ANDEAN
PRECIOUS METALS

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2023

(Unaudited- in United States Dollars, unless otherwise stated)

(in thousands of US dollars, Unaudited)

	Notes		June 30, 2023		December 31, 2022
ASSETS					
Current					
Cash and cash equivalents		**$**	**70,427**	$	80,729
Inventories	3		**24,597**		11,720
Value added taxes	4		**5,760**		8,937
Prepaid assets			**2,923**		2,044
Other assets			**2,486**		532
Marketable securities and other investments	5		**4,687**		5,338
Total current assets			**110,880**		109,300
Non-Current					
VAT receivable	4		**4,866**		2,441
Other assets			**198**		198
Deferred tax asset			**5,834**		5,353
Property, plant and equipment	6		**13,416**		16,565
Total non-current assets			**24,314**		24,557
Total assets		**$**	**135,194**	$	133,857
LIABILITIES					
Current					
Accounts payable and accrued liabilities		**$**	**13,866**	$	13,113
Current income taxes payable			**2,260**		1,794
Current portion of provision for reclamation			**335**		436
Other provisions			**4,150**		3,682
Total current liabilities			**20,611**		19,025
Non-Current					
Provision for reclamation			**20,290**		20,017
Other provisions			**338**		388
Total non-current liabilities			**20,678**		20,405
Total liabilities			**41,289**		39,430
EQUITY					
Issued capital	9		**23,242**		23,160
Accumulated other comprehensive loss			**390**		390
Contributed surplus			**1,994**		2,986
Retained earnings			**68,279**		67,891
Total equity			**93,905**		94,427
Total liabilities and equity		**$**	**135,194**	$	133,857

Contingencies (note 12)

Approved on behalf of the Board:

Original signed by:

//Alberto Morales ***//Peter Gundy***

(in thousands of US dollars, except per share amounts, unaudited)

	Notes	For the three months ended June 30, 2023	For the three months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Revenues	7	**$ 15,284**	$ 28,892	**$ 38,329**	$ 58,780
Cost of sales	8(a)	**(11,771)**	(24,532)	**(32,988)**	(45,179)
Depreciation and depletion		**(1,065)**	(747)	**(2,519)**	(3,564)
Income from mine operations		**2,448**	3,613	**2,822**	10,037
General and administrative	8(b)	**(3,120)**	(3,550)	**(5,575)**	(6,422)
Exploration and evaluation		**(389)**	(993)	**63**	(1,904)
(Loss) Income from operations		**(1,061)**	(930)	**(2,690)**	1,711
Other income (loss)	8(c)	**2,585**	(2,955)	**3,910**	(395)
Finance costs	8(d)	**(407)**	(339)	**(807)**	(660)
Foreign exchange		**1,068**	(459)	**1,434**	(406)
Net income (loss) before income taxes		**2,185**	(4,683)	**1,847**	250
Income taxes					
Current income tax expense		**(2,260)**	(1,045)	**(1,940)**	(3,487)
Deferred income tax recovery (expense)		**244**	(456)	**481**	(672)
Net income (loss) and comprehensive income (loss)		**$ 169**	$ (6,184)	**$ 388**	$ (3,909)
Earnings per share					
Basic net income (loss) per share	10	$ 0.00	(0.04)	0.00	(0.02)
Diluted net income (loss) per share	10	$ 0.00	(0.04)	0.00	(0.02)
Weighted average number of common shares outstanding					
Basic		**158,474,893**	157,914,131	**158,601,832**	157,701,708
Diluted		**159,480,678**	157,914,131	**158,754,705**	157,701,708

(in thousands of US dollars, unaudited)

	Notes	Six months ended June 30, 2023	June 30, 2022
Operating activities			
Net income (loss)		**$ 388**	$ (3,909)
Adjustments:			
Depreciation and depletion		**2,519**	3,564
Accretion on decommissioning liability		**671**	565
Share-based compensation	9(b)	**316**	1,034
Unrealized derivative gain	11(ii)	**(972)**	-
Change in fair value of marketable securities	8(c)	**687**	179
Reclamation payments		**(89)**	-
Current income tax expense		**1,940**	3,487
Deferred income tax (recovery) expense		**(481)**	672
Foreign exchange (loss) gain		**(1,434)**	406
Operating cash flow before changes in non-cash working capital		**3,545**	5,998
Changes in non-cash working capital	15	**(13,161)**	(3,250)
Net cash (used in) provided from operating activities		**(9,616)**	2,748
Investing activities			
Expenditures on property, plant and equipment		**(858)**	(1,081)
Investment in marketable securities		**(175)**	-
Net cash used in investing activities		**(1,033)**	(1,081)
Financing activities			
Shares repurchased for cancellation		**(1,226)**	-
Lease payments		**-**	(88)
Proceeds from disposal of marketable securities		**139**	-
Net cash used in financing activities		**(1,087)**	(88)
Effect of exchange rate changes on cash		**1,434**	(406)
Net (decrease) increase in cash during the period		**(10,302)**	1,173
Cash, beginning of year		**80,729**	87,276
Cash, end of year		**$ 70,427**	$ 88,449

(in thousands of US dollars, except common share amounts, unaudited)

	Notes	Number of common shares		Issued capital		Contributed Surplus		Retained earnings		Accumulated other comprehensive loss (income)		Total equity
Balance, January 1, 2023		**158,032,756**	**$**	**23,160**	**$**	**2,986**	**$**	**67,891**	**$**	**390**	**$**	**94,427**
Shares repurchased for cancellation	9(a)	(2,057,600)		(1,226)		-		-		-		(1,226)
Vested RSUs	9(a)	1,471,177		1,308		(1,308)		-		-		-
Share-based compensation		-		-		316		-		-		316
Net income for the period		-		-		-		388		-		388
Balance, June 30, 2023		**157,446,333**	**$**	**23,242**		**1,994**	**$**	**68,279**	**$**	**390**	**$**	**93,905**
Balance, January 1, 2022		**157,473,506**	**$**	**22,564**		**1,622**	**$**	**77,982**	**$**	**390**	**$**	**102,558**
Vested RSUs		440,625		396		(396)		-		-		-
Share-based compensation		-		-		1,034		-		-		1,034
Net loss for the period		-		-		-		(3,909)		-		(3,909)
Balance, June 30, 2022		**157,914,131**	**$**	**22,960**		**2,260**	**$**	**74,073**	**$**	**390**	**$**	**99,683**

1. NATURE OF OPERATIONS

The Company owns a 100% interest in, through direct and indirect interests, Empresa Minera Manquiri S.A. ("Manquiri") which is the operator of the San Bartolomé mine and processing facility, near Potosì, Bolivia. The Company is engaged in the exploration, exploitation, treatment, refining and commercialization of doré containing silver and gold, which it extracts from its own mining rights and through purchased third-party material. The Company also holds a portfolio of earlier-stage mineral properties located in Bolivia and continues to explore its options of exploring these properties.

The address of the Company's registered office is 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117 Vancouver, BC V6E 4N7. The Company's ultimate controlling shareholder is PMB Partners LP, a Canadian partnership.

2. BASIS OF PRESENTATION

a) Statement of compliance

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting and do not include all the information and disclosures required in the annual consolidated financial statements. Accordingly certain information and disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. These consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2022. In particular, the Company's significant accounting policies were summarized in Note 2(c) of the consolidated financial statements for the year ended December 31, 2022 and have been consistently applied in the preparation of these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Company's board of directors (the "Board of Directors") on August 15, 2023.

b) Basis of measurement

The unaudited condensed interim consolidated financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities, which are measured at fair value, as specified by IFRS for each type of asset, liability, income and expense as set out in the accounting policies below.

c) Significant judgments, estimates and assumptions

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Judgments, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. However, actual outcomes may differ materially from these estimates.

The significant judgments, estimates and nature of assumptions made by management in applying the Company's accounting policies were the same as those that applied to the Company's annual consolidated financial statements as at and for the year ended December 31, 2022.

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

d) Summary of significant accounting policies

New and amended IFRS standards that are effective for the current year:

In the current year, the Company has applied a number of new amendments to existing IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

In May 2023, the International Accounting Standards Board issued International Tax Reform – Pillar Two Model Rules, which amended IAS 12, Income Taxes (IAS 12). The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments apply to income taxes arising from changes to tax law enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development(“OECD”). The amendments became effective upon issuance, except for certain disclosure requirements which became effective for annual reporting periods beginning on or after January 1, 2023.

Future changes in accounting policies not yet effective in the current period

In April 2021, the IASB issued amendments to IAS 1- Presentation of Financial Statements (“IAS 1”). The amendments to IAS 1 clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted.

The Company will adopt the amendment on the date it becomes effective and is currently evaluating the impact of the amendment on its consolidated financial statements. Based on the currently available information, the Company does not anticipate any impact from this amendment on its financial statements.

In May 2023, the IASB issued amendments to IAS 7 requiring entities to provide qualitative and quantitative information about their supplier finance arrangements. In connection with the amendments to IAS 7, the IASB also issued amendments to IFRS 7 requiring entities to disclose whether they have accessed, or have access to, supplier finance arrangements that would provide the entity with extended payment terms or the suppliers with early payment terms. These amendments are effective on January 1, 2024, and are not expected to have a significant impact on the Company’s financial statements.

3. INVENTORIES

		June 30, 2023		December 31, 2022
Material in stockpiles	**$**	**2,314**	$	1,515
In-process inventory		**606**		456
Metal at third-party refinery		**11,347**		121
Doré		**2,068**		1,531
Precious metals inventory		**16,335**		3,623
Material and supplies		**8,262**		8,097
Total inventories	**$**	**24,597**	$	11,720

As at June 30,2023 and December 31, 2022, the Company did not recognize any cash or non-cash inventory write-downs included in cost of sales.

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

4. VAT RECEIVABLE

The following table summarizes the changes in VAT assets:

		June 30, 2023		December 31, 2022
Balance, beginning of the period	**$**	**11,378**	$	11,187
Additions		**4,774**		17,067
Recoveries		**(1,508)**		(10,474)
Certificates utilized		**(4,018)**		(6,402)
Balance, end of the period	**$**	**10,626**	$	11,378
Current	**$**	**5,760**	$	8,937
Non-current		**4,866**		2,441
	$	**10,626**	$	11,378

As VAT is certified, the Company receives VAT Certificates from the Bolivian taxation authorities. Such VAT Certificates can be used to repay taxes or can be sold for cash at a small discount. As at June 30, 2023, the Company had $1,548 of VAT Certificates on hand (December 31, 2022- $4,103).

5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

		June 30, 2023		December 31, 2022
Opening balance	**$**	**5,338**	$	4,177
Addition		**175**		1,520
Disposal		**(139)**		(1,072)
Realized gain on disposal		**25**		(448)
Net book value		**5,399**		4,177
Change in fair value		**(712)**		1,161
	$	**4,687**	$	5,338

6. PROPERTY, PLANT AND EQUIPMENT

		Computer equipment and vehicles		Construction in progress		Plant and mineral properties in production		Total
Net book value, January 1, 2022	**$**	**1,011**	**$**	**2,272**	**$**	**17,412**	**$**	**20,695**
Additions		-		2,204		-		2,204
Transfers		52		(2,651)		2,599		-
Change in decommissioning liability		-		-		886		886
Depreciation and depletion		(352)		-		(6,868)		(7,220)
Net book value, December 31, 2022	**$**	**711**	**$**	**1,825**	**$**	**14,029**	**$**	**16,565**
Additions				858				858
Transfers		68		(1,200)		1,132		-
Change in decommissioning liability						(410)		(410)
Depreciation and depletion		(186)				(3,411)		(3,597)
Net book value, June 30, 2023	**$**	**593**		**1,483**		**11,340**		**13,416**

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

7. REVENUE

The breakdown of revenue by commodity is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Silver	**$ 15,284**	$ 27,244	**$ 37,914**	$ 55,849
Gold	**-**	1,648	**415**	2,931
Total revenue	**$ 15,284**	$ 28,892	**$ 38,329**	$ 58,780

For the three and six months ended June 30, 2023, and 2022, the Company had one customer. As at June 30, 2023 the outstanding trade receivable balance for this customer was $nil (June 30, 2022 - $nil).

8. EXPENSES

a) Cost of sales

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Direct costs (1)	**$ 9,730**	$ 22,371	**$ 29,256**	$ 40,783
Mining royalty taxes (2)	**2,041**	2,161	**3,732**	4,396
Total cost of sales	**$ 11,771**	$ 24,532	**$ 32,988**	$ 45,179

(1) Direct costs for the three and six months ended June 30, 2023, include $4.0 million and $7.8 million in employee costs and benefits expense (three and six months ended June 30, 2022 - $3.5 million and $7.0 million respectively) and operation support costs for the three and six months ended June 30, 2023 of $nil and $0.1 million (June 30, 2022 - $0.4 million and $0.8 million).

(2) Mining royalty taxes refer to sales and exportation taxes payable to government authorities.

b) General and administrative

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Compensation costs and office administration (1)	**$ 2,118**	$ 1,780	**$ 4,000**	$ 3,232
Share based compensation	**236**	449	**365**	1,034
Corporate development costs	**403**	749	**576**	1,056
Other expenses (note 14)	**209**	-	**318**	-
Management fee (note 14)	**-**	433	**-**	867
Community relations	**154**	139	**316**	233
Total general and administrative	**$ 3,120**	$ 3,550	**$ 5,575**	$ 6,422

(1) For the three and six months ended June 30, 2023 includes $0.7 million and $1.4 million in compensation costs and benefits expense (three and six months ended June 30, 2022 - $0.4 million and $1.1 million respectively).

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

c) Other income

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Uncollected VAT and VAT adjustments	**$**	**37**	$	8	**$**	**83**	$	31
Gain and change in fair value of marketable securities (note 5)		**(1,451)**		(2,882)		**(687)**		(179)
Interest income		**606**		(20)		**1,116**		100
Change in fair value of derivative instrument (note 11)		**972**		-		**972**		-
Unwinding of forward contract (note 11)		**2,339**		-		**2,339**		-
Other income (expenses)		**82**		(61)		**87**		(347)
Total other income	**$**	**2,585**	$	(2,955)	**$**	**3,910**	$	(395)

d) Finance costs

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Accretion on decommissioning liability	**$**	**354**	$	283	**$**	**672**	$	565
Banking expense		**53**		56		**135**		95
Total finance costs	**$**	**407**	$	339	**$**	**807**	$	660

9. ISSUED CAPITAL

a) Authorized share capital

The Company has an unlimited number of common shares without par value authorized for issue. The Company does not currently pay dividends and entitlement will only arise upon declaration.

(i) Common shares issued

During the six months ended June 30, 2023, the Company issued 1,471,177 common shares with a value of $1.3 million to satisfy the exercise of restricted share units ('RSUs)", associated with the Company's Omnibus Long-Term Incentive Plan ("Omnibus Plan"), granted to certain former senior management of the Company.

(ii) Common shares purchased for cancellation

During the six months ended June 30, 2023, the Company acquired and cancelled 2,057,600 common shares purchased through the Normal Course Issuer Bid ("NCIB") at an average cost of C$0.83 per share for a total cost of $1.2 million (C$1.6 million). The total consideration received for the cancelled shares, including transaction costs, was treated as a reduction to common share capital.

For the three and six months ended June 30, 2023 the cancellation of these common shares impacted the calculation of basic and diluted weighted average common shares.

As at June 30, 2023, there were 157,446,333 issued and outstanding shares (December 31, 2022- 158,032,756).

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

b) Share- based payments

The Company has an Omnibus Plan pursuant to which it may issue stock options and RSUs. The following is a summary of the number of stock options issued under the Omnibus Plan outstanding as at June 30, 2023 and the amounts of share-based compensation expense recognized for the six months ended June 30, 2023 and 2022.

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Stock options	**$**	**48**	$	36	**$**	**103**	$	100
Restricted share units		**188**		413		**262**		934
Total share-based compensation expense	**$**	**236**	$	449	**$**	**365**	$	1,034

(i) **Stock option plan**

The number of shares reserved for issuance under stock options issued pursuant to the Company's Omnibus Plan is limited to 10% of the number of common shares that were issued and outstanding on July 29, 2022, less any shares issuable under RSUs. Under the Omnibus Plan, the Board of Directors determine the term of a stock option to a maximum of 10 years, the period of time during which the stock options may vest and become exercisable as well as the stock option exercise price which shall not be less than the minimum price permitted by the policies of the TSX Venture Exchange.

The compensation committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

A summary of changes in the Company's outstanding stock options is presented below:

	Number	**Weighted average exercise price (C$)**
Balance, January 1, 2023	2,313,913	$ 1.15
Granted	65,455	-
Forfeited	(1,213,913)	($ 1.15)
Balance, June 30, 2023	1,165,455	$ 1.13

The following table summarizes information on stock options outstanding and exercisable as at June 30, 2023:

Grant date	**Weighted average contractual life**	**Number of unvested options**	**Exercise Price (C$)**	**Number of vested options**	**Expiry date**
March 29, 2021	2.75	-	$1.15	200,000	March 29, 2026
March 29, 2021	0.19		$1.15	100,000	September 8, 2023
September 12,2022	4.21	600,000	$1.15	-	September 12, 2027
November 24, 2022	4.41	200,000	$1.15	-	November 24, 2027
April 15,2023	2.79	65,455	$0.88	-	April 15, 2026
		865,455		300,000	

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

(ii) Restricted share units

The Omnibus Plan provides for a maximum number of common shares available and reserved for issuance to 10% of the number of common shares that were issued and outstanding on July 29, 2022, less any shares reserved for issuance under stock options.

The outstanding RSUs as at June 30, 2023 are as follows:

	Number outstanding		Fair value
Balance, January 1, 2023	2,112,913	$	412
Granted (1)	2,157,216		867
Expired	(400,000)		(54)
Exercised	(1,508,212)		(1,308)
Balance, June 30, 2023	**2,361,917**	**$**	**(83)**

(1) Included in the RSUs granted are 600,000 units that are going to be settled in cash. These cash settled RSUs are accounted for under the liability method using the Monte Carlo simulation option pricing model and vest 50% within 12 months of the grant day if certain market conditions are met and the remaining 50% within 24 months if certain market conditions are met.

As at June 30, 2023 the liability balance of $43 was included in the accrued liabilities attributable to the cash settled RSUs.

10. NET INCOME (LOSS) PER SHARE

As of June 30, 2023, the Company had 1,165,455 stock options and 2,361,917 RSUs outstanding.

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Net income (loss)	**$**	**169**	$	(6,184)	**$**	**388**	$	(3,909)
Basic weighted average number of common shares		**158,474,893**		157,914,131		**158,601,832**		157,701,708
Dilutive impact related to the RSU plan		**1,005,785**		-		**152,872**		-
Diluted weighted average shares outstanding		**159,480,678**		157,914,131		**158,754,705**		157,701,708

Net income (loss) per share – basic	**$**	**0.00**	$	(0.04)	**$**	**0.00**	$	(0.02)
Net income (loss) per share – diluted	**$**	**0.00**	$	(0.04)	**$**	**0.00**	$	(0.02)

For the three and six months ended June 30, 2023 and 2022, certain potentially anti-dilutive securities, including stock options, were excluded from the calculation of diluted net income (loss) per share due to the exercise prices being greater than the average market price of the Company's common shares for the respective periods. Anti-dilutive securities, excluded from the calculation, are summarized below:

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Stock options excluded from net income (loss) per share	**1,165**	1,914	**1,165**	1,914
RSUs excluded from net income (loss) per share	**-**	5,928	**-**	5,928

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value measurement of financial assets and liabilities

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and,

Level 3 - inputs for the asset or liability that are not based upon observable market data.

The carrying values of cash, restricted cash, trade payables and accrued liabilities approximate their fair value due to their short-term nature and are classified at amortized cost.

Marketable securities are classified as financial assets at fair value through profit or loss, are based on observable inputs and therefore considered to be Level 1.

The Company records its derivative contracts at fair value using a market approach based on observable quoted market prices. Mark-to-market adjustments and realized gains are recorded in other income (expense). Therefore, considered to be Level 2.

As at June 30, 2023 and December 31, 2022, there were no financial assets or liabilities measured and recognized in the statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy above.

There were no transfers between Level 1 and Level 2 or Level 3 during the periods ended June 30, 2023 and December 31, 2022.

The carrying values and fair values of the Company's financial instruments as at June 30, 2023 and December 31, 2022 are as follows:

		June 30, 2023			December 31, 2022		
		Carrying Value	**Fair Value**		Carrying Value		Fair Value
Financial assets							
Cash and cash equivalents	**$**	**70,427**	**70,427**	$	80,729	$	80,729
Silver zero collar option contracts		**972**	**972**		-		-
Marketable securities		**4,687**	**4,687**		5,338		5,338
Total financial assets	**$**	**76,086**	**76,086**	$	86,067	$	86,067
Financial liabilities							
Accounts payable and accrued liabilities	**$**	**13,866**	**13,866**	$	13,113	$	13,113
Total financial liabilities	**$**	**13,866**	**13,866**	$	13,113	$	13,113

Financial risk management

The Company's primary business activities consist of the acquisition, exploration, development and operation of mineral resource properties in Bolivia. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, commodity price risk, currency risk, liquidity risk, and interest rate risk. The Company's risk management program strives to evaluate the unpredictability of financial and commodity markets and its objective is to minimize the potential adverse effects of such risks on the Company's financial performance, where financially feasible to do so. When deemed material, these risks may be monitored by the Company's finance group and they are regularly discussed with the Board of Directors or one of its committees.

i. ***Credit risk***

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the consolidated financial statements.

The Company's credit risk is predominantly limited to cash and cash equivalent balances held in financial institutions. The maximum exposure to credit risk is equal to the carrying value of such financial assets.

The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Company assesses the quality of its counterparties, considering their credit worthiness and reputation, past performance and other factors.

The Company's cash is only deposited with or held by highly rated financial institutions. To manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

Silver and gold sales are made to one international organization specializing in the precious metals markets. The Company believes the international organization to be of sound credit worthiness, and to date, all receivables have been settled in accordance with agreed upon terms and conditions.

ii. ***Commodity price risk***

The Company is exposed to price risk associated with the volatility of the market price of commodities, in particular silver and gold, and also to many consumables that are used in the production of silver and gold.

The prices of most commodities are determined in international markets, and as such the Company has limited or no ability to control or predict the future level of most commodity prices. In some instances, the Company may have the ability to enter into derivative financial instruments to manage the Company's exposure to changes in the price of commodities such as gold, silver, oil and electricity.

In April 2023, to mitigate the risks associated with fluctuating silver prices, the Company entered into a zero-cost collar to hedge the price on a portion of silver associated with the San Bartolomé mine's production. The collar contracts were written at an average put strike price of $23 per ounce and an average call strike price of $30 per ounce, for 200,000 ounces per month beginning August 2023 through to December 2023. The silver collar contracts are not designated as hedges and are measured at fair value, determined based on forward silver prices, at the end of each reporting period, with changes in fair value recognized in other income or expense. As of June 30, 2023, the fair value of these contracts was a net asset of $1.0 million included in other current assets in the statement of financial position and corresponding unrealized gain in other income or loss line item of condensed consolidated interim statements of (loss) income. The fair value of silver collar contracts was determined based on option pricing models, silver future forward prices and information provided by the counter party.

During the second quarter of 2023, the Company entered into silver sales forward contracts for the delivery of 1,025,000 ounces of silver at an average price of $25.75 per ounce. As a result of the decrease in the silver price, the forward contracts were unwound, and net cash settled in May 2023. As a result of the unwinding of silver forward contracts, the Company recognized a realized gain of $2.3 million for the three and six months ended June 30, 2023, in other income or loss line item of condensed consolidated interim statements of (loss) income.

iii. Currency risk

The Company's functional currency is the US dollar. The Company is exposed to currency risk associated with the volatility of the currencies of the countries it operates in, relative to the US dollar, primarily with respect to the Bolivian Boliviano and Canadian dollar.

The Bolivian Boliviano has been fixed against the US dollar at a rate of 6.96 Bolivian Bolivianos to US dollars since 2008. There can be no guarantees that the Boliviano will continue to be fixed to the US dollar.

iv. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements and its exploration and production plans.

In the normal course of business, the Company enters into contracts and performs business activities that give rise to commitments for future minimum payments. The Company has no concentrations of liquidity risk.

v. Interest rate risk

The Company does not have any debt. Financial assets and financial liabilities with variable interest rates expose the Company to risk of changes in cash flows. Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company's cash and cash equivalents include highly liquid investments that earn interest at market rates. As at June 30, 2023, certain of the cash and cash equivalents were comprised of interest-bearing assets.

The Company does not enter into derivative contracts, interest rate swaps or other instruments to actively manage these risks.

12. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company and its subsidiaries may become defendants in certain employment claims and other litigation. The Company records a liability when it is probable that a loss has been incurred and the amount is reliably estimable. The Company is involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that the outcome of any potential litigation will not have a material adverse impact on the Company's financial position or results of operations.

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

13. SEGMENTED INFORMATION

The Company primarily operates in the silver and gold mining industry and its major product is silver doré bars. The Company's primary mining operation is the San Bartolomé mine, which operates in Bolivia.

The reported segments are those operations whose operating results are reviewed by the Chief Executive Officer and that pass certain quantitative measures. Operations with revenue, earnings or losses or assets exceed 10% of the total consolidated revenue, earnings or losses, or assets are reportable segments.

June 30, 2023		**Bolivia**		**Corporate**		**Total**
Total assets	$	129,927		5,267		**135,194**
Total liabilities		40,817		472		**41,289**
Net assets	$	89,110		4,795		**93,905**

December 31, 2022		**Bolivia**		**Corporate**		**Total**
Total assets	$	124,306	$	9,551	$	133,857
Total liabilities		38,053		1,377		39,430
Net assets	$	86,253	$	8,174	$	94,427

		Three months ended June 30, 2023						**Six months ended June 30, 2023**				
		Bolivia		**Corporate**		**Total**		**Bolivia**		**Corporate**		**Total**
Revenue	$	15,284	$	-	**$**	**15,284**	**$**	38,329	$	-	**$**	**38,329**
Cost of sales		(11,771)		-		**(11,771)**		(32,988)		-		**(32,988)**
Depreciation and depletion		(1,065)		-		**(1,065)**		(2,519)		-		**(2,519)**
General and administrative		(1,539)		(1,581)		**(3,120)**		(2,926)		(2,649)		**(5,575)**
Exploration and evaluation		(389)		-		**(389)**		63		-		**63**
Income (loss) from operations	$	520	$	(1,581)	**$**	**(1,061)**	**$**	(41)	$	(2,649)	**$**	**(2,690)**

		Three months ended June 30, 2022						**Six months ended June 30, 2022**				
Revenue	$	28,892	$	-	**$**	**28,892**	**$**	58,780	$	-	**$**	**58,780**
Cost of sales		(24,532)		-		**(24,532)**		(45,179)		-		**(45,179)**
Depreciation and depletion		(747)		-		**(747)**		(3,564)		-		**(3,564)**
General and administrative		(1,325)		(2,225)		**(3,550)**		(2,602)		(3,820)		**(6,422)**
Exploration and evaluation		(993)		-		**(993)**		(1,904)		-		**(1,904)**
Income (loss) from operations	$	1,295	$	(2,225)	**$**	**(930)**	**$**	5,531	$	(3,820)	**$**	**1,711**

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

14. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. 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, including officers at its subsidiaries. Management fees and other expenses are payable to companies controlled by the Executive Chairman and Chief Executive Officer of the Company.

The total amount paid or payable to key management, amounted to:

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Management fees (1) (2) (3)	**$**	**-**	$	771	**$**	**-**	$	1,542
Other expenses (4)		**209**		-		**427**		-
Compensation costs and benefits		**606**		336		**1,170**		635
Stock-based compensation		**202**		443		**315**		1,017
Total	**$**	**1,017**	$	1,550	**$**	**1,912**	$	3,194

(1) Management fees includes administrative costs and compensation costs and benefits of certain employees in Mexico who provide administrative and operational services to the Company.
(2) Management fees included cost of sales on the consolidated statement of income and comprehensive income for three and six months ended June 30, 2023, were $nil (three and six months ended June 30, 2022 - $385 and $771 respectively).
(3) Management fees included in general and administrative expenses on the consolidated statement of income and comprehensive income for three and six months ended June 30, 2023, were $nil (three and six months ended were June 30, 2022 - $385 and $771 respectively).
(4) Other expenses include rental fees for the corporate office in Monterrey, administrative and operations support services and reimbursable expenses for third party technology licenses and fees. Included in cost of sales on the consolidated statement of income and comprehensive income for three and six months ended were June 30, 2023, were $nil and $109 respectively (three and six months ended June 30, 2022 - $nil).

15. SUPPLEMENTAL DISCLOSURE

Changes in working capital:

	Six months ended			
		June 30, 2023		June 30, 2022
Increase in inventories	**$**	**(11,799)**	$	(1,832)
Decrease (increase) in VAT receivables		**752**		(3,048)
Increase in prepaid assets		**(879)**		(522)
Increase in other assets		**(982)**		(140)
Increase (decrease) in other provisions		**468**		(48)
Increase in accounts payables		**753**		2,675
Decrease in income taxes payable		**(1,474)**		(335)
Total	**$**	**(13,161)**	$	(3,250)