Discoverysilver

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of Discovery Silver Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Discovery Silver Corp. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of loss and total comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of indicators of impairment of Cordero mineral property *Refer to note 3 – Significant accounting policies and note 5 – Critical judgments and estimates in applying accounting policies to the consolidated financial statements.* The carrying value of the Cordero mineral property, which is comprised of exploration and evaluation assets, was $32.9 million as at December 31, 2022. The carrying values of mineral properties are reviewed each reporting period or upon the occurrence of events or changes in circumstances indicating that the carrying values of assets may not be recoverable. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable based on technical studies or desktop studies; and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. No impairment indicators were identified by management for the Cordero mineral property as at December 31, 2022. We considered this a key audit matter due to the significance of the mineral property and the	Our approach to addressing the matter included the following procedures, among others: • Assessed the judgment made by management in determining whether indicators of impairment for the Cordero mineral property existed, which included the following: – Obtained, for a sample of claims, by reference to government registries, evidence to support (i) the right to explore the area and (ii) title expiration dates. – Read the board of directors' minutes and obtained budget approvals to evidence continued and planned substantive expenditure for exploration for and evaluation of mineral resources in the specific area. – Assessed whether there is any evidence that extracting the resources will not be technically feasible or commercially viable, or if other facts and circumstances suggest that the carrying amount exceeds the recoverable amount, by considering the press releases and technical report related to the release of the Pre-feasibility Study on the Cordero Silver Project and evidence obtained in other areas of the audit.

Key audit matter	How our audit addressed the key audit matter
judgments made by management in its assessment of indicators of impairment, which led to subjectivity in performing procedures to test management's assessment.	
Assessment of recoverability of value-added taxes receivable in Mexico *Refer to note 3 – Significant accounting policies, note 5 – Critical judgments and estimates in applying accounting policies and note 7 – Sales tax and other receivables to the consolidated financial statements.* The total net book value of value-added taxes receivable recognized as at December 31, 2022 related to Mexico is \$7.7 million as current and \$2.1 million as non-current, respectively. The Company recognizes value-added tax as a receivable (IVA receivable) related to the purchase of goods and services in Mexico based on the claims filed with the tax authority. The amount to be refunded is subject to review by the Mexican tax authorities. Management applies significant judgment in assessing the recoverability of the IVA receivable including: (i) collections of previous claims made with the tax authority received during and in prior years; (ii) communications with tax authorities; and (iii) review of the appropriateness of the supporting information. We considered this a key audit matter due to the significance of the IVA receivable and the judgments made by management related to the recovery of the IVA receivable, which led to significant audit effort. We were also assisted by professionals with specialized skill and knowledge in the field of taxes in Mexico.	Our approach to addressing the matter included the following procedures, among others: • Evaluated management's assessment of the recoverability of the IVA receivable, which included the following: – Tested the collection of IVA receivable balances received during the year ended December 31, 2022 by agreeing the cash received to the outstanding receivables at the time of receipt. – Professionals with specialized skill and knowledge in the field of taxes in Mexico assisted us in assessing the appropriateness of the methodology used by the Company regarding the recoverability of IVA receivable by considering the communications between the Company and tax authorities. – Tested a sample of filings from the Company's cumulative IVA receivable return filed with the Mexican tax authorities during the year, which have been recognized as receivable to supporting documentation.

Other information

Management is responsible for the other information. The other information comprises the 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 identified above 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.

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

The engagement partner on the audit resulting in this independent auditor's report is Eric Clarke.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 30, 2023

Discovery Silver Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars, except where otherwise noted)

As at	Notes		December 31, 2022		December 31, 2021
ASSETS					
Current					
Cash and cash equivalents	**6**	**$**	**46,220,938**	$	54,748,652
Short-term investments	**6**		**-**		15,000,000
Sales tax and other receivables	**7**		**8,045,977**		206,144
Prepaids and deposits	**8**		**259,279**		220,203
Investments	**9**		**520,606**		1,141,192
			55,046,800		71,316,191
Non-current					
Property and Equipment	**10**		**1,639,621**		960,850
Value-added taxes receivable	**7**		**2,029,881**		2,879,866
Mineral properties	**11**		**32,867,024**		32,633,848
TOTAL ASSETS		**$**	**91,583,326**	$	107,790,755
LIABILITIES					
Current					
Accounts payable and accrued liabilities	**12**	**$**	**1,875,457**	$	1,663,441
Current portion of lease liabilities	**13**		**89,411**		41,089
		$	**1,964,868**	$	1,704,530
Non-current					
Lease liabilities	**13**		**460,388**		-
TOTAL LIABILITIES		**$**	**2,425,256**	$	1,704,530
SHAREHOLDERS' EQUITY					
Share capital	**14(b)**	**$**	**166,732,378**	$	150,492,379
Contributed surplus			**37,455,923**		24,095,443
Warrants	**14(e)**		**17,525,093**		23,395,976
Accumulated other comprehensive loss			**48,525**		(389,494)
Accumulated deficit			**(132,603,849)**		(91,508,079)
TOTAL EQUITY		**$**	**89,158,070**	$	106,086,225
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**91,583,326**	$	107,790,755

Approved on Behalf of the Board on March 30, 2023:

"Jeff Parr"	"Murray John"
Jeff Parr – Director	Murray John – Director

Discovery Silver Corp.
CONSOLIDATED STATEMENTS OF LOSS AND TOTAL COMPREHENSIVE LOSS
(Expressed in Canadian dollars, except per share and share information)

			Years Ended
	Notes	**December 31, 2022**	December 31, 2021
Expenses (income)			
General office and other expenses	**16**	**$ 5,431,363**	$ 3,810,985
Interest income		**(1,243,369)**	(834,904)
Interest expense		**3,053**	3,193
Professional fees	**17**	**1,089,225**	647,492
Exploration and project evaluation expenses	**15**	**30,347,844**	25,155,757
Share-based compensation	**14(c)**	**9,205,218**	6,786,606
Other income	**14**	**-**	(99,595)
Gain on sale of non-core property		**-**	(1,223,669)
Loss on fair value remeasurement of investments	**9**	**620,585**	417,478
Write-off of mineral properties	**11**	**1,124,398**	-
Provision for value-added taxes receivable	**7**	**(2,178,001)**	1,036,604
Foreign exchange gain		**(3,304,546)**	(233,432)
Net loss		**$ 41,095,770**	$ 35,466,515
Other comprehensive (income) loss		**$ (438,019)**	$ 38,272
Total comprehensive loss		**$ 40,657,751**	$ 35,504,787
Weighted average shares outstanding			
Basic and diluted	**14(b)**	**342,905,448**	324,466,655
Net loss per share			
Basic and diluted		**$ (0.12)**	$ (0.11)

Discovery Silver Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars, except where otherwise noted)

			Years Ended
	Notes	**December 31, 2022**	December 31, 2021
Operating Activities			
Net loss		**$ (41,095,770)**	$ (35,466,515)
Items not affecting cash:			
Depreciation		**289,338**	191,745
Share-based compensation	**14(c)**	**9,205,218**	6,786,606
Adjustments to Provision for value-added taxes receivable	**7**	**(2,178,001)**	1,036,604
Gain on sale of non-core property		**-**	(1,223,669)
Loss on fair value remeasurement	**9**	**620,586**	417,478
Write-off of mineral properties	**11**	**1,124,398**	-
Unrealized foreign exchange (gain)		**(2,432,761)**	(94,561)
Changes in non-cash operating working capital:			
Sales tax and other receivables	**7**	**(4,811,847)**	(3,686,944)
Prepaids and deposits	**8**	**(39,076)**	(121,464)
Accounts payable and accrued liabilities	**12**	**212,020**	727,960
Net cash used in operating activities		**$ (39,105,895)**	$ (31,432,760)
Investing Activities			
Proceeds from sale of investment		**15,000,000**	-
Acquisition of mineral properties	**11**	**-**	(5,298,138)
Acquisition of property and equipment	**10**	**(408,573)**	(587,916)
Net cash provided by (used in) investing activities		**$ 14,591,427**	$ (5,886,054)
Financing Activities			
Issuance of shares on exercise of options	**14(c)**	**2,335,851**	1,035,961
Issuance of shares on exercise of warrants	**14(e)**	**12,188,527**	23,226,913
Principal payment on lease liability	**13**	**(49,190)**	(46,780)
Net cash provided by financing activities		**$ 14,475,188**	$ 24,216,094
Effect of exchange rates on cash and cash equivalents		**1,511,566**	303,474
Decrease in cash and cash equivalents		**(8,527,714)**	(12,799,245)
Cash and cash equivalents, beginning of year	**6**	**54,748,652**	67,547,897
Cash and cash equivalents, end of year	**6**	**$ 46,220,938**	$ 54,748,652
Supplemental Cash Flow Information:			
Income tax expense paid		**$ -**	$ -
Interest paid		**$ 3,053**	$ 3,193

Discovery Silver Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars, except where otherwise noted)

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2022		**331,348,433**	**$ 150,492,379**	**$ 23,395,976**	**$ 24,095,443**	**$ (389,494)**	**$ (91,508,079)**	**$ 106,086,225**
Share-based compensation	**14c**	**-**	**-**	**-**	**9,205,218**	**-**	**-**	**9,205,218**
Shares issued on exercise of options	**14c**	**4,598,333**	**3,873,673**	**-**	**(1,537,822)**	**-**	**-**	**2,335,851**
Shares issued on exercise of warrants	**14e**	**15,869,814**	**12,188,527**	**(5,870,883)**	**5,870,883**	**-**	**-**	**12,188,527**
Shares issued on exercise of RSU's	**14f**	**125,000**	**177,799**	**-**	**(177,799)**	**-**	**-**	**-**
Net loss and total comprehensive loss for the year		**-**	**-**	**-**	**-**	**438,019**	**(41,095,770)**	**(40,657,751)**
At December 31, 2022		**351,941,580**	**$ 166,732,378**	**$ 17,525,093**	**$ 37,455,923**	**$ 48,525**	**$ (132,603,849**	**$ 89,158,070**

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2021		305,012,554	$ 125,570,547	$ 26,652,950	$ 14,710,821	$ (351,222)	$ (56,041,564)	$ 110,541,532
Share-based compensation	13c	-	-	-	6,786,606	-	-	6,786,606
Shares issued on exercise of options	13c	1,830,833	1,694,919	-	(658,958)	-	-	1,035,961
Shares issued on exercise of warrants	13e	24,505,046	23,226,913	(3,256,974)	3,256,974	-	-	23,226,913
Net loss and total comprehensive loss for the year		-	-	-	-	(38,272)	(35,466,515)	(35,504,787)
At December 31, 2021		331,348,433	$ 150,492,379	$ 23,395,976	$ 24,095,443	$ (389,494)	$ (91,508,079)	$ 106,086,225

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Discovery Silver Corp. ("Discovery Silver" or the "Company") is engaged in the acquisition, exploration and development of mineral property interests, primarily in Mexico. The Company's flagship asset is the 100% owed Cordero silver project located in Chihuahua State, Mexico.

The Company was incorporated on October 10, 1986 under the laws of British Columbia and on June 13, 2017, the Company's name was changed to Discovery Metals Corp. On April 14, 2021, the Company's name was changed to Discovery Silver Corp. The Company is listed on the Toronto Stock Exchange (the "Exchange" or "TSX") under the symbol "DSV". The Company's head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

The Company's Board of Directors authorized the issuance of these consolidated financial statements (the "consolidated financial statements") on March 30, 2023.

COVID-19 Update

The Company remains focused on proactively addressing the health and safety risks resulting from the COVID-19 pandemic. The Company's top priority remains the health and safety of its employees, contractors, vendors, and consultants. To-date, health and safety protocols and the efforts of employees and contractors to manage COVID-19 have been effective.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRICs").

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and discharge of all liabilities in the normal course of business. The Company has, to date, relied on cash received from share issuances in order to fund its exploration and other business objectives. At December 31, 2022, the Company had working capital (defined as current assets less current liabilities) of $53,081,932 (December 31, 2021 – $69,611,661), shareholders' equity of $89,158,070 (December 31, 2021 – $106,086,225) and an accumulated deficit of $132,603,849 (December 31, 2021 – $91,508,079).

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in the preparation of its consolidated financial statements are set out below.

a) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value through profit or loss ("FVTPL"), as explained in the accounting policies described herein. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Basis of Consolidation

The consolidated financial statements are presented in Canadian dollars ("CAD") unless otherwise noted. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions. The consolidated financial statements include the financial condition and results of operations of the Company and its subsidiaries as outlined below.

The Company's principal subsidiary and its geographic location as of December 31, 2022, is as follows:

Direct Parent Company	Location	Ownership Percentage	Properties
Minera Titán S.A. de C.V.	Mexico	100%	Cordero

All intercompany assets, liabilities, equity, income, expenses, and cash flows arising from intercompany transactions have been eliminated on consolidation.

c) Currency of Presentation

The consolidated financial statements are presented in Canadian dollars which is the functional and presentation currency of the Company. The functional currency for the entities through which the Company conducts its operations is determined depending upon the primary economic environment in which they operate. The functional currency of the Mexican subsidiaries is the Mexican peso ("MXP").

d) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are not re-translated. Total foreign exchange gains and losses are recognized in the income statement and the unrealized portion is reported separately in the consolidated statement of cash flows. The foreign exchange differences arising from the translation of the subsidiary with functional currency different than the consolidated functional currency are recognized as currency translation adjustments in other comprehensive loss in the consolidated statement of loss and total comprehensive loss.

e) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less. The Company invests excess cash in high yield savings accounts maintained with high credit-rated institutions.

f) Mineral properties and equipment

On initial acquisition, mineral properties and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition. The Company capitalizes cash and share-based payments made to acquire mineral properties. Land is stated at cost less any impairment in value and is not depreciated. Exploration and development costs are capitalized if a pre-feasibility study demonstrates that future economic benefits are probable. Upon disposal or abandonment, the carrying amount of mineral properties are derecognized and any associated gains or losses are recognized in profit and loss. The carrying value of the Cordero mineral property, which is comprised of exploration and evaluation assets, was $32,867,025 as at December 31, 2022.

i. Depreciation

Depreciation is recognized in earnings or loss on a straight-line basis over the estimated useful lives of each part of an item (component), since this most closely reflects the expected pattern of consumption of economic benefits embodied in the asset. The estimated useful lives for assets and components that are depreciated on a straight-line basis range from three to 10 years.

Depreciated assets	**Useful Life**
Computer equipment and software	3 years
Vehicles	4 years
Office equipment and furniture	5 to 10 years
Buildings and machinery	5 to 10 years

ii. Impairment

The carrying values of mineral properties are reviewed each reporting period or upon the occurrence of events or changes in circumstances indicating that the carrying values of assets may not be recoverable. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable based on technical studies or desktop studies; and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in earnings or loss.

Where an item of mineral properties and equipment is disposed of, it is derecognized and the difference between its' carrying value and net sales proceeds is disclosed as earnings or loss on disposal in the consolidated financial statements of operations and total comprehensive loss. Any items of mineral properties and equipment that cease to have future economic benefits are derecognized with any gain or loss included in the financial year in which the item is derecognized.

g) Exploration and evaluation assets

Exploration and evaluation expenditures are comprised of costs that are directly attributable to: researching and analyzing existing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods, and compiling economic studies. Exploration expenditures are costs incurred in the search for resources suitable for commercial exploitation. Evaluation expenditures are costs incurred in determining the technical feasibility and commercial viability of a mineral resource. Exploration and evaluation expenditures are capitalized when there is a high degree of confidence in the project's viability and thus it is probable that future economic benefits will flow to the Company. When a project is considered to no longer have commercially viable prospects for the Company, exploration and evaluation costs in respect of that property are assessed as impaired and written off to the statement of loss and total comprehensive loss. The Company also assesses mineral property costs for impairment when other facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

h) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets

The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are classified as other fixed assets in the consolidated statement of financial position.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

Lease liabilities
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. Interest recognized on the consolidated statement of operations and comprehensive loss is classified as a financing cost.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero upon remeasurement of the liability.

i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present liability for statutory, contractual, constructive, or legal obligations that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

j) Financial instruments

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

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities. Management determines the classification on initial recognition.

Subsequent to the initial measurement at fair value, all recognized financial assets are required to be subsequently measured at amortized cost or fair value. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost in subsequent periods. Financial assets that have a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at fair value through profit and loss ("FVTPL") in subsequent accounting periods. In addition, on initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's FVTOCI, with only dividend income generally recognized in profit or loss. Transaction costs for financial assets held at FVTPL are expensed, for all other financial assets, they are recognized at fair value at initial measurement plus any directly attributable transaction costs.

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet, subsequent to inception, and how changes in value are recorded.

For an impairment of financial assets, an 'expected credit loss' model is applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model is updated at each reporting date to reflect changes in initial recognition.

k) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

l) Warrants

Warrants are classified as equity, separately from common shares and are valued at their fair value on grant date. The fair value of the warrants issued is measured using the Black-Scholes pricing model, considering the terms and conditions upon which the warrants were granted. The impact of changes to the original terms of a warrant grant or revisions to original estimates are accounted for prospectively and recognized in equity with a corresponding change in contributed surplus on the date of remeasurement. Consideration received on the exercise of warrants is recorded as share capital and the related contributed surplus is transferred from warrants, within the Company's equity accounts.

m) Share-based compensation

The Company recognizes share-based compensation expense for share purchase options, restricted share units ("RSU") and deferred share units ("DSU") granted to directors, officers, and employees under the Company's equity-based incentive plans.

Share purchase options

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, considering the terms and conditions upon which the options were granted. The Company annually revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to reserve.

In situations where equity instruments are issued to non-employees and some or all the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

Restricted share units
The fair value of RSUs is determined by the market value of the underlying shares at the date of the grant. Under the Company's RSU Plan, the Board of Directors has the discretion to settle the vested RSUs in cash or equity. As the Company does not have a present obligation to settle the issued RSUs in cash, the RSUs issued have been treated as equity-settled instruments. The fair values of RSUs at the date of grant are expensed over the vesting periods with a corresponding increase to equity. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revisions to this estimate in equity.

Deferred share units
DSUs awarded to non-executive directors may be settled in cash or equity at the discretion of the Board of Directors and are measured at the fair value which is determined based on the closing share price of the Company on the date of the grant. As the Company does not have a present obligation to settle the issued DSUs in cash, the DSUs issued have been treated as equity-settled instruments. The fair values of the DSUs at the date of grant are expensed over the vesting periods with a corresponding increase to equity.

n) Income taxes

Income tax on the earnings or loss for the years presented comprises current and deferred tax. Income tax is recognized in earnings or loss in the statements of operation except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

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

o) Total comprehensive loss

Total comprehensive loss is comprised of net loss and other comprehensive income (loss). The Company has other comprehensive income (loss) components resulting from currency translation adjustments from the functional currency of MXP in Discovery Mexico to the presentation currency of CAD in the consolidated financial statements.

p) Earnings (loss) per share

Basic earnings or loss per share ("EPS") represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted EPS represents the profit for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. When a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted losses per share is anti-dilutive and accordingly, the diluted loss per share would be the same as the basic loss per share.

4. ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

The new standards, or amendments to standards and interpretations that were adopted by the Company, effective January 1, 2022, are as follows:

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

Property, Plant and Equipment - Proceeds Before Intended Use (Amendments to IAS 16)

The International Accounting Standards Board (IASB) has published *'Property, plant and equipment 'Proceeds Before Intended Use (Amendments to IAS 16)'* regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Amendment to IAS 16 amends the standard to prohibit deducting from cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. Amendment to IAS 16 is effective for annual periods beginning on or after January 1, 2022. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

Future Accounting Standards and Interpretations

Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating; or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on, the basis of, those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

Definition of Accounting Estimates (Amendments to IAS 8)

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

5. CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, contingent liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and applied prospectively.

a) Critical accounting judgments

The significant areas of judgment considered by management in preparing the consolidated financial statements include, but are not limited to:

i. Functional currency

The functional currency for each of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that for each of the Canadian entities, the functional currency is CAD and for the Mexican subsidiaries the functional currency is MXP. Foreign exchange differences arising from the translation from functional to presentation currency are recognized each period in other comprehensive income (loss) and may or may not be subsequently reclassified to profit or loss depending on future events.

ii. Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

The Company makes determinations whether development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgical information, economic assessments and existing permits for land access and drilling. The estimates contained within these criteria could change over time which could affect the economic recoverability of capitalized costs.

b) Critical accounting estimates

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

i. Determination of useful lives

Equipment is depreciated using the straight-line method based on the specific asset's useful life. Should the actual useful life vary from the initial estimation, future depreciation charges may change. Should the componentization of these like assets change, depreciation charges may vary materially.

ii. Impairment charges

The Company assesses its CGUs at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. The estimates are subject to risk and uncertainty and therefor there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the individual assets or CGUs.

Management periodically reviews the carrying values of its exploration and evaluation assets with internal and external mining related professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of resources, forecast future metal prices, forecast future costs of exploring, and the general likelihood that the Company will continue exploration. The Company does not set a predetermined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and their carrying values are recoverable.

iii. Sales tax recoverability

The Company incurs significant expenditures for the purchase of goods and services on which sales tax is paid ("GST/HST" in Canada and "IVA" in Mexico). The net amount paid is recoverable but is subject to review and assessment by the relevant tax authorities (Canada Revenue Agency ("CRA") in Canada and the Servicio de Administración Tributaria ("SAT") in Mexico). The Company files GST/HST returns on a quarterly basis with the CRA and regularly files the required IVA returns and all supporting documentation with SAT. Management applies significant judgment in assessing the recoverability of the IVA including: i) collections of previous claims made with the tax authority received during and in prior years; ii) communications with tax authorities and iii) review of the appropriateness of the supporting information.

The Company is in regular contact with SAT in respect of its IVA filings and believes the full amount of its IVA receivables will ultimately be received; however, the timing of recovery of these amounts and the nature and extent of any adjustments to the Company's IVA receivables remains uncertain. Management assesses collectability and classification of the asset at each reporting period and currently includes a 100% provision for this balance until there is an expectation of recovery at which point that specific amount is recognized as a long-term receivable and the related provision reversed (note 7).

iv. Share-based payments

The fair value of the estimated number of stock options that will eventually vest is recognized as share-based compensation expense over the vesting period of the stock options with the corresponding increase in equity.

Determining the fair value of stock options requires the exercise of judgment related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate, and the expected term of the underlying instruments. Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options at the date of grant. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

(Expressed in Canadian dollars, except where otherwise noted)

6. CASH AND CASH EQUIVALENTS

		December 31, 2022		December 31, 2021
Cash	**$**	**45,995,938**	$	54,638,652
Cash equivalents (a)		**225,000**		110,000
	$	**46,220,938**	$	54,748,652

a) Cash Equivalents

Cash equivalents include marketable securities with short-term maturities and no restrictions on redemption.

7. SALES TAX AND OTHER RECEIVABLES

		December 31, 2022		December 31, 2021
Sales and value-added tax receivable	**$**	**9,832,403**	$	3,510,276
Accumulated provision for value-added tax receivable		**(2,129,772)**		(3,478,644)
Other receivables		**343,346**		174,512
	$	**8,045,977**	$	206,144

a) Value-added tax receivable provision

The Company's Mexican subsidiaries pay value-added tax, Impuesto al Valor Agregado ("IVA") on the purchase of goods and services. The amount of IVA paid is recoverable but is subject to review and assessment by SAT. The complex application process can impact the collectability and timing of refunds from SAT. As a result, the Company recognizes a provision for 100% of the IVA incurred during a reporting period. Once the IVA return has been prepared and filed with the Tax Authorities, the Company expects to recover the IVA filed in full.

At December 31, 2022, the majority of the accumulated provision was reversed due to the Company filing all the outstanding IVA returns relating to prior years that were previously included in the provision. The cumulative IVA return filed during the third quarter of 2022 had a net value of approximately $7.7 million. The Company provided to SAT, all the supporting documentation required to substantiate and validate the cumulative IVA claim and subsequently responded to all inquiries and requests for additional documentation. The Company is currently nearing completion of an in-person audit with SAT and expects to receive the cumulative refund during the second quarter of 2023. The Company continues to record a provision against IVA paid during a period until management has prepared and filed the IVA return and filed it with SAT.

(Expressed in Canadian dollars, except where otherwise noted)

b) Current and non-current value-added tax receivables

During the last two years the Company has been successful in recovering amounts owed to its operating Mexican subsidiaries. Due to the increased confidence in collectability, during 2021 and 2022 the Company has recorded IVA receivables related to IVA returns that have been filed and are pending review by SAT. The Company recorded the portion of the reversal expected to be collected within twelve months as a current asset on the Consolidated Statement of Financial Position, and a credit to the original provision recognized on the Consolidated Statements of Loss and Other Comprehensive Loss. The portion of the reversal not expected to be collected within twelve months is recorded as a long-term receivable.

The total net book value of value-added taxes receivable recognized as at December 31, 2022 related to Mexico is $7,681,445 as current and $2,092,881 as non-current, respectively. During the year ended December 31, 2022, the Company collected total IVA refunds of $196,908. The cash received is recognized as a reduction of the non-current IVA receivable balance.

8. PREPAIDS AND DEPOSITS

		December 31, 2022		December 31, 2021
Insurance	**$**	**133,009**	$	107,839
Office and other prepaid deposits		**126,270**		112,364
	$	**259,279**	$	220,203

9. INVESTMENTS

During 2020 and 2021, as consideration for the sale and transfer of certain non-core properties, the Company received common shares in Talisker Resources Ltd. and Monumental Minerals Corp. At December 31, 2022, the fair value of the investments was $520,606 and is comprised of the following:

Investment in common shares of Talisker Resources Ltd.		**Amount**
At January 1, 2022	$	310,000
Net unrealized loss on fair value remeasurement		(170,000)
At December 31, 2022	**$**	**140,000**

Investment in common shares of Monumental Minerals Corp.		**Amount**
At January 1, 2022	$	831,191
Net unrealized loss on fair value remeasurement		(450,585)
At December 31, 2022	**$**	**380,606**

(Expressed in Canadian dollars, except where otherwise noted)

10. PROPERTY AND EQUIPMENT

		Equipment		Vehicles		Office & Furniture		Computer		Total
Cost										
Balance at January 1, 2022	**$**	**765,456**	**$**	**268,195**	**$**	**212,635**	**$**	**207,574**	**$**	**1,453,861**
Additions		**217,101**		**102,378**		**568,938**		**78,056**		**966,473**
Currency translation adjustment		**9,277**		**9,718**		**(671)**		**5,088**		**21,461**
Balance at December 31, 2022	**$**	**991,834**	**$**	**380,291**	**$**	**780,902**	**$**	**290,718**	**$**	**2,443,745**
Accumulated depreciation										
Balance at January 1, 2022	**$**	**(66,985)**	**$**	**(128,624)**	**$**	**(177,250)**	**$**	**(120,152)**	**$**	**(493,011)**
Additions		**(98,185)**		**(78,692)**		**(55,156)**		**(57,305)**		**(289,338)**
Currency translation adjustment		**(5,134)**		**(9,641)**		**(1,874)**		**(5,306)**		**(21,775)**
Balance at December 31, 2022	**$**	**(170,304)**	**$**	**(216,777)**	**$**	**(234,280)**	**$**	**(182,763)**	**$**	**(804,124)**

Carrying amount		**Equipment**		**Vehicles**		**Office & Furniture**		**Computer**		**Total**
At January 1, 2022	$	698,471	$	139,571	$	35,385	$	87,422	$	960,850
At December 31, 2022	**$**	**821,530**	**$**	**163,514**	**$**	**546,622**	**$**	**107,955**	**$**	**1,639,621**

		Equipment		Vehicles		Office & Furniture		Computer		Total
Cost										
Balance at January 1, 2021	$	262,137	$	247,354	$	211,744	$	146,573	$	867,809
Additions		503,054		25,951		1,502		57,409		587,916
Disposals		-		(7,129)		(651)		-		(7,780)
Currency translation adjustment		265		2,019		40		3,592		5,916
Balance at December 31, 2021	$	765,456	$	268,195	$	212,635	$	207,574	$	1,453,861
Accumulated depreciation										
Balance at January 1, 2021	$	(23,303)	$	(66,389)	$	(125,953)	$	(78,859)	$	(294,504)
Additions		(42,421)		(55,963)		(51,730)		(41,631)		(191,745)
Disposals		-		(4,810)		-		-		(4,810)
Currency translation adjustment		(1,261)		(1,462)		433		338		(1,952)
Balance at December 31, 2021	$	(66,985)	$	(128,624)	$	(177,250)	$	(120,152)	$	(493,011)
Carrying amount		Equipment		Vehicles		Office & Furniture		Computer		Total
At January 1, 2021	$	238,834	$	180,965	$	85,792	$	67,714	$	573,305
At December 31, 2021	$	698,471	$	139,571	$	35,385	$	87,422	$	960,850

(Expressed in Canadian dollars, except where otherwise noted)

The Company following table summarizes the changes in right-of-use assets within plant and equipment:

Leased assets		**Total**
At January 1, 2021	$	84,209
Depreciation		(45,932)
At December 31, 2021	$	38,275
Additions		**557,900**
Depreciation		**(47,981)**
At December 31, 2022	**$**	**548,194**

11. MINERAL PROPERTIES

At January 1, 2021	$	27,574,270
Acquisition and cancellation of net smelter royalty[1]		5,298,138
Currency translation adjustment		(238,560)
At December 31, 2021	$	32,633,848
Currency translation adjustment		**1,357,574**
Write-off of mineral properties[2]		**(1,124,398)**
At December 31, 2022	**$**	**32,867,024**

(1) During the year ended December 31, 2021, the Company acquired and cancelled a 2% net smelter royalty payable on production from the Cordero Project.

(2) During the year ended December 31, 2022, the option agreements associated with the Minerva, and La Kika properties expired, and were not renewed. In addition, due to the Company's continued focus on the Cordero Project and no planned expenditures on the Puerto Rico property during 2023, the option agreement was cancelled.

The carrying value of each of the Company's mineral properties is as follows:

		December 31, 2022		December 31, 2021
Cordero	**$**	**32,524,362**	$	32,524,362
Puerto Rico		**-**		856,687
Minerva		**-**		174,580
La Kika		**-**		93,131
		32,524,362		33,648,760
Cumulative Translation Adjustment		**342,662**		(1,014,912)
	$	**32,867,024**	$	32,633,848

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2022		December 31, 2021
Trade and other payables[1]	**$**	**573,452**	$	554,564
Salaries and benefits payable[2]		**1,139,886**		925,769
Accrued liabilities		**162,119**		183,108
	$	**1,875,457**	$	1,663,441

(1) At December 31, 2022, trade and other payables were comprised primarily of amounts payable for contract drilling and related services.

(2) At December 31, 2022, salaries and benefits payable were comprised of short-term incentive amounts payable to executive management and employees.

(Expressed in Canadian dollars, except where otherwise noted)

13. LEASE LIABILITIES

		December 31, 2022		December 31, 2021
Lease liabilities	**$**	**549,799**	$	41,089
Less: current portion		**89,411**		41,089
Non-current portion	**$**	**460,388**	$	-

(1) During 2022, the Company renewed the corporate office lease for an additional five-year term at an incremental borrowing rate of 3.95%.

14. SHARE CAPITAL AND WARRANTS

a) Authorized

i. Unlimited common shares with no par value; and
ii. Unlimited preferred voting shares with no par value.

b) Shares issued and outstanding

	Note	Common Shares		Amount
At December 31, 2021		331,348,433	$	150,492,379
Shares issued on exercise of options	**14c**	**4,598,333**		**3,873,673**
Shares issued on exercise of warrants	**14e**	**15,869,814**		**12,188,527**
Shares issued on exercise of RSU's	**14e**	**125,000**		**177,799**
At December 31, 2022		**351,941,580**	**$**	**166,732,378**

c) Stock Options

The Company has adopted a rolling 10% stock option plan (the "Option Plan") which provides that the directors of the Company may grant options to purchase common shares of the Company to directors, officers, employees and service providers, with the number of options being limited to 10% of the issued common shares at the time of granting of options. This 10% limit is in aggregate and is shared with the Company's RSU and DSU plans (note 14d)).

The Board in its sole discretion may determine any vesting provisions for options. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the provisions of the Plan. The expiry date for an option shall not be more than ten years from the grant date.

There were 8,450,000 stock options granted during the year ended December 31, 2022, with a weighted average exercise price of $2.01 and a five-year term to expiry (year ended December 31, 2021 – 6,450,000 options granted with a weighted-average exercise price of $1.90 and five-year term to expiry). One third of options granted to management and employees vested immediately, and 1/3rd will vest on each subsequent anniversary of grant date. One half of the options granted to Directors of the Company vested immediately, and the other half will vest on the subsequent anniversary. Options issued to consultants have a vesting schedule of 1/8th each quarter beginning three months after grant date.

(Expressed in Canadian dollars, except where otherwise noted)

Option transactions and the number of options outstanding are summarized as follows:

	Outstanding		Weighted Average Exercise Price
At January 1, 2021	13,559,808	$	0.52
Options granted	6,450,000		1.90
Options exercised	(1,830,833)		0.57
At December 31, 2021	18,178,975	$	1.01
Options granted	**8,450,000**		**2.01**
Options exercised	**(4,598,333)**		**0.51**
Options forfeited	**(1,565,625)**		**1.98**
At December 31, 2022	**20,465,017**	**$**	**1.46**

The non-cash share-based compensation expense for the year ended December 31, 2022, was $9,205,218 (year ended December 31, 2021 - $6,786,606).

At December 31, 2022, the options outstanding and exercisable are as follows:

	Options Outstanding			Options Exercisable		
Exercise Price	**Number**	**Weighted average remaining life**	**Weighted average exercise price**	**Number**	**Weighted average remaining life**	**Weighted average exercise price**
$0.48	2,815,850	1.62	$0.48	2,815,850	1.62	$0.48
$0.65	360,000	2.02	$0.65	360,000	2.02	$0.65
$0.47	3,801,250	2.32	$0.47	3,801,250	2.32	$0.47
$1.84	200,000	2.79	$1.84	200,000	2.79	$1.84
$1.89	4,796,875	3.04	$1.89	4,042,708	3.04	$1.89
$1.85	206,667	3.09	$1.85	123,334	3.09	$1.85
$2.08	300,000	3.19	$2.08	300,000	3.19	$2.08
$2.06	200,000	3.54	$2.06	133,333	3.54	$2.06
$1.77	200,000	3.84	$1.77	133,333	3.84	$1.77
$2.05	6,084,375	4.02	$2.05	2,477,083	4.02	$2.05
$1.93	1,000,000	4.20	$1.93	-	4.20	$1.93
$1.76	400,000	4.28	$1.76	200,000	4.28	$1.76
$1.38	100,000	4.40	$1.38	33,333	4.40	$1.38
	20,465,017	**1.89**	**$1.46**	**14,620,225**	**2.07**	**$1.25**

(Expressed in Canadian dollars, except where otherwise noted)

The fair value of the option grants issued during the year ended December 31, 2022, have been estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant date	January 5, 2022	March 14, 2022	April 11, 2022
Number granted	**6,950,000**	**1,000,000**	**400,000**
Exercise price	$ **2.05**	$ **1.93**	$ **1.76**
Share price	$ **2.05**	$ **1.93**	$ **1.76**
Expected life (years)	**3.32**	**4.23**	**2.84**
Risk free interest rate	**1.18%**	**1.87%**	**2.43%**
Expected volatility	**93.0%**	**90.5%**	**92.0%**
Expected forfeiture rate	**5.4%**	**4.9%**	**5.3%**
Dividend yield	**-**	**-**	**-**
Fair Value	$ **1.24**	$ **1.27**	$ **1.01**

Black-Scholes pricing models require the input of highly subjective assumptions. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant.

d) Deferred Share Units and Restricted Share Units

The Company has adopted rolling 10% DSU and RSU Plans, that share the 10% threshold with the 10% rolling Option Plan. The combined aggregate total Options, DSUs, and RSUs granted cannot exceed 10% of the issued and outstanding common shares of the Company.

The DSU Plan provides that the Board of Directors (the "Board") of the Company may grant DSUs to non-executive directors of the Company, to be settled in cash or common shares of the Company, at the discretion of the Board. The RSU Plan provides that the Board may grant RSUs to eligible officers, and employees, to be settled in cash or common shares of the Company, at the discretion of the Board. The Board in its sole discretion may determine any vesting provisions for DSUs and RSUs.

There were no DSUs granted during the year ended December 31, 2022. There were 250,000 RSUs granted during the year ended December 31, 2022, of which 125,000 RSUs vested immediately and were redeemed for common shares of the Company.

e) Warrants

The Company had issued warrants as part of certain subscription agreements and finders' fees for certain non-brokered private placements that closed during 2017, 2019 and 2020. The warrants were exchangeable for Common Shares of the Company at a ratio and an exercise price determined at the time of the individual private placement. Warrants are classified as equity, separately from common shares and are valued at their fair value on grant date using the Black-Scholes pricing model. There were no warrants issued during the year ended December 31, 2022, and no warrants outstanding as at December 31, 2022.

(Expressed in Canadian dollars, except where otherwise noted)

Warrant transactions and the number of warrants outstanding at December 31, 2022 are summarized as follows:

Issue date	**5/29/2020**	**6/8/2020**	**5/29/2020**	**6/8/2020**	**8/6/2020**	
Expiry	**5/29/2022**	**6/8/2022**	**5/29/2022**	**6/8/2022**	**8/6/2022**	
Price	**$0.77**	**$0.77**	**$0.55**	**$0.55**	**$1.75**	**TOTAL**
December 31, 2021	13,480,330	2,181,800	146,318	65,455	12,499,500	28,373,403
Exercised	**(13,480,330)**	**(2,181,800)**	**(146,318)**	**(65,455)**	**-**	**(15,873,903)**
Expired	**-**	**-**	**-**	**-**	**(12,499,500)**	**(12,499,500)**
December 31, 2022	**-**	**-**	**-**	**-**	**-**	**-**

15. EXPLORATION AND PROJECT EVALUATION

	Year Ended December 31, 2022						
	Puerto Rico	**La Kika**	**Minerva**	**Monclova**	**Cordero**	**Other**	**Total**
Permitting	**$ -**	**$ -**	**$ -**	**$ -**	**$ 603,439**	**$ -**	**$ 603,439**
Mining duties	**83,790**	**32,292**	**102,350**	**23,964**	**587,288**	**899**	**830,583**
Surface access	**-**	**-**	**-**	**-**	**356,083**	**-**	**356,083**
Site access	**-**	**-**	**-**	**-**	**5,656**	**-**	**5,656**
Drilling	**-**	**-**	**-**	**-**	**12,865,795**	**-**	**12,865,795**
Mapping, Sampling & Assays	**-**	**-**	**-**	**-**	**4,918,690**	**-**	**4,918,690**
Geophysics	**-**	**-**	**-**	**-**	**253,138**	**-**	**253,138**
Salaries and benefits	**12,853**	**-**	**12,731**	**12,975**	**3,714,164**	**-**	**3,752,724**
Travel	**9,650**	**-**	**-**	**-**	**529,889**	**-**	**539,539**
Administrative and other	**19,224**	**-**	**45,902**		**2,414,629**	**-**	**2,479,755**
Project Evaluation	**-**	**-**	**-**	**-**	**3,742,442**	**-**	**3,742,442**
Total	**$ 125,517**	**$ 32,292**	**$ 160,983**	**$ 36,939**	**$ 29,991,213**	**$ 899**	**$ 30,347,844**

	Year Ended December 31, 2021						
	Puerto Rico	La Kika	Minerva	Monclova	Cordero	Other	Total
Permitting	$ -	$ -	$ -	$ -	$ 761,186	$ -	$ 761,186
Mining duties	65,087	10,379	17,766	42,286	517,799	6,959	660,276
Surface access	-	-	-	-	45,576	-	45,576
Site access	-	-	-	-	6,540	-	6,540
Drilling	-	-	-	-	17,234,067	-	17,234,067
Mapping, Sampling & Assays	-	-	-	-	1,073,284	-	1,073,284
Geophysics	-	-	-	-	37,370	-	37,370
Salaries and benefits	26,048	-	19,732	19,504	2,597,475	-	2,662,760
Travel	9,125	-	-	-	156,810	-	165,935
Administrative and other	28,325	-	31,853	2,588	1,996,862	-	2,059,628
Project Evaluation	-	-	-	-	449,135	-	449,135
Total	$ 128,585	$ 10,379	$ 69,351	$ 64,378	$ 24,876,104	$ 6,959	$ 25,155,757

(Expressed in Canadian dollars, except where otherwise noted)

16. GENERAL OFFICE AND OTHER EXPENSES

	Years Ended December 31,	
	2022	2021
Travel	**$ 245,445**	$ 35,247
Salaries and benefits	**2,986,265**	2,264,840
Shareholder communication and investor relations	**369,112**	331,590
Filing and transfer agent fees	**306,714**	218,353
Rent	**74,397**	56,455
Depreciation	**66,262**	92,187
General office and other	**1,383,168**	812,313
	$ 5,431,363	$ 3,810,985

17. PROFESSIONAL FEES

	Years Ended December 31,	
	2022	2021
Legal	**$ 200,748**	$ 198,873
Audit, tax and accounting	**138,448**	217,931
Consulting and other	**750,029**	230,688
	$ 1,089,225	$ 647,492

18. INCOME TAXES

	Years Ended December 31,	
	2022	2021
Loss before tax at statutory rate of 28% (2021 – 28%)	**$ 11,384,170**	$ 9,941,340
Effect on taxes of:		
Non-deductible expenses	**(2,583,118)**	(1,901,863)
Change in provision for unrecognized deferred tax assets	**(8,801,052)**	(8,039,477)
Income tax expense	**$ -**	$ -

a) Unrecognized Deductible Temporary Differences

Deferred tax assets have not been recognized in respect of the following deductible temporary differences.

(Expressed in Canadian dollars, except where otherwise noted)

In Canada, the Company has aggregate tax losses not recognized of $19,282,500 expiring in periods from 2026 – 2046. Deferred tax assets have not been recognized in respect of these losses because it is not probable that future taxable profit will be available against which the Company can utilize the benefits. The capital loss carryforwards of $12,640,000 in Canada are without expiry. In Mexico, the Company's subsidiaries have $19,200,000 of non-capital loss carry-forwards that expire from 2024 – 2041.

				Years Ended
		December 31, 2022		December 31, 2021
Non-capital loss carry-forwards	**$**	**15,820,481**	$	13,035,041
Capital loss carry-forwards		**12,640,000**		12,640,000
Share issue costs		**-**		42,000
Resource properties		**55,712,000**		53,998,000
	$	**84,172,481**	$	79,715,041

19. CAPITAL MANAGEMENT

The Company defines capital as its shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's objectives when managing capital are to support the Company's main activities of identifying, defining, and developing mineral deposits, with the goal of creating shareholder value, as well ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The current excess funds realized from the non-brokered private placements are invested in highly liquid, interest-bearing marketable securities with no restrictions on redemption.

At December 31, 2022, the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the year ended December 31, 2022.

20. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, other receivable and deposits, investments in marketable securities, accounts payable and accrued liabilities and lease liabilities.

Cash and cash equivalents, accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Investments in marketable securities are classified as receivables and are measured at fair value through profit and loss. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments are classified into one of three levels in the fair value hierarchy according to the degree to which the inputs used in the fair value measurement are observable.

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

At December 31, 2022 the Company had no financial instruments classified as Level 2 or 3.

21. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and price risk. The aim of the Company's overall risk management strategy is to reduce the potential adverse effect that these risks may have on the Company's financial position and results. The Company's Board of Directors has overall responsibility and oversight of management's risk management practices. Risk management is carried out by the Board through the Nominating and Corporate Governance Committee with the policies being recommended for approval by the Board of Directors at least annually or when changes are required.

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2022, the Company had a cash and cash equivalents balance of $46,220,938 (December 31, 2021 – $54,748,652) to settle current liabilities of $1,964,868 (December 31, 2021 – $1,704,530). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At December 31, 2022, the Company has no sources of revenue to fund its operating and development expenditures and has historically relied solely on non-brokered private placements to fund its operations. The Company's cash balance of $46,220,938 at December 31, 2022 is sufficient to fund the 2023 work program as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of an equity or debt financing.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, short-term investments, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents and short-term investments as low as its funds are held in several highly rated Canadian financial institutions.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Company's consolidated statements of financial position.

		December 31, 2022		December 31, 2021
Cash and cash equivalents	**$**	**46,220,938**	$	54,748,652
Short-term investments		**-**		15,000,000
Other receivables		**343,346**		174,511
Deposits		**126,270**		112,364
	$	**46,690,554**	**$**	70,035,527

c) Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

i. Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts or other highly liquid interest-bearing short-term investments. The Company regularly monitors its cash management policy.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At December 31, 2022, cash balances were held primarily in Canadian and US dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk, however exchange rates are continually monitored for any significant changes. A portion of the Company's exploration expenses are paid in USD, and over the past two years the Company converted a portion of its CAD cash balances into USD to reduce its currency risk exposure related to the CAD.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP.

(Expressed in Canadian dollars, except where otherwise noted)

At December 31, 2022 and December 31, 2021, the Company had the following foreign currency denominated trade payables:

		December 31, 2022		December 31, 2021
United States dollar	**$**	**102,028**	$	165,803
Mexican Peso		**360,325**		226,833
	$	**462,353**	$	392,636

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Peso against the Canadian Dollar would affect net loss at December 31, 2022 by approximately $45,735 (December 31, 2021: $38,778).

iii. Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movement and volatility. The Company closely monitors commodity prices, particularly as they relate to base and precious metals, and movements in the price of individual equity securities, and movements in the stock market generally, to assist in determining the appropriate course of action to be taken by the Company.

At December 31, 2022, Management has determined the Company's exposure to price risk to be at an acceptable level.

22. SEGMENTED INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has one operating segment, which is involved in the exploration and development of polymetallic mineral deposits. All of the Company's mineral properties are located in Mexico.

Segment performance is evaluated based on several operating and financial measures, including net loss and total comprehensive loss, which is measured consistently with net loss and total comprehensive loss in the consolidated financial statements.

(Expressed in Canadian dollars, except where otherwise noted)

The net loss and total comprehensive loss are distributed by geographic region as follows:

				Years Ended December 31,
		2022		2021
Canada	**$**	**(11,984,115)**	$	(8,544,875)
Mexico		**(28,673,636)**		(26,959,912)
Net loss and total comprehensive loss	**$**	**(40,657,751)**	$	(35,504,787)

23. RELATED PARTY TRANSACTIONS

a) Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as well as those personnel with responsibility for the oversight of the Company's activities. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Related party transactions for the years ended December 31, 2022 and 2021 are as follows:

			Years Ended December 31,		
Transaction Type	**Nature of Relationship**		**2022**		2021
Non-cash share-based payments	Directors and officers	**$**	**6,490,981**	$	4,704,460
Salaries and benefits	Officers		**2,190,000**		1,658,000
Director fees	Directors		**325,000**		357,042
		$	**9,005,981**	$	6,719,502

A summary of amounts due to related parties:

Transaction Type	**Nature of Relationship**		**December 31, 2022**		December 31, 2021
Salaries and benefits payable	Directors, officers, and employees	**$**	**1,138,517**	$	826,163
		$	**1,138,517**	$	826,163

24. EVENTS AFTER THE REPORTING PERIOD

a) Long-term incentive grants

On January 27, 2023, the Company announced that it had granted long-term incentives to certain officers, employees, and directors of the Company. Pursuant to the Company's stock option plan, an aggregate total of 1,600,000 stock options were granted to certain officers. The Options, each exercisable for one common share of the Company at an exercise price of C$1.42 per share, vest annually in three equal tranches beginning on the first anniversary of the grant date of January 26, 2023. The Options will expire on January 26, 2028, five years after the grant date.

Pursuant to the Company's restricted share unit plan, an aggregate total of 2,870,599 RSUs were granted to certain officers and employees. The RSUs, each redeemable for one common share of the Company, vest annually in three equal tranches beginning on the first anniversary of the grant date of January 26, 2023.

Pursuant to the Company's deferred share unit plan, an aggregate total of 1,080,025 DSUs were granted to non-executive directors. The DSUs vest on the first anniversary of the grant date of January 26, 2023, but may only be redeemed on the termination date of a director, in accordance with the DSU plan.

b) Appointment of Chief Executive Officer

On January 23, 2023, the Company announced the appointment of Tony Makuch as Chief Executive Officer.

c) Filing of Final Base Shelf Prospectus

On March 24, 2023, the Company announced the filing of its final short form base prospectus allowing for the sale of Common Shares, Warrants, Subscription Receipts and Units of the Company in one or more series of issuances for aggregate gross proceeds of up to $300,000,000 for a period of 25 months following the filing.