to be immaterial.

**17. SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS**

Details for the nine-month periods ended September 30 are as follows:

	2023	2022
Increase in decommissioning liability capitalized to mining interests ( <i>Notes 4 and 8</i> )	\$ 651,220	\$ 52,271
Depreciation of equipment capitalized to mining interests ( <i>Note 4</i> )	\$ 33,781	\$ -
Shares issued for non-cash working capital acquired - SPA ( <i>Note 3</i> )	\$ 436,559	\$ -
Shares issued for mining interests acquired - SPA ( <i>Note 3</i> )	\$ 6,140,000	\$ -
Shares issued for equipment acquired - SPA ( <i>Note 3</i> )	\$ 42,754	\$ -
Provision recognized - SPA ( <i>Notes 3 and 13</i> )	\$ (5,548,000)	\$ -
Working capital and VAT adjustment - SPA ( <i>Notes 3 and 9</i> )	\$ (329,378)	\$ -
Fair value of stock options retained by original shareholders ( <i>Note 3</i> )	\$ (1,828,402)	\$ -
RTO - legal, filing, and consulting costs ( <i>Note 3</i> )	\$ (458,304)	\$ -
Fair value of agents' compensation options ( <i>Note 10</i> )	\$ 138,495	\$ -
Interest on former parent loans capitalized to the loan ( <i>Note 9</i> )	\$ 92,923	\$ -
Advances from former parent capitalized ( <i>Notes 9 and 10</i> )	\$ 11,099,209	\$ -

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**18. SEGMENTED INFORMATION**

The Company currently operates in only one operating segment, that being the acquisition, exploration and development of mineral properties., The Company operates in two geographic areas: Canada (country of domicile) and Mexico.

The Company's total non-current assets and total liabilities and by geographic location are detailed as follows:

	Non-current Assets Sept. 30, 2023	Non-current Assets Sept. 30, 2022	Total Liabilities Sept. 30, 2023	Total Liabilities Sept. 30, 2022
Canada	\$ 2,863	\$ -	\$ 5,812,609	\$ -
Mexico	34,565,810	30,403,346	2,611,138	16,381,011
	<u>\$ 34,568,673</u>	<u>\$ 30,403,346</u>	<u>\$ 8,423,747</u>	<u>\$ 16,381,011</u>

The Company's loss by geographic location is detailed as follows:

	Loss 3 months Sept. 30, 2023	Loss 3 months Sept. 30, 2022	Loss 9 months Sept. 30, 2023	Loss 9 months Sept. 30, 2022
Canada	\$ 566,743	\$ -	\$ 32,122,120	\$ -
Mexico	1,273,650	629,426	3,181,033	2,494,170
	<u>\$ 1,840,393</u>	<u>\$ 629,426</u>	<u>\$ 35,303,153</u>	<u>\$ 2,494,170</u>