

**GR SILVER MINING LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2024  
(Unaudited - Prepared by Management)  
(Expressed in Canadian Dollars)

## **NOTICE TO READER**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The condensed interim consolidated financial statements of the Company for the quarter ended June 30, 2024, have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

**GR SILVER MINING LTD.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Expressed in Canadian Dollars)

AS AT

	June 30, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 465,013	\$ 100,573
Receivables (Note 3)	10,683	20,404
Marketable securities (Note 4)	988,034	-
Prepays	185,542	201,355
Assets held for sale (Note 5 and 17)	<u>228,049</u>	<u>-</u>
	1,877,321	322,332
<b>Equipment</b> (Note 6)	749,090	992,769
<b>Exploration and evaluation assets</b> (Note 7)	7,424,819	7,424,819
<b>Reclamation provision indemnification asset</b> (Note 4 and Note 11)	-	1,190,055
<b>Value added tax receivable</b> (Note 3)	<u>164,745</u>	<u>793,474</u>
	<u>\$ 10,215,975</u>	<u>\$ 10,723,449</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,437,328	\$ 1,928,103
Mexico mining concession fees (Note 9)	754,229	22,100,458
Liabilities held for sale (Note 5 and 17)	<u>27,044,168</u>	<u>-</u>
	29,235,725	24,028,561
<b>Non-current liabilities</b>		
Reclamation provision (Note 11)	<u>524,328</u>	<u>2,847,403</u>
<b>Total liabilities</b>	29,760,053	26,875,964
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 12)	59,637,928	58,207,921
Share compensation reserve (Note 12)	8,642,204	8,351,160
Deficit	<u>(87,824,210)</u>	<u>(82,711,596)</u>
	<u>(19,544,078)</u>	<u>(16,152,515)</u>
	<u>\$ 10,215,975</u>	<u>\$ 10,723,449</u>

Nature of operations and going concern (Note 1)

Subsequent events (Note 17)

Approved and authorized by the Board on August 7, 2024:

"Eric Zaunscherb"

Director

"Larry Taddei"

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**GR SILVER MINING LTD.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian Dollars)

	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
<b>EXPENSES</b>				
Concession fees, net of retirement (Note 9)	\$ 867,423	\$ 656,780	\$ 4,383,715	\$ 953,639
Consulting	20,020	40,055	42,435	70,639
Depreciation (Note 6)	12,213	109,696	100,051	268,783
Exploration expenditures (Note 8)	374,447	1,279,751	756,128	2,869,331
Investor relations	34,396	76,921	55,231	164,686
Office	125,608	114,219	198,255	299,841
Professional fees (Note 10)	348,644	138,664	518,991	274,925
Salaries and directors' fees (Note 10)	221,145	392,368	461,144	805,084
Share-based compensation (Notes 10 and 12)	395,787	53,911	401,915	169,303
Transfer agent and filing fees	18,161	24,827	35,304	50,298
Travel	9,896	13,444	11,339	40,674
	<u>(2,427,740)</u>	<u>(2,900,636)</u>	<u>(6,964,508)</u>	<u>(5,967,203)</u>
Accretion expense on reclamation provision (Note 11)	(1,778)	(1,726)	(3,543)	(3,439)
Foreign exchange (loss) gain	1,957,851	(547,052)	1,088,486	(1,817,746)
Interest income	97,865	7,245	104,763	27,036
Impairment on value added tax	-	(9,157)	-	(9,157)
Unrealized gain on marketable securities (Note 4)	296,700	-	296,700	-
Loss on disposal of assets	(68,952)	-	(74,326)	-
Other	170,851	(12,431)	439,814	31,659
	<u>2,452,537</u>	<u>(563,122)</u>	<u>1,851,894</u>	<u>(1,771,648)</u>
<b>Loss and comprehensive gain (loss) for the period</b>	<b>\$ 24,797</b>	<b>\$ (3,463,758)</b>	<b>\$ (5,112,614)</b>	<b>\$ (7,738,851)</b>
<b>Loss per common share</b>				
-Basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.03)
<b>Weighted average number of common shares outstanding</b>				
-Basic and diluted	312,239,743	261,841,344	309,294,756	254,612,403

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**GR SILVER MINING LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
FOR THE SIX MONTHS ENDED JUNE 30

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (5,112,614)	\$ (7,738,851)
Items not affecting cash:		
Depreciation	100,050	268,783
Impairment of value-added tax	-	9,157
Retirement of concession fees	-	(2,271,268)
Accretion expense on restoration provisions	3,543	3,439
Loss on disposal of assets	74,326	-
Indemnification asset	(176,229)	-
Unrealized gain on marketable securities	(296,700)	-
Share-based compensation	401,915	169,303
Changes in non-cash working capital items:		
Receivables	263	(16,744)
Value added tax	(128,788)	13,234
Prepays	(9,047)	11,773
Concession fees payable	2,630,754	5,145,292
Accounts payable and accrued liabilities	250,094	623,130
Net cash used in operating activities	<u>(2,262,433)</u>	<u>(3,782,751)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Asset held for sale	(60,196)	-
Disposal of fixed assets	69,302	-
Recovery of value added tax	623,981	-
Indemnification assets (Note 11)	674,650	-
Net cash used in investing activities	<u>1,307,737</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of shares	670,000	3,030,000
Exercise of warrants	703,377	45,000
Share issue costs	(54,241)	(161,992)
Net cash provided by financing activities	<u>1,319,136</u>	<u>2,913,008</u>
<b>Change in cash during the period</b>	<b>364,440</b>	<b>(869,743)</b>
<b>Cash, beginning of period</b>	<u>100,573</u>	<u>902,238</u>
<b>Cash, end of period</b>	<u>\$ 465,013</u>	<u>\$ 32,495</u>

**Supplemental disclosure with respect to cash flows** (Note 13)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**GR SILVER MINING LTD.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(unaudited)(Expressed in Canadian Dollars)

	<u>Share Capital</u>				
	<u>Number</u>	<u>Amount</u>	<u>Reserves</u>	<u>Deficit</u>	<u>Total</u>
<b>Balance, December 31, 2022</b>	231,479,806	\$ 54,011,616	\$ 7,694,698	(57,113,607)	\$ 4,592,707
Cash transactions					
Private placement	30,300,000	3,030,000	-	-	3,030,000
Exercise of warrants	300,000	45,600	(600)	-	45,000
Share issue costs	-	(194,455)	32,463	-	(161,992)
Residual value of warrants	-	(303,000)	303,000	-	-
Share-based compensation	-	-	169,303	-	169,303
Net loss for the period	-	-	-	(7,738,851)	(7,738,851)
<b>Balance, June 30, 2023</b>	262,079,806	56,589,761	8,198,864	(64,852,458)	(63,833)
Cash transactions					
Private placement	39,097,500	1,654,875	-	-	1,654,875
Share issue costs	-	(24,372)	-	-	(24,372)
Non-cash transactions					
Reclassification of reserves on exercise of warrants	-	5,400	(5,400)	-	-
Finder's fees – warrants issued	-	(34,279)	1,816	-	(32,463)
Debt settlement	1,343,891	107,511	-	-	107,511
Residual value of warrants	-	(90,975)	90,975	-	-
Share-based compensation	-	-	64,905	-	64,905
Net loss for the year	-	-	-	(17,859,138)	(17,859,138)
<b>Balance, December 31, 2023</b>	302,521,197	\$ 58,207,921	\$ 8,351,160	\$ (82,711,596)	\$(16,152,515)
Cash transactions					
Private placement	6,700,000	670,000	-	-	670,000
Exercise of warrants	5,197,848	703,377	-	-	703,377
Share issue costs	-	(54,240)	-	-	(54,240)
Non-cash transactions					
Finder's fees – warrants issued	-	(8,499)	8,499	-	-
Residual value of warrants	-	(33,500)	33,500	-	-
Reclassification of reserves on exercise of warrants	-	152,870	(152,870)	-	-
Share-based compensation	-	-	401,915	-	401,915
Net loss for the year	-	-	-	(5,112,614)	(5,112,614)
<b>Balance, June 30, 2024</b>	314,419,045	\$ 59,637,928	\$ 8,642,204	\$ (87,824,210)	\$(19,544,078)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

## **GR SILVER MINING LTD.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

JUNE 30, 2024

(Expressed in Canadian Dollars)

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

GR Silver Mining Ltd. (the “Company” or “GR Silver”) was incorporated on November 8, 2012, under the laws of British Columbia. The Company’s registered and records office is 5<sup>th</sup> Floor 410 West Georgia Street, Vancouver, B.C. V6B 1Z3. To date, the Company has not generated any operating revenue. The Company trades on the TSX Venture Exchange (TSX-V) under the trading symbol GRSL.

As at June 30, 2024, the Company has a working capital deficiency of \$27,358,403 (of which \$26,816,119 relates to a subsidiary sold subsequent to the quarter end June 30, 2024—Notes 5 and 17) and an accumulated deficit of \$87,824,210. The Company expects to incur further losses in the exploration and advancement of its mineral projects. The Company's ability to continue the exploration of its mineral projects and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

The Company is in the business of acquiring and exploring exploration and evaluation assets and has not yet determined whether any of its properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

#### **2. MATERIAL ACCOUNTING POLICIES**

##### **Statement of compliance and basis of presentation**

These condensed interim consolidated financial statements have been prepared under International Accounting Standard 34 Interim Financial Reporting (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”).

These condensed interim consolidated financial statements do not include all the information required for full annual IFRS financial statements and therefore should be read in conjunction with the company’s annual consolidated financial statements for the year ended December 31, 2023, and are prepared consistent with the accounting policies disclosed therein. Operating results for the six-month period ended June 30, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

These condensed interim consolidated financial statements of the Company include the balances of its subsidiaries from the date that control is obtained, Goldplay de Mexico SA de CV, Minera San Marcial SA de CV Minera Matatan SA de CV (“Matatan”), and Marlin Gold Mining Ltd. (“Marlin”) which are wholly owned subsidiaries incorporated in Mexico. Mineral La Rastra SA de CV which is owned 100% by Matatan and Oro Gold de S.A. de C.V. (“Oro Gold”) and Marlin Gold Trading Inc. are 100% owned by Marlin.

The Company consolidates its subsidiaries on the basis that it controls the subsidiaries through its ability to govern its financial and operating policies. All intercompany transactions and balances are eliminated on consolidation.

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

JUNE 30, 2024

(Expressed in Canadian Dollars)

**2. MATERIAL ACCOUNTING POLICIES (cont'd...)****Financial instruments**

The Company classifies its financial instruments in the following categories: as fair value through profit or loss (“FVTPL”), financial assets at amortized cost and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

The Company’s marketable securities are classified as FVTPL. Marketable securities held in companies with an active market are classified as current assets at fair value. When there is evidence of impairment the shares are written down to the expected realizable value.

**New accounting policies and amendments**

The Company adopted: *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* – the amendments require that an entity disclose its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

The Company adopted amendments made to IAS 12. IAS 12 was amended so that it no longer applies to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The adoption of this amendment did not have a material impact on the audited consolidated financial statements.

**3. RECEIVABLES**

The Company’s current receivables primarily consist of refundable sales tax from government taxation authorities in Canada.

The Company maintains its value added tax (“VAT”) receivable from the taxation authorities in Mexico as a long-term receivable due to a historically lengthy collection cycle. During the period ended June 30, 2024, the Company provisioned value added tax by \$Nil (December 31, 2023 - \$981,160) based on increasing provisions for aged value added tax receivable. During the quarter ended June 30, 2024, the Company recovered \$623,981 in VAT.

	June 30, 2024	December 31, 2023
GST receivable	\$ 7,541	\$ 7,242
Other receivables	3,142	13,162
Current receivable	\$ 10,683	\$ 20,404
VAT receivable	164,745	793,474
Total receivable	\$ 175,428	\$ 813,878

**4. MARKETABLE SECURITIES**

During the quarter ended June 30, 2024, the Company closed a waiver and release agreement with Mako Mining Corp. (“Mako”) under which the parties were mutually released from outstanding undertakings, covenants, indemnities and obligations set out in, from or related to the Company’s acquisition of Marlin, most notably the indemnification for a portion of reclamation totalling \$1,190,055 (Note 11).



**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

JUNE 30, 2024

(Expressed in Canadian Dollars)

**4. MARKETABLE SECURITIES (cont'd...)**

In consideration for the waiver and release, Mako paid the Company \$674,650 (US\$500,000) cash, and the issued 296,710 common shares of Mako, valued at \$691,344 as of the release date, which have a regulatory hold period until July 28, 2024. As a result of the transaction the Company has recorded \$175,939 in other income.

During the quarter ended June 30, 2024, the Company record a unrealized gain of \$296,700 on the Mako shares. The valuation of these shares has been determined in whole by referencing to the closing price of the shares on the TSX.V at each reporting period.

**5. ASSETS AND LIABILITIES HELD FOR SALE**

Marlin, British Columbia Canada

In 2021 the Company acquired a 100% stake in La Trinidad gold project (the “La Trinidad”) located in Mexico, through the acquisition of Marlin from Mako.

On July 16, 2024, the Company closed a Share Purchase Agreement (“SPA”) with a private arm’s-length Canadian company (“PrivateCo”) and sold its 100% interest in Marlin. Marlin owns, amongst other assets, Oro Gold, a private Mexican company that owns 100% of nine non-core concessions (“Other Concessions”), including the past producing La Trinidad mine. The Company will transfer to PrivateCo all existing assets and rights, as well as all outstanding undertakings, covenants, indemnities and obligations, of Marlin and its subsidiaries, including Oro Gold, in consideration for which the Company will receive a 0.5% NSR Royalty on the Other Concessions owned by Oro Gold and a 10-year first right of refusal on any disposition of Other Concessions by PrivateCo.

As at the date of these financial statements, the transaction contemplated under the SPA had not yet closed, and the Company maintained its 100% interest in Marlin as of June 30, 2024. Management determined the assets of Marlin meet the definitions of assets held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.” Consequently, the assets and liabilities of Marlin were classified as a disposal group. As at June 30, 2024, Marlin held assets of \$228,049 and liabilities of \$27,044,168.

The SPA subsequently closed on July 16, 2024 (Note 17) and all related assets and liabilities held for sale as at June 30, 2024 were disposed of in accordance with the SPA.

In accordance with IFRS 5, on the reclassification of disposal groups as assets held for sale and discontinued operations, the Company remeasured the net assets of Marlin to fair value less costs of disposal and there was no gain or loss on reclassification of the disposal group.

A breakdown of assets held for sale for the period ended June 30, 2024, is as follow;

		June 30 2024
Assets held for Sale		
Cash	\$	60,196
Accounts receivable		9,457
Prepays		24,860
Value added tax		133,536
	\$	228,049

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

JUNE 30, 2024

(Expressed in Canadian Dollars)

**5. ASSETS AND LIABILITIES HELD FOR SALE (cont'd...)**

A breakdown of liabilities held for sale for the period ended June 30, 2024, is as follow;

	June 30, 2024
Liabilities held for Sale	
Accounts payable and accrued liabilities	\$ 740,867
Asset retirement obligations	2,326,318
Mexico mining concession fees	23,976,983
	\$ 27,044,168

**6. EQUIPMENT**

	Office Equipment	Mobile Equipment	Exploration Equipment	Buildings	Total
<b>Cost:</b>					
Balance at December 31, 2022	\$ 75,605	\$ 140,618	\$ 1,359,916	\$ 973,910	\$ 2,550,049
Disposal	-	-	(150,209)	-	(150,209)
Balance at December 31, 2023	\$ 75,605	\$ 140,618	\$ 1,209,707	\$ 973,910	\$ 2,399,840
Disposal	-	-	(251,508)	-	(251,508)
<b>Balance at June 30, 2024</b>	<b>\$ 75,605</b>	<b>\$ 140,618</b>	<b>\$ 958,199</b>	<b>\$ 973,910</b>	<b>\$ 2,148,332</b>
<b>Accumulated Depreciation:</b>					
Balance at December 31, 2022	\$ 54,277	\$ 131,900	\$ 347,282	\$ 534,158	\$ 1,067,617
Depreciation	-	8,718	324,136	156,809	489,663
Disposal	-	-	(150,209)	-	(150,209)
Balance at December 31, 2023	\$ 54,277	\$ 140,618	\$ 521,209	\$ 690,967	\$ 1,407,071
Depreciation	3,331	-	94,265	2,455	100,051
Disposal	-	-	(107,880)	-	(107,880)
<b>Balance at June 30, 2024</b>	<b>\$ 57,608</b>	<b>\$ 140,618</b>	<b>\$ 507,594</b>	<b>\$ 693,422</b>	<b>\$ 1,399,242</b>
<b>Net Book Value</b>					
<b>December 31, 2023</b>	\$ 21,328	\$ -	\$ 688,498	\$ 282,943	\$ 992,769
<b>June 30, 2024</b>	<b>\$ 17,997</b>	<b>\$ -</b>	<b>\$ 450,605</b>	<b>\$ 280,488</b>	<b>\$ 749,090</b>

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

JUNE 30, 2024

(Expressed in Canadian Dollars)

**7. EXPLORATION AND EVALUATION ASSETS**

The Company's capitalized acquisition expenditures on its exploration and evaluation assets are as follows:

	San Marcial, Mexico	Plomosas, Mexico	La Trinidad, Mexico	Total
Balance, December 31, 2022	\$ 4,045,500	\$ 3,276,181	\$ 12,402,999	\$ 19,724,680
Reclamation provision	-	103,138	186,328	289,466
Impairment (2023)	-	-	(12,589,327)	(12,589,327)
Balance, December 31, 2023 and June 30, 2024	\$ 4,045,500	\$ 3,379,319	\$ -	\$ 7,424,819

**San Marcial Property, Mexico**

The Company owns a 100% interest in the San Marcial Property located in the Rosario Mining District, Sinaloa, Mexico. The San Marcial Property is subject to a net smelter royalty ("NSR") of 0.75%. The Company has a buy-back right on the NSR that can be exercised at any time by paying \$1,250,000. The Company also assumed a pre-existing 3% NSR on the San Marcial Property which is subject to a buy back right on the NSR of US\$600,000 per 1% that can be exercised by the Company at any time and from time to time, in whole or in part.

**Plomosas Property, Mexico**

The Company owns a 100% interest in the Plomosas Property located in the Rosario Mining District, Sinaloa, Mexico. The Plomosas Property is subject to a 2% NSR with half of the NSR (i.e., 1% NSR) being subject to a buy-back for US\$1,000,000. The Company also assumed a pre-existing NSR ranging between 1.75% and 3.5% based on the price of zinc.

**La Trinidad Property, Mexico**

On July 16, 2024, subsequent to June 30, 2024, the Company closed a SPA with PrivateCo and sold its 100% interest in the La Trinidad Property. (Note 5 and 17).

The Company owned a 100% interest in the La Trinidad Property located in the Rosario Mining District, Sinaloa, Mexico. The La Trinidad Property is subject to a 1% NSR with the NSR being subject to a buy-back for US\$2,000,000 at any time. The Company also assumed pre-existing NSR'S between 0.5% and 2.5% on certain claims within the concession package.

The Company had an agreement with the vendor of the La Trinidad Property under which the vendor has agreed to remediate and indemnify the Company against reclamation obligations that existed at the time of acquisition in 2021. In the quarter ended June 30, 2024, the Company closed a waiver and release agreement with the vendor, under which the parties were mutually released from outstanding undertakings, covenants, indemnities and obligations set out in, arising from, or related to the Company's acquisition of Marlin notably the indemnification for reclamation (Note 11).

During the year ended December 31, 2023, the Company determined that the carrying value of its interest in the La Trinidad property was impaired because no additional expenditures are planned for the property at this time. The Company accordingly wrote down acquisition and exploration expenditures on the property of \$12,589,327 as impairment of exploration and evaluation assets.

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

JUNE 30, 2024

(Expressed in Canadian Dollars)

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)****El Habal Property, Mexico**

The Company has a 100% interest in the El Habal Property. The property is subject to an NSR between 1.0% and 1.5%.

The Company has issued an option to purchase a 1% NSR on the El Habal Property which can be exercised by payment to the Company of US\$1,000,000 per 0.5% NSR, for a total option exercise price of US\$2,000,000 for a 1% NSR. The Company also issued a 1% royalty on concessions adjacent to the property.

**8. EXPLORATION EXPENDITURES**

Exploration expenditures for the six months ended June 30, 2024:

	San Marcial, Mexico	Plomosas, Mexico	La Trinidad, Mexico	Total
Community relations	\$ 32,451	\$ 41,225	\$ 215,585	\$ 289,261
Environmental	-	3,137	-	3,137
Field	94,886	129,089	13,192	237,167
Geological	97,254	120,707	-	217,961
Geochemistry	-	7,502	-	7,502
Topography	1,099	-	-	1,099
	<u>\$ 225,690</u>	<u>\$ 301,660</u>	<u>\$ 228,777</u>	<u>\$ 756,128</u>

Exploration expenditures for the six months ended June 30, 2023:

	San Marcial, Mexico	Plomosas, Mexico	La Trinidad, Mexico	Total
Community relations	\$ 45,926	\$ 2,020	\$ 11,053	\$ 58,999
Drilling	232,968	208,684	-	441,652
Environmental	6	54,000	-	54,006
Field	242,539	619,697	17,559	879,841
Geochemistry	141,903	306,019	-	447,923
Geological	340,582	393,743	72,290	806,614
Technical reports	5,793	133,869	-	139,662
Survey	26,150	-	-	26,150
Topography	4,938	9,545	-	14,483
	<u>\$ 1,040,804</u>	<u>\$ 1,727,577</u>	<u>\$ 100,903</u>	<u>\$ 2,869,331</u>

**GR SILVER MINING LTD.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

JUNE 30, 2024

(Expressed in Canadian Dollars)

**9. CONCESSION FEES**

<b>June 30, 2024</b>	El Habal, Mexico	San Marcial, Mexico	Plomosas, Mexico	La Trinidad, <sup>(2)</sup> Mexico	Total
Concession fees expense	\$ 178,703	\$ 27,272	\$ 187,518	\$ 3,990,221	\$ 4,383,715
Retirement <sup>(1)</sup>	-	-	-	-	-
Net expense	\$ 178,703	\$ 27,272	\$ 187,518	\$ 3,990,221	\$ 4,383,715
Fees payable, June 30, 2024	\$ 462,078	\$ 69,972	\$ 222,179	\$ -	\$ 754,229

  

<b>June 30, 2023</b>	El Habal, Mexico	San Marcial, Mexico	Plomosas, Mexico	La Trinidad, Mexico	Total
Concession fees expense	\$ 96,843	\$ 20,525	\$ 139,780	\$ 2,967,759	\$ 3,224,907
Retirement <sup>(1)</sup>	-	-	-	(2,271,268)	(2,271,268)
Net expense	\$ 96,843	\$ 20,525	\$ 139,780	\$ 696,491	\$ 953,639
Fees payable, June 30, 2023	\$ 187,949	\$ 21,398	\$ 145,736	\$ 19,910,999	\$ 20,266,082

(1) During the period ended June 30, 2023, a portion of the concession fees became statute barred and are no longer payable resulting in the Company recognizing a concession fee retirement.

(2) Subsequent to June 30, 2024, the Company closed a SPA with PrivateCo and sold its 100% interest in Marlin, and the related Marlin concession fees payable are now reflected in liabilities held for sale (Note 5 and 17).

**10. RELATED PARTY TRANSACTIONS**

Key management personnel include those people who have authority and responsibility for planning, directing and controlling the activities of the Company. 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. Key management personnel compensation for the period ended June 30 was:

<b>Key management personnel compensation</b>	Six months ended June 30, 2024	Six months ended June 30, 2023
Salaries	\$ 254,124	\$ 449,954
Consulting	39,000	-
Directors' fees	-	2,000
Professional fees	-	75,809
Share-based compensation	<u>249,955</u>	<u>169,303</u>
<b>Total compensation</b>	<b>\$ 543,079</b>	<b>\$ 697,066</b>

Included in accounts payable and accrued liabilities as at June 30, 2024 was \$335,017 (December 31, 2023 – \$189,635) owed to a director and companies controlled by a director or officer.

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**10. RELATED PARTY TRANSACTIONS (cont'd...)**

During the year ended December 31, 2023, the Company issued Nil (December 31, 2023 – 788,879) common shares valued at \$Nil (December 31, 2023 - \$59,166) as debt settlement with officers and a director of the Company.

**11. RECLAMATION PROVISIONS**

During the quarter ended June 30, 2024, the Company closed a waiver and release agreement with Mako under which the parties were mutually released from outstanding undertakings, covenants, indemnities and obligations set out in, from or related to the Company's acquisition of Marlin, most notably the indemnification for a portion of reclamation totalling \$1,190,055.

In consideration for the waiver and release, Mako paid the Company \$674,650 (US\$500,000) cash, and issued 296,710 common shares of Mako to the Company, initially valued at \$691,344. As a result of the transaction the Company recorded \$175,939 in other income.

Subsequent to June 30, 2024, the Company closed a SPA with PrivateCo and sold its 100% interest in Marlin. Marlin owns, amongst other assets, Oro Gold, a private Mexican company that owns 100% of nine non-core concessions ("Other Concessions"), including the past producing La Trinidad mine. The Company will transfer to PrivateCo all existing assets and rights, as well as all outstanding undertakings, covenants, indemnities and obligations, of Marlin and its subsidiaries, including Oro Gold, in consideration for which the Company will receive a 0.5% NSR Royalty on the Other Concessions owned by Oro Gold and a 10-year first right of refusal on any disposition of Other Concessions by PrivateCo. (Note 5). The asset retirement obligation on the La Trinidad property as at June 30, 2024 was \$2,326,318 and has been reclassified as a liability held for sale.

The provision was calculated using an inflation rate of 3.7% and a discount rate of 9.2% with the assumption that the reclamation will be settled between 2025 and 2027. Significant activities include land rehabilitation, demolition and removal and restoration costs. The amounts and timing of the reclamation will vary depending on several factors including exploration success and alternative mining plans.

	March 31, 2024	December 31, 2023
Reclamation provision		
Balance as at beginning of year	\$ 2,847,403	\$ 2,347,359
Liabilities held for sale	(2,326,318)	-
Change in estimate and discount rates	-	204,806
Foreign exchange	(300)	288,308
Accretion expense	<u>3,543</u>	<u>6,930</u>
Balance as at end of year	\$ 524,328	\$ 2,847,403

**12. SHARE CAPITAL AND RESERVES**

Authorized – Unlimited common shares without par value.

During the period ended June 30, 2024, the Company:

- a) Completed a non-brokered private placement of 6,700,000 units at a price of \$0.10 per unit for gross proceeds of \$670,000. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant and each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.15 per warrant until February 9, 2026. The Company valued the warrants at \$33,500 using

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**12. SHARE CAPITAL AND RESERVES (cont'd...)**

the residual value approach. The Company paid cash finders fees of \$35,820 and issued 358,200 agents warrants valued at \$8,499 using the following Black-Scholes assumptions: risk free interest rate of 4.20%, expected life of 2 years, volatility of 66.66% and dividend rate of 0%. Each agent warrant is exercisable into one common share at an exercise price of \$0.15 per share until February 9, 2026. Additional share issue costs of \$18,420 were incurred in connection with this financing and was recorded as an offset to share capital, as share issue costs.

- b) Issued 5,197,848 common shares on the exercise of warrants for proceeds of \$703,377. The Company had a reclassification of reserves on exercise of these warrants in the amount of \$152,870.

During the year ended December 31, 2023, the Company:

- c) Completed a non-brokered private placement of 30,300,000 units at a price of \$0.10 per unit for gross proceeds of \$3,030,000. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant and each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.15 per warrant until February 14, 2025. The Company valued the warrants at \$303,000 using the residual value approach. The Company paid cash finders fees of \$116,940 and issued 1,169,400 agents' warrants valued at \$32,463 using the following Black-Scholes assumptions: risk free interest rate of 3.87%, expected life of 2 years, volatility of 74.56% and dividend rate of 0%. Each agent warrant is exercisable into one common share at an exercise price of \$0.15 per share until February 14, 2025. Additional share issue costs of \$47,151 were incurred in connection with this financing and was recorded as an offset to share capital, as share issue costs.
- d) Issued 300,000 common shares on the exercise of warrants at a price of \$0.15 per warrant for proceeds of \$45,000.
- e) Completed a non-brokered private placement of 6,597,500 units at a price of \$0.05 per unit for gross proceeds of \$329,875. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant and each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.08 per warrant until August 9, 2025. The Company valued the warrants at \$65,975 using the residual value approach. The Company paid cash finders fees of \$8,100 and issued 162,000 agents' warrants valued at \$1,816 using the following Black-Scholes assumptions: risk free interest rate of 4.59%, expected life of 2 years, volatility of 62.39% and dividend rate of 0%. Each agent warrant is exercisable into one common share at an exercise price of \$0.08 per share until August 9, 2025. Additional share issue costs of \$14,569 were incurred in connection with this financing and was recorded as an offset to share capital, as share issue costs.
- f) Completed a non-brokered private placement of 2,500,000 units at a price of \$0.05 per unit for gross proceeds of \$125,000. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant and each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.08 per warrant until October 13, 2025. The Company valued the warrants at \$25,000 using the residual value approach.
- g) Completed a non-brokered private placement of 30,000,000 units at a price of \$0.04 per unit for gross proceeds of \$1,200,000. Each unit consisted of one common share in the capital of the Company and one common share purchase warrant and each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.07 per warrant until November 10, 2026. Additional share issue costs of \$27,766 were incurred in connection with this financing and was recorded as an offset to share capital, as share issue costs.
- h) Issued 1,343,891 common shares valued at \$107,511 as debt settlement resulting in a gain on settlement of \$6,619. Share issue costs of \$4,299 were incurred and was recorded as an offset to share capital, as share issue costs.

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**12. SHARE CAPITAL AND RESERVES (cont'd...)****Omnibus Long-Term Incentive Plan**

The Company has adopted an omnibus long-term incentive plan (“LTIP”), which provides that the Board of Directors of the Company may from time-to-time, at its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, consultants, and employees of the Company stock options, deferred share units (“DSU”), preferred share units (“PSU”), restricted share units (“RSU”) or other such share-based instruments deemed to be consistent with the purposes of the plan. The LTIP reserves a number of common shares for issuance pursuant to the grant of stock options that will not exceed a rolling 10% of the Company’s issued and outstanding common shares at the time the options are granted. All other share-based compensation awards are subject to a maximum of 19,521,680 common shares as a separate allotment. Vesting of share-based compensation awards is at the discretion of the Board of Directors, subject to minimum requirements of the TSX-V. Stock options are exercisable for a maximum of 10 years, and the exercise price of the stock options is set in accordance with the policies of the TSX-V.

Under the LTIP, the Company may determine vesting periods for DSUs, PSUs and RSUs at the time of grant, but such vesting shall not be less than one year in accordance with TSX-V requirements. The Company also has the option to settle vested DSUs, PSUs and RSUs by either issuing one common share for each unit or make a cash payment calculated by multiplying the number of vested share units to be redeemed by the market price per share on the date of settlement.

**Stock options**

Stock option transactions are summarized as follows:

Stock option continuity	Number of options	Weighted Average Exercise Price
December 31, 2022	9,734,157	0.42
Granted	2,850,000	0.08
Expired	<u>(4,519,157)</u>	<u>0.29</u>
December 31, 2023, balance outstanding and exercisable	8,065,000	\$ 0.37
Granted	4,100,000	0.20
Expired	<u>(970,000)</u>	<u>0.66</u>
June 30, 2024, outstanding	11,195,500	\$ 0.29
June 30, 2024, exercisable	9,595,000	\$ 0.30

The weighted average remaining contractual life of outstanding options at June 30, 2024 was 3.15 years (December 31, 2023 – 2.58 years).



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**12. SHARE CAPITAL AND RESERVES (cont'd...)**

As at June 30, 2024, the Company had stock options outstanding as follows:

<b>Stock options</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	370,000	0.21	August 8, 2024
	845,000	0.185	November 27, 2024
	300,000	0.20	April 16, 2025
	775,000	0.335	May 13, 2025
	445,000	0.78	September 14, 2025
	1,260,000	0.74	January 21, 2026
	385,000	0.71	May 13, 2026
	30,000	0.29	October 5, 2026
	35,000	0.20	January 26, 2027
	300,000	0.25	April 6, 2027
	300,000	0.12	January 18, 2028
	550,000	0.09	May 10, 2028
	1,500,000	0.06	November 23, 2028
	3,980,000	0.20	May 7, 2029
	<u>120,000</u>	0.20	June 10, 2029
	11,195,000		

During the period ended June 30, 2024, the Company recognized share-based payments expense of \$401,915 (2023 - \$169,303) in connection with the vesting of stock options granted in current and previous periods.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted during the year ended as follows:

	<b>Six months ended June 30, 2024</b>	<b>Six months ended June 30, 2023</b>
Risk-free interest rate	3.63%	2.95%
Expected life of options	5 years	5 years
Annualized volatility	85.74	71.19%
Dividend rate	0%	0%

**Deferred Share Units ("DSU")**

Under the LTIP, the Company may elect to fix a portion of the independent director's fees that are to be payable in the form of DSUs. In addition, each independent director may elect to participate in the grant of additional DSUs in lieu of Director's fees payable in cash. During the period ended June 30, 2024, the Company issued 105,882 DSUs to directors of the Company. The Company expensed \$3,529, included in share-based compensation expense during the period ended June 30, 2024 (2023 - \$Nil) related to the grant of 105,882 DSUs that fully vest after one year.

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**12. SHARE CAPITAL AND RESERVES (cont'd...)**

The continuity of DSUs for the period ended June 30, 2024 is as follows:

	Number of DSUs
Balance, December 31, 2023	-
Granted	105,882
Balance, June 30, 2024	105,882
Vested at June 30, 2024	Nil

**Performance Share Units (“PSU”)**

Under the LTIP, the Company may grant PSUs to any eligible participant under the LTIP. The PSUs will vest on the later of one year after their date of grant and the successful completion of specific short-term Key Performance Indicators provided the recipient is an eligible participant under the LTIP. During the period ended June 30, 2024, the Company issued 1,800,000 PSUs to executive officers of the Company. The Company expensed \$52,500, included in share-based compensation expense during the period ended June 30, 2024 (2023 - \$Nil) related to the grant of 1,800,000 PSUs.

The continuity of PSUs for the period ended June 30, 2024 is as follows:

	Number of DSUs
Balance, December 31, 2023	-
Granted	1,800,000
Balance, June 30, 2024	1,800,000
Vested at June 30, 2024	Nil

**Warrants**

The following common shares purchase warrants entitle the holder thereof to purchase one common share for each warrant. Warrant transactions are summarized as follows:

Warrant continuity	Number of warrants	Weighted Average Exercise Price
December 31, 2022	46,705,895	0.38
Issued	51,030,150	0.10
Expired	(11,240,888)	0.72
Exercised	<u>(300,000)</u>	<u>0.15</u>
December 31, 2023	86,195,157	0.17
Issued	3,708,200	0.15
Exercised	<u>(3,197,848)</u>	<u>0.13</u>
June 30, 2024, outstanding and exercisable	<u>86,705,509</u>	\$ 0.17

The weighted average remaining contractual life of warrants outstanding at June 30, 2024 was 1.42 (December 31, 2023–1.91) years.

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**12. SHARE CAPITAL AND RESERVES (cont'd...)**

Warrants outstanding are as follows:

<b>Warrants</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	15,845,400	\$ 0.15	February 14, 2025
	1,566,410	0.27	March 29, 2025
	13,618,377	0.37	March 29, 2025
	18,131,500	0.22	August 30, 2025
	214,872	0.15	August 30, 2025
	2,370,750	0.08	August 9, 2025
	1,250,000	0.08	October 13, 2025
	30,000,000	0.07	November 10, 2026
	<u>3,708,200</u>	0.15	February 9, 2026
	86,705,509		

The weighted average Black-Scholes inputs for finders warrants granted are as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Expected life of warrants	2.00	2.00
Annualized volatility	66.66	73.08%
Dividend rate	-	-
Discount rate	4.20%	3.96%

**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions during the period ended June 30, 2024;

- issued 358,200 agent warrants valued at \$8,499.
- received 296,710 common shares of Mako valued at \$691,355 in settlement of indemnification asset.
- recorded an unrealized gain of \$296,700 on marketable securities.

Significant non-cash transactions during the period ended June 30, 2023;

- issued 1,169,400 agent warrants with a fair value of \$32,463.

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**14. SEGMENTED INFORMATION**

The business of the Company is the acquisition and exploration of mineral properties which is considered one business segment.

Geographic information of non-current assets is as follows:

June 30, 2024	Canada	Mexico	Total
Equipment	\$ 1,924	\$ 747,166	749,090
Exploration and evaluation assets	-	7,424,819	7,424,819
Value added tax receivable	-	164,745	164,745
Total	\$ 1,924	8,336,730	\$ 8,338,654

**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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.

The carrying value of cash, receivables, marketable securities, accounts payable and accrued liabilities, and Mexico mining concession fees approximate their fair value because of the short-term nature of these instruments. Marketable securities are valued using Level 1 inputs.

**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, receivables and value added tax. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions. Credit risk with respect to value added taxes due from a government agency in Canada is low and undeterminable in Mexico based on past refund practices of the Mexican tax authorities. Value added taxes are subject to review and potential adjustment by taxation authorities.

*Liquidity risk*

As of June 30, 2024, the Company had cash balance of \$465,013 to settle current liabilities of \$29,235,726 which includes assets (\$228,049) and liabilities (\$27,044,168) held for sale (Note 5 and 17). The Company is exposed to

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**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

significant liquidity risk and additional financing will be required and may not be attainable. Additional funds will be required for property expenditures, retention of essential personnel, general and administration and to maintain its listing on the TSX.V

*Market risk*

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

*Interest rate risk*

The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Concession fees past due are subject to accruing interest at rates set by the Government of Mexico. Such interest rates are publicly issued and applied against overdue amounts as accrued to the concession fees liability.

*Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in foreign currency. As at June 30, 2024, amounts exposed to foreign currency risk include cash of MXN\$1,583,880, value added tax receivable of MXN\$2,196,600 accounts payable of MXN\$19,164,360 and concession fees payable of MXN\$10,056,386. A 10% change in foreign exchange rates will affect profit or loss by approximately \$190,000.

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss and its ability to finance, due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

*Foreign jurisdiction risk*

In conducting operations in Mexico, the Company is subject to considerations and risks not typically associated with companies operating in Canada. These include risks such as the political, economic, and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation. The Company is aware of recent legislative changes in Mexico applicable to the mining industry, the full impacts of which have not been completely determined as the industry awaits further clarifications from the government on the changes. The Company will continue to monitor this closely to best deal with the changes.

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**16. CAPITAL MANAGEMENT**

The Company defines capital that it manages as shareholders' equity, consisting of issued common shares, stock options and warrants.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, to support the acquisition and exploration of exploration and evaluation assets.

The Company has historically relied on and currently relies on the equity markets to fund all its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so. 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 Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year.

**17. SUBSEQUENT EVENTS**

Subsequent to June 30, 2024:

The Company closed a SPA with PrivateCo on July 16, 2024, to sell its 100% interest in Marlin. Marlin owns, amongst other assets, Oro Gold, a private Mexican company that owns 100% of nine non-core concessions ("Other Concessions"), including the past producing La Trinidad mine. The Company will transfer to PrivateCo all existing assets and rights, as well as all outstanding undertakings, covenants, indemnities and obligations, of Marlin and its subsidiaries, including Oro Gold, in consideration for which the Company will receive a 0.5% NSR Royalty on the Other Concessions owned by Oro Gold and a 10-year first right of refusal on any disposition of Other Concessions by PrivateCo. (Note 5 and 7).

The Company issued 112,500 DSUs to the Company's non-executive directors for director's fees relating to the calendar quarter ended June 30, 2024, which DSUs will vest one year after their date of grant in accordance with TSX.V policies.