SIERRA MADRE GOLD AND SILVER LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Expressed in U.S. Dollars

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sierra Madre Gold and Silver Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Sierra Madre Gold and Silver Ltd. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2024 and 2023 and the consolidated statements of changes in shareholders' equity, loss and comprehensive loss, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of Impairment Indicators of Mining Interests

As described in Note 8 to the consolidated financial statements, the carrying amount of the Company's Mining Interests was $17,641,838 as at December 31, 2024. As more fully described in Note 2 to the consolidated financial statements, the Company determines whether an impairment indicator is identified, and if so, management tests for impairment. The Company determined there were no impairment indicators.

The principal considerations for our determination that the assessment of impairment indicators of the Mining Interests is a key audit matter are that there was judgment made by management when making those assessments. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management that could give rise to the requirement to prepare an estimate of the recoverable amount of the Mining Interests.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the Mining Interest through discussion and communication with management.
- Assessing the existence and completeness of external or internal factors that could be considered as indicators of impairment.
- Obtaining, on a test basis, confirmation of title to ensure mineral rights underlying the Mineral Interests are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated 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 year 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 Stephen Hawkshaw.

Davidson & Company LLP

Vancouver, Canada　　　　　　　　　　　　Chartered Professional Accountants

April 22, 2025

SIERRA MADRE GOLD AND SILVER LTD.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2024 AND 2023

Expressed in U.S. Dollars

ASSETS	2024	2023
Current		
Cash and cash equivalents	$ 452,081	$ 1,929,549
Trade receivables *(Note 4)*	286,469	-
Value added taxes receivable *(Note 5)*	1,489,307	548,032
Inventories *(Note 6)*	995,041	406,673
Prepaid expenses and other *(Note 7)*	299,671	435,516
	3,522,569	3,319,770
Mining interests *(Note 8)*	17,641,838	15,660,081
Exploration and evaluation assets *(Note 9)*	10,901,266	10,203,451
Plant and equipment *(Note 10)*	2,796,592	1,253,926
Other assets	28,750	41,399
	$ 34,891,015	$ 30,478,627

LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 1,196,440	$ 707,156
Payroll and withholding taxes payable	259,729	111,214
Current taxes payable *(Note 12)*	43,005	-
Current portion of lease liabilities	6,572	8,835
	1,505,746	827,205
Loan payable *(Note 11)*	5,375,000	-
Lease liabilities	-	6,428
Deferred income tax liabilities *(Note 12)*	524,604	510,390
Decommissioning liability *(Note 13)*	2,532,281	2,432,334
	9,937,631	3,776,357
SHAREHOLDERS' EQUITY		
Share capital *(Note 15)*	158,113,291	157,040,086
Contributed surplus	3,592,596	1,971,147
Accumulated other comprehensive income (loss)	(217,025)	150,787
Deficit	(136,535,478)	(132,459,750)
	24,953,384	26,702,270
	$ 34,891,015	$ 30,478,627

Nature of operations *(Note 1)*
Contingency *(Note 24)*

ON BEHALF OF THE BOARD:

"Alexander Langer", Director

"Sean McGrath", Director

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

SIERRA MADRE GOLD AND SILVER LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
Expressed in U.S. Dollars

	Share Capital *(Note 15)*	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2022	$ 108,144,970	$ -	$ -	$ (92,460,700)	$ 15,684,270
Due to former parent converted to shares *(Note 14)*	11,099,209	-	-	-	11,099,209
Share purchase agreement *(Note 3)*	30,818,380	1,828,402	-	-	32,646,782
Concurrent financings	7,637,401	-	-	-	7,637,401
Share issuance costs	(521,379)	-	-	-	(521,379)
Fair value of agents' compensation options	(138,495)	138,495	-	-	-
Share-based compensation	-	4,250	-	-	4,250
Comprehensive income (loss) for the year	-	-	150,787	(39,999,050)	(39,848,263)
Balance, December 31, 2023	157,040,086	1,971,147	150,787	(132,459,750)	26,702,270
Private placements - shares	1,109,169	-	-	-	1,109,169
Share issuance costs	(35,964)	-	-	-	(35,964)
Share-based compensation	-	1,621,449	-	-	1,621,449
Foreign exchange impact on retirement provision	-	-	(23,170)	-	(23,170)
Comprehensive loss for the year	-	-	(344,642)	(4,075,728)	(4,420,370)
Balance, December 31, 2024	$ 158,113,291	$ 3,592,596	$ (217,025)	$ (136,535,478)	$ 24,953,384

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

SIERRA MADRE GOLD AND SILVER LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
Expressed in U.S. Dollars

	2024	2023
Revenues *(Note 16)*	$ 6,473,940	$ -
Cost of sales *(Note 17)*	(5,113,961)	-
Gross profit	1,359,979	-
Amortization and accretion	270,776	231,800
Care and maintenance	903,094	2,906,736
Community relations	132,048	85,230
Environmental	261,669	-
Finance income	-	(101,305)
Financing costs	218,737	-
Foreign exchange (gain) loss	(281,772)	493,633
General and administrative *(Note 18)*	2,073,793	2,059,630
Interest expense	275,069	92,923
Impairment *(Note 9)*	-	2,906,681
Other, net	10,218	-
Provisional pricing adjustments *(Note 16)*	(106,593)	-
RTO transaction cost *(Note 3)*	-	31,072,747
Share-based compensation *(Note 15)*	1,621,449	4,250
	5,378,488	39,752,325
Loss before income taxes	4,018,509	39,752,325
Current income tax expense *(Note 12)*	43,005	-
Deferred income tax expense *(Note 12)*	14,214	246,725
Loss for the year	4,075,728	39,999,050
Other comprehensive loss (income)		
Item that may be reclassified subsequently to income or loss:		
Currency translation adjustment	344,642	(150,787)
Comprehensive loss for the year	$ 4,420,370	$ 39,848,263
Loss per share – basic and diluted	$ 0.03	$ 0.32
Weighted-average number of shares outstanding – basic and diluted (000's) *(Note 21)*	152,339	124,340

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

SIERRA MADRE GOLD AND SILVER LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
Expressed in U.S. Dollars

CASH RESOURCES PROVIDED BY (USED IN)	2024	2023
Operating activities		
Loss for the year	$ (4,075,728)	$ (39,999,050)
Items not involving cash		
Amortization and accretion	270,776	231,800
Depreciation *(Note 10)*	128,853	10,955
Impairment *(Note 9)*	-	2,906,681
Interest expense	135,223	92,923
Increase in provision on VAT receivable	-	35,374
Decrease in provision for obsolete inventory	-	(80,352)
Deferred income tax expense (*Note 12)*	14,214	246,725
Unrealized foreign exchange (gain) loss	(405,619)	317,978
Share-based compensation *(Note 15)*	1,621,449	4,250
RTO transaction cost *(Note 3)*	-	31,072,747
Changes in non-cash working capital		
Value added taxes receivable	(1,187,052)	(368,470)
Trade receivables	(286,469)	-
Other receivables	-	(247,496)
Inventories	(761,399)	110,620
Prepaid expenses and other	135,845	7,810
Accounts payable and accrued liabilities	489,284	237,584
Current income taxes payable	43,005	-
Payroll and withholding taxes payable	148,515	83,346
	(3,729,103)	(5,336,575)
Investing activities		
Cash acquired in RTO transaction *(Note 3)*	-	832,100
Purchase of plant and equipment *(Note 10)*	(1,771,658)	(327,052)
Mine development costs *(Note 8)*	(1,322,908)	(740,965)
Exploration costs *(Note 9)*	(709,969)	(831,470)
Other	5,663	-
	(3,798,872)	(1,067,387)
Financing activities		
Shares issued for cash *(Note 15)*	1,109,169	7,637,401
Share issuance costs *(Note 15)*	(35,964)	(521,379)
Lease payments	(7,485)	(8,310)
Loan advances *(Note 11)*	5,503,648	-
Loan repayments *(Note 11)*	(503,648)	-
Advances from former parent *(Note 14)*	-	899,964
	6,065,720	8,007,676
Increase (decrease) in cash and cash equivalents for the year	(1,462,255)	1,603,714
Cash and cash equivalents - beginning of year	1,929,549	88,242
Exchange difference on cash and cash equivalents	(15,213)	237,593
Cash and cash equivalents - end of year	$ 452,081	$ 1,929,549

Supplemental schedule of non-cash investing and financing transactions *(Note 25)*

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 15th Floor – 1111 West Hastings Street, Vancouver, British Columbia, Canada. On March 29, 2023, the Company completed the acquisition of the 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 was 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 remained the legal parent, La Guitarra was considered to be the accounting acquirer. Consequently, these consolidated financial statements represent the continuation of the financial statements of La Guitarra except as to share capital structure, which was 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 Guitarra silver-gold mine located in Mexico, which is a formerly producing silver and gold mine, in the test-mining phase (from mid-2024 to December 31, 2024), and the Tepic mineral property located in Mexico, which is in the exploration stage. Based on the information available to date, the Company has not yet determined whether its mineral properties contain ore reserves. To December 31, 2024, the Company had no source of operating revenue and was dependent upon the results of its test-mining, the issuance of shares and obtaining debt financing to fund its operations and exploration activities. Effective January 1, 2025, the Company concluded that its test-mining results indicated that the Guitarra silver-gold mine was operating in the manner intended by management. The Company's continuing operation is dependent upon future profitable production, establishing reserves and resources, maintaining its rights, access, and title to the properties, and obtaining the financing necessary to maintain operations.

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") 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 operation. With the completion of test-mining and the financings completed during the year ended December 31, 2024 *(Note 15)*, the Company estimates that its current cash reserves and planned operating results will provide sufficient working capital for its present obligations and planned activities for at least twelve months commencing December 31, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS using those standards in effect for the reporting year ended December 31, 2024. The Company's board of directors approved these financial statements for issue on April 18, 2025.

Basis of measurement

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

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION - *continued*

New IFRS Accounting Standards and Amendments

Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued classification and measurement and disclosure amendments to IFRS 9 and IFRS 7. These amendments updated classification and measurement requirements in IFRS 9 - *Financial Instruments* and related disclosure requirements in IFRS 7 - *Financial Instruments: Disclosures*. These amendments clarify the date of recognition and derecognition of certain financial assets and liabilities, and amend the requirements related to settling certain financial liabilities using an electronic payment system. Other changes include a clarification of the requirements when assessing the contractual cash flow characteristics of financial assets in determining whether they meet the 'solely payments of principal and interest' criterion and new disclosures for certain instruments for which cash flows are linked to environmental, social, and governance features and other contingent features. The IASB added disclosure requirements for financial instruments with contingent features not related directly to basic lending risks and costs, and amended disclosures required for equity instruments designated at fair value through other comprehensive income. These amendments are effective for reporting periods beginning on or after January 1, 2026, with early adoption permitted. The Company has not yet assessed the impact that these amendments will have on its consolidated financial statements.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which replaces IAS 1, *Presentation of Financial Statements*. While maintaining many of the principles of IAS 1, IFRS 18 introduces changes to the structure of the income statement by requiring the presentation of three main categories of revenues and expenses in respect of operating, investing, and financing activities as well as certain defined totals and subtotals within the statement. To communicate management's assessment of an aspect of an entity's financial performance, management may reference certain elements or measures of profit or loss in its public communications reported outside of its financial statements. These measures, defined as management-defined performance measures, may not be specifically defined by IFRS, therefore, IFRS 18 requires entities to provide detailed disclosure of such measures in its financial statements. IFRS 18 also provides enhanced principles of aggregation and disaggregation that apply to the primary financial statements and explanatory notes. IFRS 18 will not affect the recognition and measurement of financial statement items or items classified as other comprehensive income. This standard is effective for reporting periods beginning on or after January 1, 2027, applied retrospectively, and with early adoption permitted. The Company has not yet assessed the impact that this new standard will have on its consolidated financial statements.

Adoption of new accounting policies

Upon the commencement of test mining and milling at La Guitarra, the Company adopted the following new material accounting policies:

Ore inventories

Ore inventories include finished and in-process concentrate, and stockpile ore and are valued at the lower of average production cost and estimated net realizable value ("NRV"). NRV is the amount estimated to be obtained from the sale of the inventory in the normal course of business, less any anticipated costs to be incurred to convert the inventories into saleable form, transportation and estimated costs to sell.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION - *continued*

Adoption of new accounting policies - *continued*

Ore inventories - *continued*

For finished and in-process concentrate, cost includes all direct costs incurred in production, including direct labour and materials, depreciation, and directly attributable overhead costs.

Stockpile ore represents ore that has been extracted from the mine and is available for further processing. Costs added to the stockpile ore are based upon the current mining cost per tonne incurred up to the point of stockpiling the ore and are removed at the weighted average cost per tonne. Costs included in the in-process inventory are based upon the amount transferred from the stockpile ore plus the estimated current milling cost per tonne and the percentage completion of the in-process concentrate. Costs are removed from the in-process inventory and are included in the finished concentrate inventory at the weighted average cost per tonne.

If the carrying value of the inventory exceeds the NRV, a write-down is required and recorded as cost of sales. If there is a subsequent increase in the NRV of the inventory, then any prior write-downs of the inventory are reversed to cost of sales.

Proceeds before intended use

Revenue from the sale of gold/silver concentrate, realized prior to the point at which items of mineral property, plant and equipment, such as the mine and process plant, are operating in the manner intended by management, are recognized, along with the related costs, in the consolidated statement of loss and comprehensive loss.

Revenue recognition

Revenue associated with concentrate sales is recognized when control of the asset is transferred to the customer. Evidence of the transfer of control includes an unconditional obligation to pay, the transfer of legal title, physical possession, the transfer of the risks and rewards of ownership and the acceptance by the customer. Under the terms of the Company's concentrate sale contract *(Note 16)*, this occurs when the concentrate is accepted by the designated warehouse, as contractually agreed with the buyer, at which point the buyer controls the goods.

The Company's concentrate sale contract provides for certain provisional payments based upon provisional assays and quoted metals prices.

Final settlement is based upon the applicable commodity prices set on a specified quotational period, being the average market metal prices for the month following delivery of the concentrate. For this purpose, the transaction price can be measured reliably for the gold and silver components of the concentrate as 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.

Final settlement is also subject to final adjustments based on an inspection of the product by the buyer. In such cases, sales revenue is initially recognized on a provisional basis using the Company's best estimate of the contained metal and is subsequently adjusted. Revenue is recorded under this contract at the time the 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 passed to the buyer and the actual final price set by the off-take contract are caused by changes in metal prices, with the resulting fluctuation in the receivable being recorded at fair value through profit and loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION *- continued*

Adoption of new accounting policies *- continued*

Revenue recognition *- continued*

IFRS 15 – *Revenue from Contracts with Customers,* 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 has concluded that potential adjustments related 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 concentrate sale contract are netted against revenue for sales of metal concentrate.

Material Accounting Policy Information

Principles of consolidation

These consolidated 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.

Inventories

Materials and supplies inventories are valued at the lower of weighted-average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs. A provision for obsolescence is provided on inventory which has not been used for a significant period and which is not anticipated to be used in the future.

Mining interests

Acquisition, exploration, development and field support costs directly related to mining interests are deferred until the property to which they directly relate is placed into production, sold, abandoned or subject to a condition of impairment. The deferred costs are amortized over the useful life of the ore body following commencement of production, or written off if the property is sold or abandoned.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION - *continued*

Material Accounting Policy Information - *continued*

Mining interests - *continued*

Administration costs and other exploration costs that do not relate to any specific property are expensed as incurred.

Upon commencement of commercial production, mining interests are depleted on a units-of-production basis over the estimated economic life of the mine. In applying the units-of-production method, depletion is determined using quantity of material extracted from the mine in the period as a portion of total quantity of material to be extracted in current and future periods based on reserves and resources considered to be highly probable to be economically extracted over the life of mine. If no published reserves and resources are available, the Company may rely on internal estimates of economically recoverable mineralized material, prepared on a basis consistent with that used for determining reserves and resources, for purpose of determining depletion.

Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation. The cost of an item of plant and equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs related to the acquisition or construction of qualifying assets.

Plant and equipment are depreciated as follows:

Computer equipment	45% straight-line
Furniture and fixtures	20% straight-line
Mobile equipment – surface	30% straight-line
Mobile equipment – underground	25% straight-line
Mill equipment	Units of production based on the number of tonnes of ore milled over the Life of Mine (“LOM”) tonnes of ore to be milled
Lab equipment	Units of production based on the number of tonnes of ore milled over the LOM tonnes of ore to be milled
Underground mine equipment	Units of production based on the number of tonnes of ore mined over the LOM tonnes of ore to be mined
Buildings and structures	Units of production based on the number of tonnes of ore milled over the LOM tonnes of ore to be milled

Assets under construction or refurbishment are recorded at cost and re-allocated to machinery and equipment when they are available for use. Depreciation commences when the asset is in the condition and location necessary for it to operate in the manner intended by management. Depreciation charges on assets that are directly related to mineral properties are allocated to those mining interests. Certain of the Company’s mining interests, plant, and equipment were in care and maintenance during the first six months of 2024 and were not being used in the Company’s exploration or mine development activities. Depreciation of these assets began on July 1, 2024, when the Company commenced its test mining and milling phase.

The Company conducts an annual review of residual balances, useful lives and depreciation methods utilized for plant and equipment. Any changes in estimate that arise from this review are accounted for prospectively.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION - *continued*

Material Accounting Policy Information - *continued*

Exploration and evaluation

Once the legal right to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized as exploration and evaluation assets. Exploration expenditure relates to the initial search for deposits with economic potential. Expenditures incurred before the Company has obtained legal rights to explore a specific area are expensed.

The recovery of the carrying amount of exploration and evaluation assets is dependent upon the future commercial success of the mineral properties or from proceeds of disposition. The amounts shown for exploration and evaluation assets represent costs incurred to date and are not intended to reflect present or future values.

Once technical feasibility and commercial viability has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mining interests.

Impairment

Financial assets are reviewed at the end of each reporting period for objective evidence indicating that changes in the market, economic, or legal environment has had a negative effect on the estimated future cash flows of the asset or group of assets. The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The carrying values of non-financial assets are reviewed at the end of each reporting period for indications of impairment. Exploration and evaluation assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Should indications of impairment exist, the recoverable amount of the asset is estimated as the higher of fair value less selling costs, and value-in-use. Fair value is estimated as the net amount that would be realized from the sale of the asset to a knowledgeable and willing arm's length party. Value-in-use is determined using estimated future cash flows, discounted using a pre-tax discount rate that reflects the time value of money and risks specific to the asset. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount is reduced to the recoverable amount by an impairment loss that is recognized in profit or loss for the period. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum of its original carrying value, with the reversal being recognized in profit or loss for the period.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION *- continued*

Material Accounting Policy Information *- continued*

Decommissioning liability

The Company recognizes liabilities for legal, statutory, contractual, and constructive obligations associated with the reclamation or rehabilitation of mineral properties that the Company is required to settle. The Company recognizes the fair value of liabilities for such obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. The obligation is recorded as a liability with a corresponding charge to mining interests. The liability is accreted over time to reflect an interest element in the estimated future cash flows considered in the initial measurement. The Company's estimates of provisions for restoration obligations could change as a result of changes in regulations, the discount rate, the extent of environmental remediation required, the means of reclamation, or the cost estimates. Changes in estimates are recorded in the period in which the estimates are revised.

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.

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.

Income taxes

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is accounted for using the liability method, which recognizes differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets are recognized only to the extent that sufficient taxable profits will be available against which the asset can be utilized.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION - *continued*

Material Accounting Policy Information - *continued*

Income taxes - *continued*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability will be settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in the period that the substantive enactment occurs. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial Instruments

The Company classifies its financial instruments in accordance with IFRS 9 – *Financial Instruments* based on the Company's business model for managing its financial instruments, which includes the purpose for which the financial instruments were acquired as well as their contractual cash flow characteristics. Financial instruments are classified under three primary measurement categories: amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

Determination of the classification of financial instruments is made at initial recognition and reclassifications are made only upon the Company changing its business model for managing its financial instruments. Financial assets are derecognized when they mature or are sold, and substantially all of the risks and rewards of ownership have been transferred.

All of the Company's financial instruments are classified as at amortized cost *(Note 19)*.

A financial asset is measured at amortized cost if the objective of the Company's business model is to hold the instrument for the collection of contractual cash flows, which are comprised solely of payments of principal and interest. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Impairment losses are included in profit or loss in the period the impairment is recognized.

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 its financial assets at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to the twelve-month expected credit loss.

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost.

The Company's financial assets and liabilities are classified in accordance with a fair value hierarchy, which establishes three levels to classify the inputs to valuation techniques used to measure fair value as follows: Level 1 – valuation based on unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – valuation based on inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 – valuation based on inputs that are not based on observable market data.

Cash and cash equivalents

Cash and cash equivalents comprise bank deposits and highly-liquid investments that are readily convertible into known amounts of cash and which mature within 90 days from the original dates of acquisition.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION – *continued*

Significant accounting estimates, judgements, and assumptions

The preparation of consolidated 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: going concern, the determination of fair values of exploration assets acquired in an asset purchase agreement, impairment indicators for its mining interests, exploration and evaluation assets, and plant and equipment, the determination of when an asset is ready for its intended use, determining decommissioning liabilities, the determination of its functional currency, share-based compensation assumptions, and deferred tax asset recognition.

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 available information. This assessment, by its nature, relies on assumptions and estimates of future cash flows and other events, whose subsequent changes could materially affect the validity of these estimates and assumptions.

The determination of the fair values of exploration and evaluation assets acquired in an asset purchase agreement, such as described in Note 3, involves significant judgement in relation to the valuation methodology employed, including management's selection of replacement cost as the most representative indicator of the fair values.

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's plant and equipment, mining interests, and exploration and evaluation assets 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.

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 ("NI 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION *- continued*

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

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 judgements 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's decommissioning liability represents management's best estimate of the present value of the future cash outflows required to settle the liability. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

Once an asset reaches the level of operation intended by management (referred to as "Commercial Production"), depletion and depreciation of the related asset commences and the capitalization of interest terminates. Significant judgement is required to determine when certain assets of the Company reach this level. Management considers several factors including the completion of a reasonable period of commissioning, and whether consistent operating results are being achieved at a predetermined level of design capacity. The Company began a test mining and milling program at the mine in late June 2024 and, based upon the test-mining results in the period to December 31, 2024, concluded that the mine and the mill had consistently achieved the established criteria. Accordingly, the Company has concluded that Commercial Production had been achieved effective January 1, 2025.

The Company has considered all primary and secondary indicators under IFRS and determined that 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. While transactions conducted at La Guitarra are typically denominated in either the Mexican peso or the U.S. dollar, the Company is generating significant revenues from concentrate sales, which are 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.

The Company has not recognized its deferred tax assets as management does not currently consider it more likely than not that these assets will be recovered.

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 8),* 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 14 and 15).*

On completion of the Transaction, the Company became the legal parent of La Guitarra. The Transaction was accounted for as an RTO as defined by the regulators and as determined under IFRS. Although the Company remained the legal parent and the continuing company, La Guitarra was considered to be the accounting acquirer. Consequently, La Guitarra was deemed to be the continuation of the Company, and control of the assets and operations of the Company were 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.

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 did not constitute a business. Since the Transaction did not meet the definition of a business combination in accordance with IFRS 3: *Business Combinations*, the Transaction was accounted for as an asset acquisition in accordance with IFRS 2: *Share-based Payments* as follows:

- The assets and liabilities of La Guitarra were recognized and measured in the consolidated balance sheets at their pre-Transaction carrying amounts;
- The identifiable assets and liabilities of the Company were 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 was 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 was 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.

Expressed in U.S. Dollars

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

The consideration paid in the Transaction was 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 15)*	$	30,818,380
Fair value of the vested portion of 5,485,000 stock options of the Company (retained by the pre-RTO option holders of the Company, deemed issued by La Guitarra) *(Note 15)*		1,828,402
Legal, filing, and consulting costs		458,304
Working capital and value-added tax ("VAT") adjustments *(Note 14)*		329,378
Intercompany elimination		5,548,000
Total consideration paid	$	38,982,464

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. Under the terms of the SPA, First Majestic has assumed full responsibility for the dispute and by March 29, 2023, had posted a letter of credit supported by an underlying bond as security for the dispute with the Servicio de Administracion Tributaria in the amount of $5,548,000. Under the terms of the SPA, First Majestic is responsible for any funding obligations, including the bonding costs and all other costs, related to the tax dispute *(Note 24)*.

The consideration for the acquisition was 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 was considered to be the most reliable indicator of fair value. The consideration paid was recognized with a corresponding increase in the share capital of the Company. The Company's identifiable assets and liabilities were recognized at their fair value. The difference between the consideration paid and the net identifiable assets received was recognized as an RTO transaction cost in profit and loss.

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

Current assets, including cash of $832,100	$	1,788,785
Fair value of the Tepic mineral property *(Note 9)*		3,600,000
Fair value of the La Tigra mineral property *(Note 9)*		2,540,000
Fair value of equipment *(Note 10)*		42,754
Current liabilities		(61,822)
Fair value of net identifiable assets acquired		7,909,717
RTO transaction cost		31,072,747
Total consideration paid	$	38,982,464

The identifiable assets and liabilities of the Company 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.

4. TRADE RECEIVABLES

Details are as follows:

	2024	2023
Trade receivables	$ 2,972,688	$ -
Less: Advance payments received	(2,675,419)	-
	297,269	-
Provisional pricing adjustment	(10,800)	-
	$ 286,469	$ -

5. VALUE-ADDED TAXES RECEIVABLE

Details are as follows:

	2024	2023
Gross amount of VAT receivable - Mexico	$ 1,699,224	$ 795,014
Provision on disputed amounts	(246,257)	(302,808)
	1,452,967	492,206
Goods and services tax receivable - Canada	36,340	55,826
	$ 1,489,307	$ 548,032

During the years ended December 31, 2017 and December 31, 2018, the Company received partial denials of certain VAT returns, which are denominated in Mexican pesos. The Company disagreed with this assessment and on May 3, 2019, the Company filed an annulment suit before the Federal Tax Court. Due to the uncertainty involved, the Company recorded a provision for the full amount.

6. INVENTORIES

Details are as follows:

	2024	2023
Materials and supplies	$ 878,451	$ 806,722
Provision for obsolescence	(325,337)	(400,049)
	553,114	406,673
Stockpiles and in-progress	125,058	-
Concentrate	316,869	-
	$ 995,041	$ 406,673

Expressed in U.S. Dollars

7. PREPAID EXPENSES AND OTHER

Details are as follows:

	2024	2023
Prepaid expenses	$ 270,548	$ 320,700
Supplier advances	19,586	22,346
Other receivables *(2023 - Note 14)*	9,537	92,470
	$ 299,671	$ 435,516

8. MINING INTERESTS

Details are as follows:

	2024	2023
Balance – beginning of year	$ 15,660,081	$ 15,370,205
Change in decommissioning liability *(Note 13)*	321,130	(526,424)
Depreciation of equipment capitalized *(Note 10)*	97,942	75,335
Borrowing costs capitalized *(Note 11)*	239,777	-
Mine development costs	1,322,908	740,965
Balance – end of year	$ 17,641,838	$ 15,660,081

Guitarra silver-gold mine, Mexico

The 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.

Net smelter royalty

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 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 and exploration 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.

Expressed in U.S. Dollars

9. EXPLORATION AND EVALUATION ASSETS

Details are as follows:

	Guitarra Project	Tepic Project	La Tigra Project	Total
Balance – Dec. 31, 2022	$ 5,885,539	$ -	$ -	$ 5,885,539
Acquired in RTO transaction *(Note 3)*	-	3,600,000	2,540,000	6,140,000
Exploration capitalized	459,534	255,255	366,681	1,081,470
Foreign exchange	-	3,123	-	3,123
Impairment	-	-	(2,906,681)	(2,906,681)
Balance – Dec. 31, 2023	6,345,073	3,858,378	-	10,203,451
Exploration capitalized	588,797	121,172	-	709,969
Foreign exchange	-	(12,154)	-	(12,154)
Balance – Dec. 31, 2024	$ 6,933,870	$ 3,967,396	$ -	$ 10,901,266

Exploration Projects

- Guitarra, Mexico

Within the 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 represents the historical cost of acquiring the asset and exploration and evaluation expenditures incurred and does not necessarily represent the current or future value.

- 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. At December 31, 2024, all required 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 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. During 2023, the Company notified the owner of the property and requested negotiations to amend the option agreement. The Company was unsuccessful in re-negotiating the terms of the option agreement and accordingly the accumulated costs of $2,906,681 were written-off in the year ended December 31, 2023.

Expressed in U.S. Dollars

10. PLANT AND EQUIPMENT

Details are as follows:

	2024	2023
Net book value – beginning of year	$ 1,253,926	$ 969,720
Acquired in RTO transaction *(Note 3)*	-	42,754
Additions	1,771,658	327,052
Depreciation	(226,795)	(86,290)
Foreign exchange (loss) gain	(2,197)	690
Net book value – end of year	$ 2,796,592	$ 1,253,926
Cost	$ 3,107,570	$ 1,340,216
Accumulated amortization	(310,978)	(86,290)
	$ 2,796,592	$ 1,253,926

On July 1, 2024, the Company began depreciating certain plant and equipment that had previously been under care and maintenance. During 2024, depreciation of $97,942 (2023 - $75,335) was capitalized to mining interests *(Note 8)*.

11. LOANS PAYABLE

Bridge financing

During April 2024, the Company raised $503,648 by issuing three unsecured demand promissory notes bearing interest at 15% per annum. During May 2024, these bridge loans together with interest of $6,246 were repaid in full.

Project financing

On April 29, 2024, the Company agreed upon a senior secured $5,000,000 project financing loan, advanced by First Majestic on May 8, 2024, bearing interest at 15% per annum and due in full in 24 months. Interest for the first six months is not payable until the maturity of the loan. Interest payments on the loan commenced on a monthly basis after the first six months. The loan is secured by a general security agreement constituting a first ranking (subject to certain permitted encumbrances, if any) security interest in all present and after acquired personal property of the Company and certain other pledges, guarantees, and underlying general security agreements. There are no early payment penalties. First Majestic is the former parent of La Guitarra and a significant shareholder of the Company *(Note 20)*.

During the year ended December 31, 2024, the Company recorded interest of $483,365 on this loan, of which $375,000 has been deferred and is payable upon maturity of the loan. The Company capitalized $239,777 of the interest on this loan as a qualifying borrowing cost *(Note 8).*

Expressed in U.S. Dollars

12. INCOME TAXES

The Company operates in Canada and Mexico. The Company has various non-capital tax losses and deferred exploration expenditures that are available for carry forward to reduce taxable income of future years. Details of income tax expense for the years ended December 31 are as follows:

	2024	2023
Loss before income taxes for accounting purposes	$ (4,018,509)	$ (39,752,325)
Statutory tax rate	27.0%	27.0%
Expected tax recovery for the year	(1,084,997)	(10,733,128)
Non-deductible expenses and recoveries	453,181	9,179,032
Inflationary effects	(27,878)	(25,098)
Effects of foreign tax rates	10,854	(120,390)
Mexican mining tax	397,326	-
Foreign exchange	277,945	(1,310,172)
True-ups and other	(80,230)	(1,046)
Change in unrecognized deductible temporary differences and other	111,018	3,257,527
Tax expense for the year	$ 57,219	$ 246,725
Tax expense is comprised of:		
Current income tax expense	$ 43,005	$ -
Deferred income tax expense	14,214	246,725
Tax expense for the year	$ 57,219	$ 246,725

Deferred taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax liability at December 31 are as follows:

	2024	2023
Mining interests, exploration and development assets, and plant and equipment	$ (2,139,588)	$ (739,692)
Inventory	131,622	120,015
Right-of-use assets	(1,577)	(3,325)
Prepayments & accrued liabilities	160,817	110,684
Lease liabilities	2,530	1,928
Mexican mining tax	170,283	-
Loss carryforwards recognized	1,151,309	-
Deferred tax liability	$ (524,604)	$ (510,390)

Expressed in U.S. Dollars

12. INCOME TAXES - *continued*

At December 31, 2024, the Company determined that its ability to use certain of its non-capital losses was not more likely than not and, accordingly, has not recorded a deferred income tax asset. The Company's non-capital losses expire as follows:

Canada	Mexico	Total	Expiry Date
$ -	$ 334,000	$ 334,000	2025
-	5,204,000	5,204,000	2027
-	8,042,000	8,042,000	2028
-	5,209,000	5,209,000	2029
-	5,329,000	5,329,000	2030
-	5,098,000	5,098,000	2031
-	1,237,000	1,237,000	2032
-	3,939,000	3,939,000	2033
8,366,000	-	8,366,000	After 2034
$ 8,366,000	$ 34,392,000	$ 42,758,000	

13. DECOMMISSIONING LIABILITY

Details are as follows:

	2024	2023
Balance – beginning of year	$ 2,432,334	$ 2,397,407
Interest or accretion expense	263,547	223,615
Change in inflation and risk-free rate *(Note 8)*	(3,536)	(526,424)
Change in estimated cash flows *(Note 8)*	324,666	-
Foreign exchange loss	(484,730)	337,736
Balance – end of year	$ 2,532,281	$ 2,432,334

A provision for decommissioning liabilities is estimated based on current regulatory requirements and is recognized at the present value of such estimated future 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 $4.3 million (December 31, 2023 - $3.8 million). The discount rate is a risk-free rate determined based on the 10-year Mexican peso default swap rate of 10.416% (December 31, 2023 – 9.29%) for the respective estimated life of the operations. The inflation rate used is based on the historical 10-year average Mexican inflation rate of 4.71% (December 31, 2023 – 4.65%).

Expressed in U.S. Dollars

14. DUE TO FORMER PARENT

	2024	2023
Balance – beginning of year	$ -	$ 9,619,551
Advances received	-	899,964
Interest expense	-	92,923
Foreign exchange loss	-	486,771
	-	11,099,209
Advances capitalized *(Note 15)*	-	(11,099,209)
	-	-
Working capital and VAT adjustments *(Note 3)*	-	329,378
Advance payment on working capital adjustment	-	(421,848)
Transfer to other receivables *(Note 7)*	-	92,470
Balance – end of year	$ -	$ -

The amounts due to CFM were unsecured and bore interest at 4.2% per annum. The related credit facility of 300 million Mexican pesos (approximately $15 million) had a term to July 2, 2023, with a portion not due until March 1, 2025. The CFM credit facility was terminated on March 24, 2023.

Pursuant to the SPA *(Note 3)*, CFM and First Majestic capitalized the full inter-company balance outstanding as of March 24, 2023 of $11,099,209 in exchange for additional share capital in the Company.

15. SHARE CAPITAL

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

Presentation

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 was 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 were also retrospectively restated to reflect the RTO transaction.

Expressed in U.S. Dollars

15. SHARE CAPITAL - *continued*

Details of the issued and outstanding shares are as follows:

	Number of Shares		Share Capital
Balance – December 31, 2022	59,366,886	$	108,144,970
Capitalization of advances - CFM *(Note 14)*	9,696,190		11,099,209
Balance – prior to closing the Transaction *(Note 3)*	69,063,076		119,244,179
Deemed shares issued in RTO transaction *(Note 3)*	64,130,678		30,818,380
Private placement – March 2023	9,504,647		4,567,515
Share issuance costs	-		(421,342)
Agents' compensation options	-		(114,203)
Private placement – May 2023	1,300,000		622,789
Share issuance costs	-		(57,098)
Agents' compensation options	-		(24,292)
Private placement – November 2023	5,123,092		2,447,097
Share issuance costs	-		(42,939)
Balance – December 31, 2023	149,121,493		157,040,086
Private placement – March 2024	3,571,500		741,360
Share issuance costs	-		(29,706)
Private placement – September 2024	1,250,000		367,809
Share issuance costs	-		(6,258)
Balance – December 31, 2024	153,942,993	$	158,113,291

Share issuances – *2024*

On March 14, 2024, the Company issued 3,571,500 common shares at a price of CAD $0.28 for gross proceeds of $741,360. The Company paid a finders' fee of $11,077 and legal and filing fees totalling $18,629 in respect of the placement.

On September 18, 2024, the Company issued 1,250,000 common shares at a price of CAD $0.40 for gross proceeds of $367,809. The Company paid legal and filing fees totalling $6,258 in respect of the placement.

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 14)*. 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)*.

15. SHARE CAPITAL - *continued*

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 a brokered private placement financing completed concurrently with the Transaction. 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.

During November 2023, the Company closed the subscription receipts portion of the concurrent financing by issuing 5,123,092 common shares at a price of CAD $0.65 per subscription receipt for gross proceeds of $2,447,097. The Company incurred legal and other expenses of $42,939.

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. At December 31, 2024, there were no shares remaining in escrow (December 31, 2023 – 6,192,533).

Expressed in U.S. Dollars

15. SHARE CAPITAL - *continued*

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.

On May 23, 2024, the Company granted incentive stock options to directors, officers, employees, and consultants to purchase up to 7,350,000 common shares of the Company at the price of CAD $0.50 per share for a period of five years. The Company also granted options to certain consultants to purchase up to 225,000 common shares at a price of CAD $0.50 per share for a period of two years. In December 2024, the Company granted additional stock options to employees to purchase up to 300,000 common shares of the Company at the price of CAD $0.50 per share for a period of five years. The options are subject to certain vesting provisions.

Details of the related exercise prices and the weighted-average exercise prices are as follows:

	Number	CAD
Outstanding, immediately prior to the closing of the Transaction *(Note 3)*	5,485,000	$ 0.74
Agents' options issued	444,949	$ 0.65
Expired	(415,000)	$ 0.74
Outstanding, December 31, 2023	5,514,949	$ 0.73
Options granted	7,875,000	$ 0.50
Expired	(111,667)	$ 0.50
Forfeited	(223,333)	$ 0.50
Outstanding, December 31, 2024	13,054,949	$ 0.60
Exercisable, December 31, 2024	10,404,116	$ 0.62

At December 31, 2024, 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
	7,015,000	$ 0.50	May 23, 2029
	225,000	$ 0.50	May 23, 2026
	300,000	$ 0.50	December 9, 2029
Agents' compensation options	366,949	$ 0.65	March 29, 2025 *(i)*
	78,000	$ 0.65	May 31, 2025
	13,054,949		

At December 31, 2024, the weighted-average remaining life for the outstanding stock options was 3.06 years.

(i) These options expired unexercised subsequent to December 31, 2024.

Expressed in U.S. Dollars

15. SHARE CAPITAL - *continued*

Stock options - *continued*

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 Company, 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

Share-based compensation

The following table presents information relating to incentive stock options granted during the years ended December 31:

	2024	2023
Options granted	7,875,000	-
Average exercise price – CAD	$ 0.50	$ -
Estimated fair value per option	$ 0.25	$ -
Estimated fair value of options granted	$ 1,906,576	$ -

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2024	2023
Risk-free interest rate	3.66%	-
Expected dividend yield	0.00%	-
Expected stock price volatility	100%	-
Expected forfeiture rate	0.00%	-
Expected option life in years	4.91	-

Share-based compensation is recorded over the vesting periods. The following table presents options vested and share-based compensation recognized during the years ended December 31:

	2024	2023
Options vested	5,000,834	166,667
Compensation recognized	$ 1,621,449	$ 4,250

Expressed in U.S. Dollars

16. REVENUES

Details for the year ended December 31 are as follows:

	2024	2023
Silver	$ 3,278,451	$ -
Gold	3,726,204	-
	7,004,655	-
Smelting, treatment and refining costs	(530,715)	-
	$ 6,473,940	$ -

Off-take agreement

On July 12, 2024, the Company signed a binding off-take agreement with Swiss-based global minerals trader MRI Trading AG for 100% of concentrate sales from the Guitarra silver-gold mine in Mexico for a 24-month term.

The Company recorded $106,593 in provisional pricing adjustments in connection with concentrate sales completed during the year ended December 31, 2024.

17. MINE OPERATING COSTS

Details for the year ended December 31 are as follows:

Production costs	2024	2023
Labour costs	$ 1,796,857	$ -
Mine and plant maintenance	896,844	-
Consumables and materials	852,790	-
Contracted services	708,505	-
Energy	477,919	-
Insurance	159,711	-
Depreciation *(Note 10)*	120,121	-
	5,012,747	-
Other costs		
Transportation and selling costs	153,069	-
Mine royalty expense	114,898	-
Production taxes	33,242	-
Finished goods inventory changes	(199,995)	-
Cost of sales	$ 5,113,961	$ -

Expressed in U.S. Dollars

18. GENERAL AND ADMINISTRATIVE EXPENSES

Details for the years ended December 31 are as follows:

	2024	2023
Accounting and audit *(Note 20)*	$ 340,057	$ 278,546
Bonding costs	-	54,434
Consulting	210,070	69,714
Depreciation	8,732	10,955
Director fees *(Note 20)*	67,723	57,071
Due diligence	5,350	19,131
Investor relations and promotions	443,072	675,440
Legal	85,994	181,864
Management fees *(Note 20)*	398,427	246,893
Office	256,762	283,246
Shareholder communications	8,751	11,528
Stock exchange and filing fees	40,722	46,174
Transfer agent	7,873	6,517
Travel	200,260	118,117
	$ 2,073,793	$ 2,059,630

19. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, trade and other receivables, accounts payable, payroll and withholding taxes payable, and loan payable, which are measured at amortized cost.

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, 2024, the fair value of trade receivables is measured based on inputs other than quoted prices for the underlying commodity prices (silver and gold) 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, accounts payable, and payroll and withholding taxes payable approximate their fair values because of their short-term nature.

20. 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 consolidated financial statements. Key management includes directors and officers.

Expressed in U.S. Dollars

20. RELATED PARTY TRANSACTIONS - *continued*

The compensation paid or payable to key management and parties related to them for the years ended December 31 is as follows:

	2024	2023
Accounting	$ 120,438	$ 77,773
Administration	90,000	52,500
Director fees	67,723	57,071
Geological	32,847	27,776
Management and mine supervision fees	455,474	279,985
	$ 766,482	$ 495,105

In addition, the Company recorded share-based compensation of $729,538 (2023 - $3,400), 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 consolidated financial statements. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model.

The Company has a project financing loan with First Majestic bearing interest at 15% per annum with interest for the first six months not payable until the maturity of the loan *(Note 11)*. The principal balance of the loan as at December 31, 2024 was $5,000,000; deferred accrued interest totalled $375,000. First Majestic is the former parent of La Guitarra and a significant shareholder of the Company.

The Company had additional transactions with related corporations, which were undertaken in the normal course of operations. Details are as follows for the years ended December 31:

	2024	2023
Care and maintenance - Majestic Services S.A. de C.V. (i)	$ -	$ 4,928
Interest expense - CFM (i) *(Note 14)*	-	92,923
Interest expense - First Majestic *(Note 11)*	483,365	-
	$ 483,365	$ 97,851

(i) A subsidiary of First Majestic.

21. LOSS PER SHARE

Loss per share has been calculated using the number of shares of La Guitarra outstanding at March 29, 2023 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 by the Company subsequent to the Transaction.

22. 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 cash and cash equivalent balances, which are held through major Canadian and Mexican financial institutions with high investment grade ratings, and its trade receivables (*Notes 4 and 16*). 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 its concentrate. Should this counterparty not honour the purchase arrangement, or should it become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrate on the spot market or it may not have a market for its concentrate and therefore its future operating results may be materially adversely impacted. At December 31, 2024, the Company had a receivable balance associated with the buyer of its concentrate of $286,469 (December 31, 2023 - $nil). All of the Company's concentrate is sold to a well-known concentrate buyer. The carrying value of the Company's cash and cash equivalents, trade and other receivables totalling $748,087 represents the Company's maximum exposure to credit risk at December 31, 2024 (December 31, 2023 - $2,022,019).

Management continually monitors and assesses the credit risk resulting from its concentrate sales and its trading counterparty. Except as noted above, the Company believes it is not exposed to significant credit risk.

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.

The Company presents its financial statements in U.S. dollars; however, the Company operates in jurisdictions that utilize other currencies. As a consequence, the financial results of the Company's operations as reported in U.S. dollars are subject to changes in the value of the U.S. dollar relative to local currencies. Since the Company's sales are denominated in U.S. dollars 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 U.S. dollar and positively impacted by the inverse.

At December 31, 2024, 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. At December 31, 2024, the Canadian dollar functional entities carried insignificant balances of financial instruments denominated in Mexican pesos and U.S. dollars.

22. RISK MANAGEMENT - *continued*

Foreign Currency Risk - *continued*

At December 31, 2024, the Company carried cash, value added taxes receivable, accounts payable and payroll 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 at December 31, 2024, a 10% decrease in the number of Mexican pesos required to buy a U.S. dollar would result in a loss of approximately $208,000 and a 10% increase would have the converse effect.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due *(Note 1)*. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a 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 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 table summarizes the remaining contractual maturities of the Company's financial liabilities and operating commitments on an undiscounted basis as at December 31, 2024:

	< 1 year	1-2 years	2-5 years	< 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	1,456,169	-	-	-	1,456,169
Loan payable	-	5,375,000	-	-	5,375,000
Lease liabilities	6,572	-	-	-	6,572
Commitments	724,961	-	-	-	724,961
	2,187,702	5,375,000	-	-	7,562,702

Since the completion of the Transaction, the Company's capital requirements have been met through equity and debt financings. 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) at December 31, 2024 was $2,016,823. The Company estimates that its current cash reserves and planned operating results will provide sufficient working capital for its present obligations and planned activities for at least twelve months commencing December 31, 2024.

22. RISK MANAGEMENT - *continued*

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. The Company holds cash and cash equivalents, which earn nominal rates of interest. The Company does not consider its interest rate risk in respect of these instruments to be material. The Company's loan payable is at a fixed rate of interest and therefore not subject to the risk of fluctuations in market rates of interest.

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 and gold concentrate. 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 silver and gold.

23. CAPITAL DISCLOSURES

The Company is in the business of mineral exploration and development and until reaching Commercial Production at the Guitarra mine on January 1, 2025, had no ongoing source of operating revenue. To December 31, 2024, the Company typically financed its operations through the issuance of capital stock and through the issuance of debt instruments.

Capital raised is held in cash and cash equivalents in an interest-bearing bank account or guaranteed investment certificate until such time as it is required to pay operating expenses, exploration and development costs, or for capital acquisitions. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for use in operations as well as exploration and development activities. The Company's objectives have not changed during the year ended December 31, 2024.

24. 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 it was in compliance with the applicable Mexican law and therefore no liability was recognized in the financial statements.

Under the terms of the SPA, First Majestic has assumed full responsibility for the dispute and at December 31, 2024 had posted a letter of credit supported by an underlying bond as security for the dispute with the Servicio de Administracion Tributaria in the amount of approximately $ 5.2 million (108.6 million Mexican pesos).

Expressed in U.S. Dollars

25. SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS

Details for the years ended December 31 are as follows:

		2024		2023
Increase (decrease) in decommissioning liability capitalized to mining interests *(Notes 8 and 13)*	$	321,130	$	(526,424)
Depreciation capitalized to mining interests *(Note 8)*	$	97,942	$	75,335
Borrowing costs deferred and capitalized to mining interests *(Note 8)*	$	239,777	$	-
Shares issued for non-cash working capital acquired - SPA *(Note 3)*	$	-	$	436,559
Shares issued for mining interests acquired - SPA *(Note 3)*	$	-	$	6,140,000
Shares issued for equipment acquired - SPA *(Note 3)*	$	-	$	42,754
Working capital adjustment - SPA *(Note 3)*	$	-	$	(329,378)
Fair value of stock options retained by pre-RTO option holders *(Note 3)*	$	-	$	(1,848,402)
RTO - legal, filing, and consulting costs *(Note 3)*	$	-	$	(458,304)
Fair value of agents' compensation options *(Note 15)*	$	-	$	138,495
Exploration costs accrued in accounts payable	$	-	$	250,000
Advances from former parent capitalized to share capital *(Notes 14 and 15)*	$	-	$	11,099,209

26. SEGMENTED 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, in assessing performance and in determining the allocation of resources. The Company primarily manages its business by looking at individual producing, test mining, and developing resource projects, as well as the aggregate of exploration and evaluation properties, and segregates these projects between producing, test mining, development, and exploration.

The following reportable operating segments have been identified: the Guitarra silver-gold mine and Corporate and Other activities. The Corporate and Other division earns income that is considered incidental to the Company's activities and therefore does not meet the definition of a segment.

Significant information related to the Company's reportable segment is summarized in the tables below:

a) Operating or test mining segment

For the year ended December 31, 2024		Guitarra		Corporate and Other		Inter-company Eliminations		Total
		Mexico						
Revenues	$	6,473,940	$	-	$	-	$	6,473,940
Cost of sales								
Production costs		(5,012,747)		-		-		(5,012,747)
Other costs		(301,209)		-		-		(301,209)
Finished goods inventory changes		199,995		-		-		199,995
		(5,113,961)		-		-		(5,113,961)
Gross profit	$	1,359,979	$	-	$	-	$	1,359,979

There is no comparable information for 2023 as test mining commenced in July 2024.

Expressed in U.S. Dollars

26. SEGMENTED INFORMATION - *continued*

a) Operating or test mining segment – *continued*

As at December 31, 2024	Guitarra	Corporate and Other	Inter-company Eliminations	Total
	Mexico			
Capital expenditures	$ 3,804,535	$ -	$ -	$ 3,804,535
Total assets	$ 34,907,021	$ 42,721,012	$ (42,737,018)	$ 34,891,015
Total liabilities	$ (12,101,879)	$ (5,487,350)	$ 7,651,598	$ (9,937,631)

As at December 31, 2023	Guitarra	Corporate and Other	Inter-company Eliminations	Total
	Mexico			
Capital expenditures	$ 1,068,017	$ 831,470	$ -	$ 1,899,487
Total assets	$ 30,492,011	$ 40,901,753	$ (40,915,137)	$ 30,478,627
Total liabilities	$ (7,968,264)	$ (206,197)	$ 4,398,104	$ (3,776,357)

b) Segment revenue by location and major customers

For the year ended December 31, 2024	Guitarra	Corporate and Other	Inter-company Eliminations	Total
	Mexico			
Silver	$ 3,278,451	$ -	$ -	$ 3,278,451
Gold	3,726,204	-	-	3,726,204
Provisional pricing adjustments	106,593	-	-	106,593
	7,111,248	-	-	7,111,248
Smelting, treatment and refining costs	(530,715)	-	-	(530,715)
Sales to external customers	$ 6,580,533	$ -	$ -	$ 6,580,533

During the year ended December 31, 2024, the Company sold all of its silver/gold concentrate to one customer under contract. There is no comparable information for 2023 as test mining commenced in July 2024.