ANDEAN PRECIOUS METALS

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2023

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

(in thousands of US dollars, Unaudited)

	Notes		September 30, 2023		December 31, 2022
ASSETS					
Current					
Cash and cash equivalents		**$**	**76,823**	$	80,729
Inventories	3		**17,861**		11,720
Value added taxes	4		**5,171**		8,937
Prepaid assets			**4,810**		2,044
Other assets	6		**1,772**		532
Marketable securities and other investments	5		**3,405**		5,338
Total current assets			**109,842**		109,300
Non-Current					
VAT receivable	4		**6,432**		2,441
Other assets	6		**1,956**		198
Deferred tax asset			**5,456**		5,353
Property, plant and equipment	7		**12,502**		16,565
Marketable securities and other investments	5		**864**		-
Total non-current assets			**27,210**		24,557
Total assets		**$**	**137,052**	$	133,857
LIABILITIES					
Current					
Accounts payable and accrued liabilities		**$**	**14,342**	$	13,113
Derivative financial liability	6		**416**		-
Current income taxes payable			**4,731**		1,794
Current portion of provision for reclamation			**9**		436
Other provisions			**4,223**		3,682
Total current liabilities			**23,721**		19,025
Non-Current					
Provision for reclamation			**19,610**		20,017
Other provisions			**-**		388
Total non-current liabilities			**19,610**		20,405
Total liabilities			**43,331**		39,430
EQUITY					
Issued capital	10		**22,808**		23,160
Accumulated other comprehensive loss			**390**		390
Contributed surplus			**2,168**		2,986
Retained earnings			**68,355**		67,891
Total equity			**93,721**		94,427
Total liabilities and equity		**$**	**137,052**	$	133,857

Contingencies (note 13)
Subsequent event (note 17)

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 September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Revenues	8	**$ 38,174**	$ 23,603	**$ 76,503**	$ 82,383
Cost of sales	9(a)	**(30,892)**	(23,051)	**(63,880)**	(68,231)
Depreciation and depletion		**(1,009)**	(1,982)	**(3,528)**	(5,546)
Income from mine operations		**6,273**	(1,430)	**9,095**	8,606
General and administrative	9(b)	**(2,701)**	(3,545)	**(8,276)**	(9,967)
Exploration and evaluation		**(378)**	(1,253)	**(315)**	(3,157)
Income (loss) from operations		**3,194**	(6,228)	**504**	(4,518)
Other income (loss)	9(c)	**(872)**	9	**3,038**	(386)
Finance costs	9(d)	**(347)**	(328)	**(1,154)**	(988)
Foreign exchange		**949**	(471)	**2,383**	(877)
Net income (loss) before income taxes		**2,924**	(7,018)	**4,771**	(6,769)
Income taxes					
Current income tax expense		**(2,470)**	4,116	**(4,410)**	629
Deferred income tax recovery (expense)		**(378)**	62	**103**	(610)
Net income (loss) and comprehensive income (loss)		**$ 76**	$ (2,840)	**$ 464**	$ (6,750)
Earnings per share					
Basic net income (loss) per share	11	$ 0.00	(0.02)	0.00	(0.04)
Diluted net income (loss) per share	11	$ 0.00	(0.02)	0.00	(0.04)
Weighted average number of common shares outstanding					
Basic		**157,023,512**	157,923,815	**158,072,974**	157,776,109
Diluted		**157,596,978**	157,923,815	**158,279,855**	157,776,109

(in thousands of US dollars, unaudited)

	Notes		Nine months ended September 30, 2023		September 30, 2022
Operating activities					
Net income (loss)		**$**	**464**	$	(6,750)
Adjustments:					
Depreciation and depletion			**3,528**		5,546
Accretion on decommissioning liability			**998**		842
Share-based compensation	10(b)		**490**		1,486
Unrealized derivative gain	12(ii)		**(797)**		-
Change in fair value of marketable securities	9(c)		**2,128**		(204)
Reclamation payments			**(130)**		-
Current income tax expense			**4,410**		(629)
Deferred income tax (recovery) expense			**(103)**		610
Foreign exchange (loss) gain			**(2,383)**		889
Operating cash flow before changes in non-cash working capital			**8,605**		1,790
Changes in non-cash working capital	16		**(9,560)**		(1,545)
Net cash (used in) provided from operating activities			**(955)**		245
Investing activities					
Expenditures on property, plant and equipment			**(2,615)**		(1,823)
Investment in marketable securities			**(1,198)**		-
Net cash used in investing activities			**(3,813)**		(1,823)
Financing activities					
Shares repurchased for cancellation			**(1,660)**		-
Lease payments			**-**		(135)
Proceeds from disposal of marketable securities			**139**		-
Net cash used in financing activities			**(1,521)**		(135)
Effect of exchange rate changes on cash			**2,383**		(889)
Net (decrease) increase in cash during the period			**(3,906)**		(2,602)
Cash, beginning of year			**80,729**		87,276
Cash, end of year		**$**	**76,823**	$	84,674

(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**	**$**	**94,427**
Shares repurchased for cancellation	10(a)	(2,838,100)		(1,660)		-		-		-		(1,660)
Vested RSUs	10(a)	1,471,177		1,308		(1,308)		-		-		-
Share-based compensation		-		-		490		-		-		490
Net income for the period		-		-		-		464		-		464
Balance, September 30, 2023		**156,665,833**	**$**	**22,808**		**2,168**	**$**	**68,355**	**$**	**390**	**$**	**93,721**
Balance, January 1, 2022		**157,473,506**	**$**	**22,564**		**1,622**	**$**	**77,982**	**$**	**390**	**$**	**102,558**
Vested RSUs		881,250		792		(792)		-		-		-
Share-based compensation		-		-		1,486		-		-		1,486
Net loss for the period		-		-		-		(6,750)		-		(6,750)
Balance, September 30, 2022		**158,354,756**	**$**	**23,356**		**2,316**	**$**	**71,232**	**$**	**390**	**$**	**97,294**

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 161 Bay Street, Suite 2700, Toronto, ON M5J 2S1. 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 November 29, 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.

d) Summary of significant accounting policies

Derivative instruments and hedge accounting

The Company may enter into derivative instruments to mitigate economic exposures to commodity prices, interest rates and currency exchange rate fluctuations. When the Company elects to use hedge accounting, the Company formally documents relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking all derivatives to specific assets and liabilities recognized or forecasted transactions. At the inception of the hedge and on an ongoing basis, the Company assesses whether the derivative hedge instruments that are used in the hedging relationship are highly effective in offsetting changes in fair values of cash flows of the hedged items.

Derivative instruments are classified as either hedges of highly probable forecasted transactions ("cash flow hedges") or non-hedge derivatives.

(i) ***Non-hedge Derivatives***

Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as FVTPL and measured at fair value with gains or losses arising from changes in the fair value recorded in the Consolidated Statements of Operations and Comprehensive Income in the period they occur. Fair values for derivative instruments classified as FVTPL are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

The Company assesses whether a contract contains embedded derivatives when it becomes party to the contract. Embedded derivatives identified in financial liabilities or non-financial instrument contracts are recognized separately unless they are considered to be closely related to the host contract. Embedded derivatives that are separated from their host contracts are recorded in the Condensed Consolidated Interim Statements of Financial Position at fair value, and mark-to-market adjustments on these instruments are included in the Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income.

Derivative assets and liabilities are shown separately in the Condensed Consolidated Interim Statements of Financial Position unless there is a legal right to offset and intent to settle on a net basis. Derivative instruments are classified as current or non-current assets or liabilities in the Condensed Consolidated Interim Statements of Financial Position, depending on their contractual maturity dates.

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.

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

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

		September 30, 2023		December 31, 2022
Material in stockpiles	**$**	**1,899**	$	1,515
In-process inventory		**933**		456
Metal at third-party refinery		**4,552**		121
Doré		**1,797**		1,531
Precious metals inventory		**9,181**		3,623
Material and supplies		**8,680**		8,097
Total inventories	**$**	**17,861**	$	11,720

As at September 30,2023, the Company recognized $0.4 million cash or non-cash inventory write-downs included in cost of sales. (December 31, 2022-Nil)

4. VAT RECEIVABLE

The following table summarizes the changes in VAT assets:

		September 30, 2023		December 31, 2022
Balance, beginning of the period	**$**	**11,377**	$	11,187
Additions		**7,084**		17,067
Recoveries		**(2,175)**		(10,474)
Certificates utilized		**(4,683)**		(6,402)
Balance, end of the period	**$**	**11,603**	$	11,378
Current	**$**	**5,171**	$	8,937
Non-current		**6,432**		2,441
	$	**11,603**	$	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 September 30, 2023, the Company had $1,549 of VAT Certificates on hand (December 31, 2022- $4,103).

5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

		September 30, 2023		December 31, 2022
Opening balance	**$**	**5,338**	$	4,177

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

Addition		**1,198**		1,520
Disposal		**(139)**		(1,072)
Realized gain on disposal		**25**		(448)
Net book value		**6,422**		4,177
Change in fair value		**(2,153)**		1,161
Total marketable securities and other investments	**$**	**4,269**	$	5,338

Current	**$**	**3,405**	$	5,338
Non-current		**864**		-
	$	**4,269**	$	5,338

6. Other assets

		September 30, 2023		December 31, 2022
Derivative financial assets	**$**	**580**	$	-
Deferred charge (a)		**1,758**		-
Others		**1,390**		730
Total other assets	**$**	**3,728**	$	730

Current	**$**	**1,772**	$	532
Non-current(a)		**1,956**		198
	$	**3,728**	$	730

a) On September 12, 2023, the Company, along with its wholly owned subsidiary, Empresa Minera Manquiri, S.A ("Manquiri") entered into a Master Service Agreement ("the Agreement") with Silver Elephant Mining Corp. ("Silver Elephant") and several of its subsidiaries (collectively referred as "Silver Elephant ").

Under the Agreement, Manquiri has the right to purchase 800,000 tonnes of oxide material from the Paca silver project ("Paca"). The Agreement will expire on the earlier of (i) January 31, 2029, or (ii) when a total of 800,000 tonnes of oxide material have been delivered to the Manquiri's facility (the "Term"). Total cash consideration of $5 million, consists of a non-refundable amount of $1.2 million on closing the transaction ("initial consideration") and during the term of the agreement, Silver Elephant will be reimbursed for certain operating costs and Manquiri will eventually pay Silver Elephant for the oxide materials purchase at an amount equal to the total operating costs less any amounts paid during production. Manquiri will also pay an additional future cash consideration of $3.8M if and when certain milestones are met during the term of the agreement. In addition to the cash consideration, Manquiri will pay certain additional cash payments (the "Additional Consideration"), based on the LBMA silver spot price averages ("silver price"):

(i) $1,000,000 payable immediately by Andean if the silver price is $28/oz in any given 260 Day Trading Interval during the Term; and

(ii) $1,000,000 payable immediately by Andean if the silver price is $32/oz in any given 150 Day Trading Interval during the Term.

As of September 30, 2023, the initial consideration of $1.2 million is accounted for as a deferred charge asset that related to future receipt of oxide material and will be amortized using the units of production method over the life of the Project. The Company has not recognized any liability for the other consideration of $3.8 million, since the liabilities only materialize after the achievement of certain milestones, specifically Silver Elephant satisfactorily obtaining all necessary licenses, approvals, environmental permits incidental for the mining of the oxide materials from the Paca deposit.

Given the payments relate to future purchase of oxide under the Agreement that depends on changes to market conditions, the Additional Consideration payments are considered as embedded derivatives that are separately valued.

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

The embedded derivative was fair valued using Monte-Carlo averaging simulation technique on simulated silver prices. The paths of the silver prices are simulated as geometric Brownian motions which is an industry standard approach for simulating the expected future paths of silver prices. At the valuation dates, the following assumptions and market input are used in the simulation:

Valuation Date	September 12, 2023	September 30, 2023
Expiry Term	January 31, 2029	January 31, 2029
Silver Price (Spot)	23.105	23.075
Silver Volatility	26.050%	26.475%
Risk-free Rate	USD SOFR	
Credit Spread using US Metals and Mining Index	3.480%	3.590%

On signing the Agreement on September 12, 2023, the Company recognized in the condensed consolidated statement of financial position a derivative financial liability of $0.6 million and a corresponding amount as a deferred charge asset that related to future receipt of oxide material and will be amortized using the units of production method over the life of the Project.

As of September 30, 2023, the fair value of the embedded derivatives was a liability of $0.4 million with changes in fair value of $0.2 million recognized in other income or expenses line item of condensed consolidated interim statements of (loss) income.

7. 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		2,615		2,615
Transfers	68	(1,232)	1,164	-
Change in decommissioning liability			(1,702)	(1,702)
Depreciation and depletion	(254)	-	(4,722)	(4,976)
Net book value, September 30, 2023	**$ 525**	**3,208**	**8,769**	**12,502**

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

8. REVENUE

The breakdown of revenue by commodity is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Silver	**$ 37,782**	$ 22,499	**$ 75,696**	$ 78,348
Gold	**392**	1,104	**807**	4,035
Total revenue	**$ 38,174**	$ 23,603	**$ 76,503**	$ 82,383

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

9. EXPENSES

a) Cost of sales

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Direct costs [1]	**$ 28,852**	$ 21,254	**$ 58,108**	$ 62,037
Mining royalty taxes [2]	**2,040**	1,797	**5,772**	6,194
Total cost of sales	**$ 30,892**	$ 23,051	**$ 63,880**	$ 68,231

(1) Direct costs for the three and nine months ended September 30, 2023, include $3.2 million and $11.1 million in employee costs and benefits expense (three and nine months ended September 30, 2022 - $3.0 million and $10.0 million respectively) and operation support costs for the three and nine months ended September 30, 2023 of $nil and $0.1 million (September 30, 2022 - $0.4 million and $1.1 million).

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

b) General and administrative

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Compensation costs and office administration [1]	**$ 1,764**	$ 1,773	**$ 5,765**	$ 5,005
Share based compensation	**159**	452	**524**	1,486
Corporate development costs	**525**	722	**1,101**	1,778
Other expenses (note 14)	**111**	-	**428**	-
Management fee (note 14)	**-**	436	**-**	1,303
Community relations	**142**	162	**458**	395
Total general and administrative	**$ 2,701**	$ 3,545	**$ 8,276**	$ 9,967

(1) For the three and nine months ended September 30, 2023 includes $0.9 million and $2.3 million in compensation costs and benefits expense (three and nine months ended September 30, 2022 - $0.5 million and $1.8 million respectively).

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

c) Other income (loss)

		Three months ended September 30, 2023		2022		Nine months ended September 30, 2023		2022
Uncollected VAT and VAT adjustments	**$**	**(5)**	$	(285)	**$**	**78**	$	(254)
Gain and change in fair value of marketable securities (note 5)		**(1,441)**		383		**(2,128)**		204
Interest income		**848**		196		**1,964**		296
Change in fair value of derivative instrument (note 6(a) and 12)		**(175)**		-		**797**		-
Unwinding of forward contract (note 12)		**-**		-		**2,339**		-
Other income (expenses)		**(99)**		(285)		**(12)**		(632)
Total other income (loss)	**$**	**(872)**	$	9	**$**	**3,038**	$	(386)

d) Finance costs

		Three months ended September 30, 2023		2022		Nine months ended September 30, 2023		2022
Accretion on decommissioning liability	**$**	**326**	$	278	**$**	**998**	$	842
Banking expense		**21**		50		**156**		146
Total finance costs	**$**	**347**	$	328	**$**	**1,154**	$	988

10. 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 nine months ended September 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 nine months ended September 30, 2023, the Company acquired and cancelled 2,838,100 common shares purchased through the Normal Course Issuer Bid (“NCIB”) at an average cost of C$0.80 per share for a total cost of $1.7 million (C$2.2 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 nine months ended September 30, 2023 the cancellation of these common shares impacted the calculation of basic and diluted weighted average common shares.

As at September 30, 2023, there were 156,665,833 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 September 30, 2023 and the amounts of share-based compensation expense recognized for the nine months ended September 30, 2023 and 2022.

		Three months ended September 30,				Nine months ended September 30,		
		2023		2022		**2023**		2022
Stock options	**$**	**39**	$	39	**$**	**141**	$	139
Restricted share units		**121**		413		**383**		1,347
Total share-based compensation expense	**$**	**160**	$	452	**$**	**524**	$	1,486

(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	$ 0.88
Expired	(100,000)	($ 1.15)
Forfeited	(1,213,913)	($ 1.15)
Balance, September 30, 2023	1,065,455	$ 1.13

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

Grant date	**Weighted average contractual life**	**Number of unvested options**	**Exercise Price (C$)**	**Number of vested options**	**Expiry date**
March 29, 2021	2.50	-	$1.15	200,000	March 29, 2026
September 12,2022	3.95	-	$1.15	600,000	September 12, 2027
November 24, 2022	4.15	200,000	$1.15	-	November 24, 2027
April 15,2023	2.54	65,455	$0.88	-	April 15, 2026
		265,455		800,000	

(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 September 30, 2023 are as follows:

	Number outstanding		Grant date Fair value
Balance, January 1, 2023	2,112,913	$	412
Granted [1]	2,157,216		1,169
Expired	(400,000)		(54)
Exercised	(1,508,212)		(1,308)
Balance, September 30, 2023	**2,361,917**	**$**	**219**

[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 September 30, 2023 the liability balance of $33 was included in the accrued liabilities attributable to the cash settled RSUs.

11. NET INCOME (LOSS) PER SHARE

As of September 30, 2023, the Company had 1,065,455 stock options and 2,361,917 RSUs outstanding.

		Three months ended September 30,				Nine months ended September 30,		
		2023		2022		**2023**		2022
Net income (loss)	**$**	**76**	$	(2,840)	**$**	**464**	$	(6,750)
Dilutive impact related to cash settled RSU plan		**(15)**		-		**33**		-
Diluted income (loss)	**$**	**61**	$	(2,840	**$**	**497**	$	(6,750)
Basic weighted average number of common shares		**157,023,512**		157,923,815		**158,072,974**		157,776,109
Dilutive impact related to the RSU plan		**573,466**		-		**206,881**		-
Diluted weighted average shares outstanding		**157,596,978**		157,923,815		**158,279,855**		157,776,109
Net income (loss) per share – basic	**$**	**0.00**	$	(0.02)	**$**	**0.00**	$	(0.04)
Net income (loss) per share – diluted	**$**	**0.00**	$	(0.02)	**$**	**0.00**	$	(0.04)

For the three and nine months ended September 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 September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Stock options excluded from net income (loss) per share	**1,065**	1,914	**1,065**	1,914
RSUs excluded from net income (loss) per share	**1,188**	5,928	**1,555**	5,928

12. 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.

During the three and nine months ended September 30, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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

		September 30, 2023			December 31, 2022		
		Carrying Value	**Fair Value**		Carrying Value		Fair Value
Financial assets							
Cash and cash equivalents	**$**	**76,823**	**76,823**	$	80,729	$	80,729
Silver collar option contracts		**580**	**580**		-		-
Marketable securities		**3,405**	**3,405**		5,338		5,338
Total financial assets	**$**	**80,808**	**80,808**	$	86,067	$	86,067
Financial liabilities							
Accounts payable and accrued liabilities	**$**	**14,342**	**14,342**	$	13,113	$	13,113
Additional consideration payments to Silver Elephant (note 6(a))		**416**	**416**		-		-
Total financial liabilities	**$**	**14,758**	**14,758**	$	13,113	$	13,113

Valuation Techniques

Marketable securities

Marketable securities representing shares of publicly traded entities and are classified as financial assets at fair value through profit or loss. Marketable securities are recorded at fair value using quoted market prices (classified within Level 1 of the fair value hierarchy).

Additional consideration payments to Silver Elephant

The embedded derivative was fair valued using Monte-Carlo averaging simulation technique on simulated silver prices. The paths of the silver prices are simulated as geometric Brownian motions which is an industry standard approach for simulating the expected future paths of silver prices. As such, the liabilities**,** which meet the definition of an embedded derivative, are classified within Level 2 of the fair value hierarchy.

Silver collar option contracts

The Company records its silver collar option contracts at fair value determined based on option pricing models, silver future forward prices and information provided by the counter part. Realized gains are recorded in other income (expense). Therefore, considered to be Level 2 of the fair value hierarchy.

As at September 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.

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.

Zero cost collar Contracts

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 September 30, 2023, the fair value of these contracts was a net asset of $0.6 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.

The outstanding balance of the ounces associated with the contracts as of September 30,2023 are 600,000 ounces expected to settle by the end of the fourth quarter of 2023.

Silver sales forward

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. The unwinding of silver forward contracts resulted in the Company recognizing a realized gain of $2.3 million for the nine months ended September 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 September 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.

13. COMMITMENTS AND CONTINGENCIES

Commitments

As at September 30, 2023, the Company had future commitments from continuing operations of approximately $5.0 million for capital expenditures and milestones payments $3.8 million to Silver Elephant, which have not been accrued.

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)

14. 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 Corporate segment include the head office located in Monterrey, Mexico, the corporate office located in Toronto and Stockholm, Sweden.

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.

September 30, 2023	**Bolivia**	**Corporate**	**Total**
Total assets	$ 133,704	$ 3,348	**$ 137,052**
Total liabilities	42,637	694	**43,331**
Net assets	$ 91,067	$ 2,654	**$ 93,721**

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 September 30, 2023			**Nine months ended September 30, 2023**		
	Bolivia	**Corporate**	**Total**	**Bolivia**	**Corporate**	**Total**
Revenue	$ **38,174**	$ **-**	$ **38,174**	$ **76,503**	$ **-**	$ **76,503**
Cost of sales	**(30,892)**	**-**	**(30,892)**	**(63,880)**	**-**	**(63,880)**
Depreciation and depletion	**(1,009)**	**-**	**(1,009)**	**(3,528)**	**-**	**(3,528)**
General and administrative	**(1,263)**	**(1,438)**	**(2,701)**	**(4,189)**	**(4,087)**	**(8,276)**
Exploration and evaluation	**(378)**	**-**	**(378)**	**(315)**	**-**	**(315)**
Income (loss) from operations	$ **4,632**	$ **(1,438)**	$ **(3,194)**	$ **4,591**	$ **(4,087)**	$ **504**

	Three months ended September 30, 2022			Nine months ended September 30, 2022		
Revenue	$ 23,603	$ -	$ 23,603	$ 82,383	$ -	$ 82,383
Cost of sales	(23,051)	-	(23,051)	(68,231)	-	(68,231)
Depreciation and depletion	(1,982)	-	(1,982)	(5,546)	-	(5,546)
General and administrative	(1,191)	(2,354)	(3,545)	(3,793)	(6,174)	(9,967)
Exploration and evaluation	(1,253)	-	(1,253)	(3,157)	-	(3,157)
Income (loss) from operations	$ (3,874)	$ (2,354)	$ (6,228)	$ 1,656	$ (6,174)	$ 4,518

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

15. 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 September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Management fees (1) (2) (3)	**$ -**	$ 738	**$ -**	$ 2,280
Other expenses (4)	**111**	-	**537**	-
Compensation costs and benefits	**579**	282	**1,749**	917
Stock-based compensation	**179**	452	**462**	1,469
Total	**$ 869**	$ 1,472	**$ 2,748**	$ 4,666

(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 nine months ended September 30, 2023, were $nil (three and nine months ended September 30, 2022 - $369 and $1,140 respectively).
(3) Management fees included in general and administrative expenses on the consolidated statement of income and comprehensive income for three and nine months ended September 30, 2023, were $nil (three and nine months ended September 30, 2022 - $369 and $1,140 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. Out of the amount of $111 and $537 for three and nine months ended September 30, 2023, included in cost of sales on the consolidated statement of income and comprehensive income for three and nine months ended September 30, 2023, were $nil and $109 respectively (three and nine months ended September 30, 2022 - $nil).

16. SUPPLEMENTAL DISCLOSURE

Changes in working capital:

	Nine months ended	
	September 30, 2023	September 30, 2022
Increase in inventories	**$ (4,693)**	$ (3,458)
Decrease (increase) in account receivables	**-**	(454)
Decrease (increase) in VAT receivables	**(225)**	966
Increase in prepaid assets	**(2,766)**	(830)
Increase in other assets	**(2,201)**	(386)
Increase (decrease) in other provisions	**153**	(285)
Increase in accounts payables	**1,229**	2,902
Increase in derivative financial liability	**416**	-
Decrease in income taxes payable	**(1,473)**	-
Total	**$ (9,560)**	$ (1,545)

17. SUBSEQUENT EVENT

On November 27, 2023, the Company announced that, on November 24, 2023 (“the closing date”) the Company signed and closed the acquisition (“the acquisition agreement”), of a 100% interest in Golden Queen Mining Company, LLC (“Golden Queen”,) which principal asset is the Soledad Mountain mine and heap leach operation located in Kern County, California, United States of America, from Auvergne Umbrella LLC.

The acquisition price included $5 million plus net working capital adjustments in upfront cash consideration paid out of the Company’s cash on hand plus two deferred payments of $5 million each. The deferred milestone payments are payable in cash or common shares of the Company, at the Company’s option, $5 million on the 12-month anniversary and $5 million on the 22-month anniversary of closing.

As part of the acquisition agreement, the Company, through Golden Queen, will retain a Main Street Priority Loan (“MSPL”) with CommerceWest Bank of California. The MSPL bears interest at the 3-month LIBOR rate plus 3% and is payable monthly. A principal payment of $7.5 million and $0.2 million of accrued interest was paid by the Company, through Golden Queen, concurrent with the closing of this acquisition, reducing the total amount owing on the MSPL from $51.6 million to $43.9 million. A second principal payment of $7.5 million and accrued interest is due on November 24, 2024, with the remaining principal balance and accrued interest due upon maturity on November 24, 2025.

The Company will consolidate the operating results, cash flows and net assets from the transaction in the Company annual financial statements for the year ending December 31, 2023. The Company will report the financial statement impact of the acquisition, including the allocation of the purchase price based on the fair values of identifiable assets acquired and liabilities assumed as at the closing date, in its annual financial statements for the year ending December 31, 2023.

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