

Consolidated Financial Statements (expressed in thousands of US dollars)

For the year ended December 31, 2023

Dated: March 18, 2024

VANCOUVER OFFICE Suite 770 800 W. Pender Street Vancouver, BC V6C 2V6

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Management's Responsibility for the Financial Statements

The preparation and presentation of the accompanying consolidated financial statements and management's discussion and analysis ("MD&A") for MAG Silver Corp. (the "Company") are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Management, under the supervision, and with the participation of, the Chief Executive Officer and the Chief Financial Officer, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian and U.S. securities regulations. We, as Chief Executive Officer and Chief Financial Officer, certify our annual filings with the Canadian Securities Administrators, as required in Canada by National Instrument 52-109 – *Certification of Disclosure*, and in the United States with the U.S. Securities and Exchange Commission as required by the Securities Exchange Act of 1934, as amended.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, which is independent from management.

The Audit Committee is appointed by the Board of Directors and reviews the consolidated financial statements and MD&A, considers the report of the external auditors, assesses the adequacy of our internal controls, including management's assessment described in the accompanying Management Report on Internal Control over Financial Reporting, examines and approves the fees and expenses for the audit services, and recommends the independent auditors to the Board of Directors for the appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with it to discuss their audit work, our internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders and management's assessment of the internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of MAG Silver Corp. ("MAG" or "the Company") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) is a process designed by, or caused to be designed under the supervision of the President and Chief Executive Officer, and the Chief Financial Officer, and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. It includes those policies and procedures that:

- i. pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of MAG;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS, and that MAG's receipts and expenditures are made only in accordance with authorizations of management and MAG's directors; and
- iii. provided reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of MAG's assets that could have a material effect on the Company's consolidated financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future years are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, under the supervision of the President and Chief Executive Officer, and the Chief Financial Officer, assessed the effectiveness of MAG's internal control over financial reporting as of December 31, 2023, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of December 31, 2023, MAG's internal control over financial reporting was effective.

The effectiveness of MAG's internal control over financial reporting, as of December 31, 2023, has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who also audited the Company's consolidated financial statements as at and for the year ended December 31, 2023, as stated in their reports.

/s/ "George Paspalas"
George Paspalas
President and Chief Executive Officer

/s/ "Fausto Di-Trapani"
Fausto Di-Trapani
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of MAG Silver Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of MAG Silver Corp. and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income and comprehensive income, changes in equity, and cash flows, for each of the two years in the year ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for each of the two years in the year ended December 31, 2023, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 18, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-year audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for Investment in Juanicipio — Refer to Notes 3c and 9 to the financial statements

Critical Audit Matter Description

The Company has a 44% ownership in the Juanicipio Mine ("Juanicipio") where the remaining 56% interest is held by Fresnillo plc, who is also the operator. The Company has accounted for its interest in Juanicipio under the equity method which requires that the Company's investment is initially recognized at cost and subsequently increased or decreased to reflect additional contributions or distributions, the Company's share of earnings and losses of Juanicipio, and any impairment losses after the initial recognition date.

We identified the accounting for the investment in Juanicipio as a critical audit matter because of the significance to the Company's financial statements, and the judgments made by management when assessing the results of Juanicipio's operations and the accounting judgments made by the operator of Juanicipio. This required an increased extent of effort, including the need to involve the auditor of Juanicipio and senior members of the engagement team.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to accounting for the investment in Juanicipio included the following, among others:

- Tested the effectiveness of controls related to the accounting for the Company's investment in Juanicipio, which includes management's receipt and review of Juanicipio financial information;
- Tested contributions and distributions related to the investment in Juanicipio;
- Evaluated significant judgments and estimates at the underlying investment in Juanicipio through oversight of the auditors of Juanicipio by;
 - Obtaining and assessing information from the auditors of Juanicipio to understand significant judgments and estimates, significant findings or issues identified by such auditor, actions taken to address them and conclusions reached;
- Agreed the underlying information of the investment in Juanicipio to the audited financial information of Juanicipio; and
- Performed procedures to evaluate subsequent events related to the investment in Juanicipio and to assess their impact, if any, on the financial information, up to the date of our auditor's report on the Company's financial statements.

/s/ Deloitte LLP

Chartered Professional Accountants Vancouver, Canada March 18, 2024

We have served as the Company's auditor since 1999.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of MAG Silver Corp.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of MAG Silver Corp. and subsidiaries (the "Company") as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2023, of the Company and our report dated March 18, 2024, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future years are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants Vancouver, Canada March 18, 2024

Consolidated Statements of Income and Comprehensive Income For the years ended December 31, 2023 and 2022 (In thousands of US dollars, except for shares and per share amounts)

		2023	2022
	Note	\$	\$
Income from equity accounted investment in Juanicipio	9	65,099	40,767
General and administrative expenses	7	(13,594)	(12,352)
•	1	. , ,	,
General exploration and business development	40	(736)	(193)
Exploration and evaluation assets written down	10		(10,471)
Operating income		50,769	17,751
Interest income		2,594	630
Other income	12	1,017	-
Foreign exchange loss		(144)	(366)
Income before income tax		54,236	18,015
Deferred income tax expense	20	(5,577)	(371)
Net income		48,659	17,644
Other comprehensive income Items that will not be reclassified subsequently to profit or loss:			
Unrealized loss on equity securities		(3)	(57)
Deferred tax benefit		-	7
Total comprehensive income		48,656	17,594
Basic earnings per share		0.47	0.18
Diluted earnings per share		0.47	0.18
Weighted average number of shares outstanding	11		
Basic		102,486,986	98,420,906
Diluted		102,631,964	98,557,615

See accompanying notes to the consolidated financial statements

Consolidated Statements of Financial Position
As at December 31, 2023 and 2022

(In thousands of US dollars, unless otherwise stated)

	Note	December 31, 2023	December 31, 2022
		\$	\$
Assets			
Current assets			
Cash		68,707	29,955
Accounts receivable	8	1,559	708
Prepaid expenses		1,787	1,232
		72,053	31,895
Non-current assets			
Investment in Juanicipio	9	394,622	338,316
Exploration and evaluation assets	10	52,637	37,259
Deferred financing fees	13	909	-
Property and equipment		301	348
Investments		8	11
		448,477	375,934
Total assets		520,530	407,829
Liabilities			
Current liabilities			
Trade and other payables		2,668	2,542
Current portion of lease obligation		154	121
Flow-through share premium liability	12	1,969	
		4,791	2,663
Non-current liabilities			
Lease obligation		-	140
Deferred income taxes	20	8,498	2,921
Provision for reclamation		484	409
Total liabilities		13,773	6,133
Equity			
Share capital		614,364	559,933
Equity reserve		20,764	18,790
Accumulated other comprehensive incom	е	781	784
Deficit		(129,152)	(177,811)
Total equity		506,757	401,696
Total liabilities and equity		520,530	407,829

Consolidated Statements of Cash Flows For the years ended December 31, 2023 and 2022 (In thousands of US dollars, unless otherwise stated)

	Note		
	Note	\$	\$
OPERATING ACTIVITIES			
Net income		48,659	17,644
Items not involving cash:		40,033	17,011
Amortization of flow-through premium liability	12	(1,017)	_
Depreciation and amortization	7	352	136
Deferred income tax expense	20	5,577	371
Exploration and evaluation assets written down	20	3,377	10,471
Amortization of deferred financing fees	13	84	10,471
	9	(65,099)	(40,767)
Income from equity accounted investment in Juanicipio			
Share-based payment expense	11,7	3,279	3,250
Unrealized foreign exchange loss (gain)		71	(232)
Movements in non-cash working capital			
Accounts receivable		(340)	243
Prepaid expenses		(555)	(705)
Trade and other payables		44	871
Net cash used in operating activities		(8,945)	(8,718)
INVESTMENT ACTIVITIES			
Exploration and evaluation expenditures	10	(15,220)	(12,018)
Acquisition of Gatling Exploration, net of cash acquired	6	-	(2,653)
Investment in Juanicipio	9	(25,376)	(8,864)
Receipt of principal on loans to Juanicpio	9	25,714	-
Receipt of interest on loans to Juanicipio	9	7,639	3,564
Proceeds from disposition of equity securities	_	•	1,111
Purchase of equipment		_	(35)
Net cash used in investing activities		(7,243)	(18,895)
FINANCING ACTIVITIES			
Deferred financing fees (credit facility)		(993)	_
Issuance of common shares upon exercise of stock options	11	307	1,037
Issuance of common shares, net of share issue costs	11	39,750	-
Issuance of flow-through shares, net of share issue costs	11	15,998	_
Payment of lease obligation (principal)		(107)	(109)
Net cash from financing activities		54,955	928
Effect of exchange rate changes on cash		(15)	(108)
Increase (decrease) in cash during the year		38,752	(26,793)
Cash, beginning of year		29,955	56,748
Cash, end of year		68,707	29,955

See accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Equity For the years ended December 31, 2023 and 2022 (In thousands of US dollars, except shares)

		Common s	hares				
		without par	value		Accumulated		
					other		
		Number of		Equity	comprehensive		
	Notes	Shares	Amount	reserve	income (loss)	Deficit	Total equity
		#	\$	\$	\$	\$	\$
Balance, December 31, 2021		97,809,441	543,927	18,215	1,798	(196,419)	367,521
Stock options exercised		100,678	1,399	(362)	-	-	1,037
Stock options exercised cashless		24,247	432	(432)	-	-	-
Restricted and performance share units converted		98,012	1,147	(1,147)	-	-	-
Deferred share units converted		86,295	871	(871)	-	-	-
Shares issued on acquisition of Gatling Exploration		774,643	11,212	-	-	-	11,212
Shares issued on settlement of Gatling Exploration liability		63,492	945	85	-	-	1,030
Share-based payment		-	-	3,302	-	-	3,302
Transfer of gain on disposal of equity securities at FVOCI to deficit, net of	f tax	-	-	-	(964)	964	-
Other comprehensive income loss		-	-	_	(50)	-	(50)
Net income		-	-	-	-	17,644	17,644
Balance, December 31, 2022		98,956,808	559,933	18,790	784	(177,811)	401,696
Stock options exercised	11	28,787	397	(90)	-	-	307
Restricted and performance share units converted	11	112,605	1,215	(1,215)	-	-	-
Shares issued for cash, net of flow-through share premium liability	11	3,874,450	56,761	-	-	-	56,761
Share issue costs	11	-	(3,942)	-	-	-	(3,942)
Share-based payment	11	-	-	3,279	-	-	3,279
Other comprehensive loss		-	-		(3)	-	(3)
Net income		-	-			48,659	48,659
Balance, December 31, 2023		102,972,650	614,364	20,764	781	(129,152)	506,757

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

1. NATURE OF OPERATIONS

MAG Silver Corp. (the "Company" or "MAG") is a growth-oriented Canadian exploration company focused on advancing high-grade, district scale precious metals projects in the Americas. MAG is the ultimate parent company of its consolidated group, was incorporated on April 21, 1999, and is governed by the Business Corporations Act of the Province of British Columbia ("BCABC"). MAG's shares are listed on both the Toronto Stock Exchange in Canada and the NYSE American, LLC in the United States of America.

The Company's principal asset is a 44% interest in the Juanicipio Mine (Note 9 "Investment in Juanicipio") located in Zacatecas, Mexico, which achieved commercial production at its 4,000 tonnes per day ("tpd") processing facility on June 1, 2023.

Address of registered office of the Company: 3500 – 1133 Melville Street Vancouver, British Columbia, Canada V6E 4E5

Head office and principal place of business: 770 – 800 West Pender Street Vancouver, British Columbia, Canada V6C 2V6

2. BASIS OF PRESENTATION

(a) Statement of compliance

These audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

These audited consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments, which are stated at their fair value.

These audited consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 18, 2024.

(b) Principles of consolidation

These audited consolidated financial statements include the accounts of the Company and its controlled subsidiaries. Control exists when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries and controlled entities are included in the consolidated financial results of the

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

Company from the effective date that control is obtained up to the effective date of disposal or loss of control. The principal wholly-owned subsidiary as at December 31, 2023 and December 31, 2022 is Minera Los Lagartos, S.A. de C.V., a Mexican incorporated company. All intercompany balances, transactions, revenues and expenses have been eliminated upon consolidation.

These audited consolidated financial statements also include the Company's 44% interest in each of Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio") and Equipos Chaparral, S.A. de C.V. ("Equipos Chaparral") (Note 9, "Investment in Juanicipio"), which both associates (Note 3) are accounted for using the equity method.

Where necessary, adjustments have been made to the financial statements of the Company's subsidiaries and associates prior to consolidation, to conform with the accounting policies used in their preparation to those used by the Company.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies applied in the preparation of these audited consolidated financial statements have been applied consistently for all years presented except as disclosed in Note 4(a).

The significant judgements the Company made in applying its accounting policies and the key sources of estimation uncertainty arising in the preparation of these consolidated financial statements are discussed in Note 5.

(a) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, foreign currency denominated monetary assets and liabilities are translated using the period end foreign exchange rate whereas non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value in a foreign currency are translated using the rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of income and comprehensive income.

(ii) Functional currency and presentation currency

The functional currency of the parent, its subsidiaries, and its associates, including the Juanicipio Mine, is the United States dollar ("US\$").

The Company's reporting and presentation currency is the US\$.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

(b) Inventories

Inventories at Juanicipio include production inventory, and materials and supplies inventory.

All inventories at Juanicipio are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method and includes all costs incurred, based on a normal production capacity, in bringing each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and estimated costs necessary to make the sale.

(i) Production inventories

Production inventory consists of stockpiled ore, work-in-process, and concentrate. The cost of production inventories includes:

- operating costs, which include employee costs, material costs and contractor expenses which are directly attributable to the extraction and processing of mineralized material;
- amortization of property, plant and equipment used in the extraction and processing of mineralized material; and
- related production overheads.

The assumptions used in the valuation of inventories include estimates of the amount of recoverable metal in the stockpile and an assumption of the metal prices expected to be realized when the metal is recovered.

(ii) Materials and supplies inventory

An allowance for obsolete and slow-moving inventories is determined by reference to specific items of inventory based on usage profile. A regular review is undertaken to determine the extent of such an allowance.

(c) Investments in associates

The Company conducts the majority of its business through an equity interest in associates. An associate is an entity over which the Company has significant influence, and is neither a subsidiary nor a joint arrangement, and includes the Company's 44% interest in each of Minera Juanicipio, S.A. de C.V. and Equipos Chaparral, S.A. de C.V., both Mexican incorporated companies (Note 9, "Investment in Juanicipio"). The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for its investment in associates using the equity method. The Company aggregates its disclosures required under IFRS for interests in associates effectively involved in advancing the same business objective. Under the equity method, the Company's investments in associates are initially recognized at cost and subsequently increased or decreased to reflect additional contributions or distributions and to recognize

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of earnings and losses of associates are recognized in the consolidated statements of income and comprehensive income during the year. Intercompany interest on loans from the Company to its associates is recorded against its share of income from equity accounted investment, rather than as a separate line item in the consolidated statements of income and comprehensive income. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

Impairment

At the end of each reporting year, the Company assesses whether there is objective evidence that an investment in associate is impaired. The Company has performed an assessment for impairment indicators of its investments in associates as of December 31. 2023 and noted no impairment indicators. This assessment is generally made with reference to the timing of completing construction of the development project, future production, future silver, gold, lead and zinc prices, future capital requirements, future operating costs, exploration results achieved, and an assessment of the likely operating and estimated cash flow results to be achieved. When there is objective evidence that an investment in associate is impaired, the carrying amount of such investment is compared to its recoverable amount. If the recoverable amount of an investment in associate is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the consolidated statements of income and comprehensive income. When an impairment loss reverses in a subsequent year, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in the consolidated statements of income and comprehensive income in the year the reversal occurs.

(d) Exploration and evaluation assets

With respect to its exploration activities, the Company follows the practice of capitalizing all costs relating to the acquisition, exploration and evaluation of its mining rights. Option payments made by the Company are capitalized until the decision to exercise the option is made. If the option agreement is to exercise a purchase option in an underlying mineral property, the costs are capitalized and accounted for as an exploration and evaluation asset. If a mineable ore body is discovered, exploration and evaluation costs are reclassified to mining properties. At such time as commercial production commences, the capitalized costs will be depleted on a units-of-production method ("UOP"). If no mineable ore body is discovered, such costs are expensed or written-off in the period in which it is determined the property has no future economic value.

Exploration and evaluation expenditures include acquisition costs of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching and sampling; all costs incurred to obtain permits and other licenses required to

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

conduct such activities, including legal, community, strategic and consulting fees; and activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources. This includes the costs incurred in determining the most appropriate mining/processing methods and developing feasibility studies. Expenditures incurred on a prospective property prior to the Company obtaining the right to explore it, are expensed in the year in which they are incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the underlying project enters the development phase and exploration and evaluation assets are reclassified to mine development costs. Key considerations in concluding a project has entered development phase include, but are not limited to, sufficient evidence of the probability of the existence of economically recoverable minerals has been obtained, the Board of Directors has approved development of the project and the Company has sufficient financing in place to proceed with development.

Impairment

Management reviews the carrying amount of exploration and evaluation assets for impairment when facts or circumstances suggest that the carrying amount is not recoverable. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest, and an assessment of the likely results to be achieved from performance of further exploration. When the results of this review indicate that indicators of impairment exist, the Company estimates the recoverable amount of the deferred exploration costs and related mining rights by reference to the potential for success of further exploration activity and/or the likely proceeds to be received from sale or assignment of the rights. When the carrying amounts of exploration and evaluation assets are estimated to exceed their recoverable amounts, an impairment loss is recorded in the consolidated statements of income and comprehensive income. If conditions that gave rise to the impairment no longer exist, a reversal of impairment may be recognized in a subsequent year, with the carrying amount of the exploration and evaluation asset increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in the consolidated statements of income and comprehensive income in the year the reversal occurs.

(e) Property, plant and equipment and mine development costs

Property, plant and equipment are recorded at cost less accumulated amortization and impairment losses. When parts of an item of equipment have different useful lives, they are accounted for as separate equipment items (major components).

Amortization is based on the depreciable amount, which is the cost of the asset, less its expected residual value.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

Amortization of the 44% owned Juanicipio mine and plant is a component of the Company's share of income (loss) from its equity investment in Juanicipio. With the exception of mobile equipment being amortized on a straight-line basis over its useful life, the majority of the Juanicipio mine and plant will be amortized over tonnes processed from proven and probable reserves, on a UOP basis, once each component enters commercial production.

The mine entered commercial production in January 2022 and the plant entered commercial production in June 2023. Upon both the mine and plant entering commercial production, the Company ceased capitalization of oversight expenditures associated with development of the Juanicipio Project and started to amortize such costs on a UOP basis.

Amortization on 100% owned and controlled assets is recognized in the consolidated statements of income and comprehensive income on a declining balance basis or straight-line basis over the estimated useful lives of each part of an item of property and equipment, based on how this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Exploration assets that become a mineable ore body are reclassified to mineral properties.

The amortization rates for 100% owned and controlled assets are as follows:

Building
Computer and office equipment
Exploration camp and equipment
Right-of-use asset

4% declining balance
30% declining balance
30% declining balance
straight-line over the earlier of the end of the
lease term or useful life of the asset

Amortization methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

(f) Provisions

Provisions are liabilities that are uncertain in timing or amount. The Company records a provision when and only when:

- (i) The Company has a present obligation (legal or constructive) as a result of a past event;
- (ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (iii) A reliable estimate can be made of the amount of the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

(i) By an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and

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(ii) As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting year and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting year. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized. Where discounting has been used, the carrying amount of a provision increases in each year to reflect the passage of time. This increase (accretion expense) is included in the consolidated statements of income and comprehensive income for the year.

Closure and reclamation

A provision for mine closure cost is made in respect of the estimated future costs of closure, restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) based on a mine closure plan, in the accounting year when the related environmental disturbance occurs. The provision is discounted and the unwinding of the discount is included within finance costs. At the time of establishing the provision, a corresponding asset is capitalized where it gives rise to a future economic benefit and is depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Changes to estimated future costs are recognized in the statement of financial position by adjusting the mine closure cost liability and the related asset originally recognized.

Decommissioning assets depreciate over the estimated production period of the mining and processing facilities. The depreciation and amortization charge is recognized in the consolidated statements of income and comprehensive income as part of production costs.

(g) Income taxes

Income tax is comprised of current and deferred tax. Income tax is recognized in the consolidated statements of income and comprehensive income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on taxable income for the year of each entity in the consolidated group, using tax rates enacted or substantively enacted, at the end of the reporting year.

Deferred income taxes relate to the expected future tax consequences of unused tax losses and unused tax credits and differences between the carrying amount of statement of financial position items and their corresponding tax values. Deferred tax assets, if any, are recognized only to the extent that, in the opinion of management, it is probable that sufficient future taxable profit will be available to recover the asset. Deferred tax assets and liabilities

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are adjusted for the effects of changes in tax laws and rates on the date of substantive enactment.

(h) Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through the consolidated statements of income and comprehensive income ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost. The Company determines the classification of financial assets at initial recognition.

(i) Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of income and comprehensive income. Equity instruments that are held for trading and all equity derivative instruments are classified as FVTPL.

(ii) Financial assets at FVTOCI

Equity instruments that are designated at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument basis) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value in other comprehensive income (loss) is not recycled to the consolidated statements of income and comprehensive income but transferred only within equity.

(iii) Financial assets at amortized cost

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the assets' contractual cash flows are comprised solely of payments of principal and interest. The Company's loans to Mineria Juanicipio, S.A. de C.V. and Equipos Chaparral, S.A. de C.V., and accounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting year (see impairment below).

Impairment

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include trade and other payables which are classified at amortized cost.

(i) Debt

Debt is initially recorded at fair value, net of transaction costs incurred. Debt is subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of income and comprehensive income over the period of the debt using the effective interest method.

(j) Share capital

The Company records proceeds from share issuances net of issue costs. The Company records proceeds from the exercise of stock options as share capital in the amount for which the option enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at the fair value of the non-monetary consideration received, or at the fair value of the shares issued if the fair value of the non-monetary consideration cannot be measured reliably, on the date of issue.

(k) Share-based compensation

The fair value of equity-settled share-based compensation awards are estimated as of the date of the grant and recorded as share-based compensation expense in the consolidated statements of income and comprehensive income over their vesting periods, with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met. Market price performance conditions are included in the fair value estimate on the grant date with no subsequent adjustment to the actual number of awards that vest. Forfeiture rates are estimated on grant date, and adjusted for actual forfeitures at each reporting year. Changes to the estimated number of awards that will eventually vest are accounted for prospectively. Share based compensation awards with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values.

The fair value of stock options is estimated using the Black-Scholes option valuation model. The fair value of restricted and deferred share units, is based on the fair market value of a common share equivalent on the date of grant. The fair value of performance share units awarded with market price conditions is determined using the Monte Carlo pricing model and the fair value of performance share units with non-market performance conditions is based on the fair market value of a common share equivalent on the date of grant.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

(I) Revenue

The Juanicipio Mine recognizes revenue for silver, gold, lead and zinc from concentrate sales, net of treatment and refining charges, when it satisfies the performance obligation of transferring control of the concentrate to the customer. This generally occurs as material is received at the customer's plant, as the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from the material and the customer has the risk of loss. The Juanicipio revenues are based on estimated metal quantities based on assay data and on a provisional price. The receivable is marked to market for changes in price differences each year prior to final settlement. The Juanicipio Mine also adjusts estimated metal quantities used in computing provisional revenues based on new information and assay data from the smelter/refinery as it is received (if any). MAG only includes in the transaction price the amount which is not highly likely to be subject to significant subsequent revenue reversal. A provisional payment is generally due by the 15th of the month following delivery of the concentrate to the customer. Final payment is due upon final settlement of price and quantity in accordance with the contractual terms of the sale.

(m)Income per common share

Basic income per share is based on the weighted average number of common shares outstanding during the year.

Diluted income per share is computed using the weighted average number of common and potential common shares outstanding during the year. Common equivalent shares consist of the incremental common shares upon the assumed exercise of stock options and warrants, and upon the assumed conversion of deferred share units and units issued under the Company's share unit plan, to the extent their inclusion is not anti-dilutive.

(n) Asset acquisitions

Upon the acquisition of an asset or a group of assets and liabilities that does not constitute a business, the Company identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

4. CHANGES IN ACCOUNTING STANDARDS

(a) Accounting standards adopted during the year

During 2023, the Company adopted the following amendments to standards:

 Amendments to IAS 12, Income Taxes (effective January 1, 2023) clarify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

that give rise to equal and offsetting temporary differences. As a result, companies need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of the related asset and liability. The implementation of these amendments did not have a significant impact on the Company's tax provision for its December 31, 2023 financial statements.

• Amendments to IAS 12, International Tax Reform — Pillar Two Model Rules. The Company adopted amendments to IAS 12 Income taxes in response to the Organization for Economic Co-operation and Development's (OECD) Pillar Two model tax rules (also known as the Global Minimum Tax) adopted through amendments to IAS 12, International Tax Reform — Pillar Two Model Rules (effective January 1, 2023). The amendments provide that an entity has to disclose separately its current tax expense related to Global Minimum Tax as well as a mandatory temporary exception to the requirements regarding deferred tax assets and liabilities. The amendments also provide that in a year where the Global Minimum Tax legislation is enacted or substantively enacted, but not yet in effect, an entity discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Global Minimum Tax arising from that legislation. The Company has applied the mandatory temporary exemption regarding deferred taxes. The adoption of these amendments did not have a material impact on these consolidated financial statements.

(b) Accounting standards and amendments issued but not yet adopted

The Company has not applied the following amendments to standards that have been issued but are not yet effective:

• Amendments to IAS 1, Presentation of Financial Statements. The amendments to IAS 1, clarifies the presentation of liabilities. The classification of liabilities as current or noncurrent is based on contractual rights that are in existence at the end of the reporting year and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendment issued in October 2022 also clarifies how conditions with which an entity must comply within twelve months after the reporting year affect the classification of a liability. Covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments are effective for annual reporting years beginning on or after January 1, 2024. The implementation of this amendment is not expected to have a material impact on the Company.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

(a) Significant judgements

In preparing the consolidated financial statements, the Company makes judgments when applying its accounting policies. The judgments that have the most significant effect on the amounts recognized in the consolidated financial statements are outlined below.

(i) Equity investments

In the normal course of operations, the Company may invest in equity investments for strategic reasons. In such circumstances, management considers whether the facts and circumstances pertaining to each investment result in the Company obtaining control, joint control or significant influence over the investee entity. In some cases, the determination of whether or not the Company has control, joint control or significant influence over the investee entities requires the application of significant management judgment to consider individually and collectively such factors as:

- The purpose and design of the investee entity.
- The ability to exercise power, through substantive rights, over the activities of the investee entity that significantly affect its returns.
- The size of the company's equity ownership and voting rights, including potential voting rights.
- The size and dispersion of other voting interests, including the existence of voting blocks.
- Other investments in or relationships with the investee entity including, but not limited to, current or possible board representation, loans and other types of financial support, material transactions with the investee entity, interchange of managerial personnel or consulting positions.
- Other relevant and pertinent factors.

If the Company determines that it controls an investee entity, it consolidates the investee entity's financial statements as further described in Note 3. If the Company determines that it has joint control (a joint venture) or significant influence (an associate) over an investee entity, then it uses the equity method of accounting to account for its investment in that investee entity as further described in Note 3. If, after careful consideration, it is determined that the Company neither has control, joint control nor significant influence over an investee entity, the Company accounts for the corresponding investment in equity interest as fair value through other comprehensive income investment as further described in Note 3.

(ii) Impairment of non-current assets

Non-current assets are tested for impairment at the end of each reporting year if, in management's judgement, there is an indicator of impairment. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) changes in quantity of the recoverable resources and reserves; (ii) changes in metal prices, capital and operating costs and interest rates; and (iii) market capitalization of the Company

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

compared to its net assets, are evaluated by management in determining whether there are any indicators of impairment. If there are indicators, management performs an impairment test on the major assets in this category.

In addition, the application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is probable that future economic benefits are likely, either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether the technical feasibility and commercial viability of extracting a mineral resource is demonstrable. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statements of income and comprehensive income in the year when the new information becomes available.

As at December 31, 2023 and December 31, 2022, the Company did not have any indicators of impairment.

(iii) Commercial production

The determination of the date on which a mine enters the commercial production stage is a significant judgement as capitalization of certain costs ceases and the recording of expenses commences. In determining commercial production and when the mine and processing facility are available for use in the manner intended by management, the following factors are considered:

- Operational commissioning of major mine and plant components is complete;
- Intended operating results are being achieved consistently for a period of time (i.e. consistent level of throughput, sustained plant recovery levels, etc);
- There are indicators that these operating results will be continued; and
- Other factors are present, including one or more of the following: a significant portion
 of plant/mill capacity has been achieved; a significant portion of available funding is
 directed towards operating activities; a pre-determined, reasonable period of time has
 passed; or significant milestones for the development of the mining property have
 been achieved.

Declaration of commercial production at Juanicipio

The Juanicipio mine and related mining infrastructure achieved commercial production on January 1, 2022. Following a successful commissioning period, the Juanicipio processing facility had been operating at approximately 85% of its nameplate of 4,000 tpd with silver recovery consistently above 88%. With all major construction activities completed and the Juanicipio mine, processing facility and other vital systems all operating in line with, or rapidly approaching design capacity, commercial production at the Juanicipio processing facility was declared effective June 1, 2023.

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With the declaration of commercial production, Juanicipio began depreciating all assets related to processing and associated facilities. In addition, the Company commenced depreciating exploration expenditures at Juanicipio that were capitalized in accordance with the Company's accounting policies as well as project oversight expenditures incurred by MAG (Note 9).

(b) Significant estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported and disclosed. These estimates are based on management's knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. Information about assumptions and other sources of estimating uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next 12 months are outlined below.

(i) Revenue

Revenue recorded at the Juanicipio Mine, which is reflected as a component in the Company's consolidated statements of income and comprehensive income from its equity accounted investment in Juanicipio, is based on estimated metal quantities reflecting assay data and on provisional prices which will be trued up for final price and quantity in a later period.

(ii) Provision for reclamation

Management assesses the closure and reclamation obligations on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs required based on the existing laws and regulations in the jurisdiction the Company operates in, the timing of these expenditures, and the impact of changes in the inflation and discount rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

(iii) Contingent liabilities

The Company is subject to various tax, legal and other disputes, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognized where, based on the Company's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. By their nature, these provisions will only be resolved when one or more future events occur or fail to occur, which will bring resolution to their underlying cases. The assessment of such provisions inherently involves the exercise of significant judgment of the potential outcome of future events.

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(iv) Fair value measurement: share-based compensation

The Company uses valuation techniques (Note 3(m)) in measuring the fair value of equity-settled share-based compensation awards, which requires the Company to make certain estimates, judgements, and assumptions in relation to the expected life, expected volatility, expected risk-free rate, expected forfeiture rate, and expected future market conditions of the various equity based units, as applicable.

The fair value of stock options is estimated using the Black-Scholes option valuation model, and related required estimates, judgements, and assumptions include stock options expected life, expected volatility, expected risk-free rate, and expected forfeiture rate. The fair value of performance share units awarded with market price conditions is determined using the Monte Carlo pricing model, projecting the performance of the Company and, if applicable, the relevant market index against which the Company's performance is compared. In assessing the vesting of performance share units awarded with market price conditions the Company may be required to make certain estimates, judgements, and assumptions in relation with future market conditions. The fair value of performance share units with non-market performance conditions, restricted and deferred share units are based on the fair market value of a common share equivalent on the date of grant.

6. ACQUISITION OF GATLING EXPLORATION INC.

On March 11, 2022, the Company entered into a Definitive Arrangement Agreement with Gatling Exploration Inc. ("Gatling") to acquire all of the issued and outstanding common shares of Gatling with the issuance of common shares of the Company and the advancement of a Canadian dollar ("C\$") \$3 million convertible note receivable. On May 20, 2022, the Company completed the acquisition of Gatling by way of a court-approved plan of arrangement under the BCABC (the "Transaction"), pursuant to which Gatling became a wholly-owned subsidiary of the Company and the Company thereby acquired a 100% interest in the Larder Project (the "Larder Project"). Under the terms of the Transaction, each former Gatling shareholder received 0.0170627 of a common share of the Company in exchange for each share of Gatling held immediately prior to the Transaction. Holders of options and warrants to acquire common shares of Gatling received replacement options and warrants, respectively, entitling the holders thereof to acquire common shares of the Company, based on, and subject to, the terms of such options and warrants of Gatling, as adjusted by the plan of arrangement.

MAG issued a total of 774,643 common shares to the shareholders of Gatling in connection with the Transaction. The Company also issued 43,675 replacement stock options and 53,508 replacement warrants (Note 11). A portion of the liabilities of Gatling related to change of control payments to Gatling executive management was settled by the issuance of 63,492 common shares of the Company.

The Company has determined that the Transaction did not meet the definition of business combination under IFRS 3, *Business Combinations* and accordingly, has been accounted for as an asset acquisition.

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The purchase price allocation requires management to estimate the relative fair value of identifiable assets acquired and liabilities assumed.

The following tables summarize the fair value of the consideration given and the relative fair values of identified assets and liabilities recognized as a result of the Transaction.

	== 1 0 10
Total shares issued on close:	774,643
	¢
MAG share price – C\$	\$ 18.54
•	
USD exchange rate	0.7807
MAG share price – US\$	14.47
Value of shares on close of Transaction	11,212
Value of convertible note receivable	2,392
Value of replacement options and warrants	85
Transaction costs	350
Value of consideration paid	14,039
Identified assets acquired and liabilities assumed	\$
Assets	
Cash and cash equivalents	89
Receivables, prepaids and deposits	115
Exploration and evaluation assets	15,187
Total Assets	15,391
Liabilities	
Accounts payable and accrued liabilities	1,315
Lease liabilities	37
Total Liabilities	1,352
Not consta nonvivad	11000
Net assets acquired	14,039

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

7. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended	
	December 31	December 31
	2023	2022
	\$	\$
Accounting and audit	751	606
Compensation and consulting fees	4,985	4,648
Depreciation and amortization	352	136
Filing and transfer agent fees	354	335
Amortization of deferred financing fees	84	-
General office expenses	847	530
Insurance	1,466	2,024
Juanicipio oversight costs	687	-
Legal	433	244
Share-based compensation expense (see Note11)	2,894	3,250
Shareholder relations	445	419
Travel	296	160
	13,594	12,352

8. ACCOUNTS RECEIVABLE

	December 31,	December 31,
	2023	2022
	\$	\$
Receivable from Minera Juanicipio (Notes 9 & 17)	855	323
Value added tax ("IVA" and "GST")	700	382
Other receivables	4	3
	1,559	708

9. INVESTMENT IN JUANICIPIO

Minera Juanicipio was created for the purpose of holding the Juanicipio property, and is held 56% by Fresnillo plc ("Fresnillo") and 44% by the Company. On December 27, 2021, the Company and Fresnillo created Equipos Chaparral in the same ownership proportions. Equipos Chaparral owns the processing facility and mining equipment which is leased to Minera Juanicipio. Minera Juanicipio and Equipos Chaparral are collectively referred to herein as "Juanicipio," or, the "Juanicipio Mine."

Juanicipio is governed by a shareholders' agreement and by corporate by-laws. All costs relating to Juanicipio are required to be shared by the Company and Fresnillo pro-rata based

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

on their ownership interests in Juanicipio, and if either party does not fund pro-rata, their ownership interest will be diluted in accordance with the shareholders' agreement and by-laws.

Fresnillo is the operator of Juanicipio, and with its affiliates, beneficially owns 9,314,877 common shares of the Company as at December 31, 2023, as publicly reported by Fresnillo.

The Company has recorded its Investment in Juanicipio using the equity method of accounting. The recorded value of the investment includes the carrying value of the deferred exploration, mineral and surface rights, Juanicipio costs incurred by the Company, the required net cash investments to establish and maintain its 44% interest in Juanicipio, and the Company's 44% share of income (loss) from Juanicipio.

Changes during the year of the Company's investment relating to its interest in Juanicipio are detailed as follows:

	December 31, 2023	December 31, 2022
	\$	\$
Balance, beginning of year	338,316	291,084
Juanicipio oversight expenditures incurred 100% by MAG	384	719
Amortization of Juanicipio's oversight expenditures incurred 100% by MAG	(305)	-
Cash contributions and advances to Juanicipio (3)	24,992	8,140
Loan repayments from Juanicipio (2)	(25,714)	-
Total for the period	(642)	8,859
Income from equity accounted Investment in Juanicipio	65,099	40,767
Interest earned, net of recontributions, reclassified to accounts receivable (1)	(8,150)	(2,394)
Balance, end of year	394,622	338,316

⁽¹⁾ A portion of the Investment in Juanicipio is in the form of interest bearing shareholder loans. For the year ended December 31, 2023, the Company earned interest, net of recontributions, amounting to \$8,150 (year ended December 31, 2022: \$2,394) while \$7,639 of interest payments were received from Juanicipio (December 31, 2022: \$3,564).

⁽²⁾ During the year ended December 31, 2023, a \$7,251 loan to Juanicipio was converted into equity (December 31, 2022: nil).

⁽³⁾ Of the \$24,992 cash contributions and advances made to Juanicipio during the year ended December 31, 2023, \$22,726 was in the form of loans whereas \$2,276 was in the form of equity (December 31, 2022; \$8,140 in the form of loans).

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

A summary of financial information of Juanicipio (on a 100% basis reflecting adjustments made by the Company, including adjustments for differences in accounting policies) is as follows:

Juanicipio Statements of Income

	Far the veer ended		
	For the year ended		
	December 31,		
	2023	2022	
	\$	\$	
Sales	442,288	215,736	
Cost of sales:			
Production cost	171,830	61,985	
Depreciation and amortization	68,475	20,913	
Cost of sales	240,305	82,898	
Gross profit	201,983	132,838	
Consulting and administrative expenses	(18,768)	(8,436)	
Extraordinary mining and other duties	(4,945)	(349)	
	178,270	124,053	
Exchange losses and other	(2,937)	(5,160)	
Interest expense	(18,524)	(2,298)	
Income tax expense	(27,381)	(26,348)	
Net income	129,428	90,247	
MAG's 44% portion of net income	56,948	39,709	
Interest on Juanicipio loans - MAG's 44%	8,150	1,058	
MAG's 44% equity income	65,099	40,767	

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

Juanicipio Statements of Financial Position

	December 31, 2023	December 31, 2022
	\$	\$
Assets	·	<u> </u>
Current assets		
Cash and cash equivalents	42,913	1,102
Value added tax and other receivables	3,162	13,945
Income tax receivable	3,758	-
Concentrate sales receivable	56,532	24,098
Inventories		
Stockpiles	2,417	26,020
Metal concentrates	2,361	-
Materials and supplies	18,414	10,081
Prepaids and other assets	5,501	7,756
	135,058	83,002
Non-current assets		
Right-of-use assets	1,590	1,336
Mineral interests, plant and equipment	794,512	779,735
Deferred tax assets	24,336	11,259
	820,438	792,330
Total assets	955,496	875,332
Liabilities		
Current liabilities		
Payables	22,167	34,678
Interest and other payables to shareholders	12,160	13,460
Taxes payable	14,395	36,259
	48,722	84,397
Non-current liabilities		
Lease obligation	1,597	1,329
Provisions		
Reserves for retirement and pension	112	29
Reclamation and closure	3,605	3,073
Deferred tax liabilities	9,439	22,242
	14,753	26,673
Total liabilities	63,475	111,070
Equity		
Shareholders' equity including shareholder advances	892,021	764,262
Total equity	892,021	764,262
Total liabilities and equity	955,496	875,332

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

Juanicipio Statements of Cash Flows

	For the year ended	
	December 31,	December 31,
	2023	2022
	\$	\$
Operating activities		
Net income	129,428	90,247
Items not involving cash		
Depreciation	68,475	20,913
Deferred income tax expense and special mining duty	27,381	26,348
Interest incurred on loans	18,524	2,298
Write-off of fixed asset	-	3,676
Other	3,304	3,711
Income tax and special mining duty payments	(83,875)	(11,570)
Change in other operating working capital	(18,172)	(6,361)
Net cash from operating activities	145,064	129,261
Investing activities		
Capital expenditures including plant, mine development and exploration	(84,881)	(156,040)
Other	1,487	282
Net cash used in investing activities	(83,393)	(155,758)
Financing activities		
Loans and other capital provided by shareholders	56,800	18,500
Repayments of loans to shareholders	(58,441)	255
Interest paid to shareholders	(17,409)	(9,460)
Payment of lease obligations	(856)	(854)
Net cash (used in) from financing activities	(19,906)	8,440
Effect of exchange rate changes on cash and cash equivalents	46	186
Increase (decrease) in cash and cash equivalents during the year	41,811	(17,870)
Cash and cash equivalents, beginning of year	1,102	18,972
Cash and cash equivalents, end of year	42,913	1,102

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

10. EXPLORATION AND EVALUATION ASSETS

- (a) In 2018, the Company entered into an option agreement with a private group, whereby the Company has the right to earn 100% ownership interest in a company which owns the Deer Trail project in Utah. The Company paid \$150 upon signing the agreement, \$150 in each of 2020 and 2021, and \$200 in each of 2022 and 2023. To earn 100% interest in the property, the Company must make remaining cash payments totaling \$1,150 over the next 6 years and fund a cumulative of \$30,000 of eligible exploration expenditures by 2028 (as of December 31, 2023, the Company has incurred \$27,008 of eligible exploration expenditures on the property). As at December 31, 2023, the Company has also bonded and recorded a \$484 reclamation liability for the project. Other than the reclamation liability, the balance of cash payments and exploration commitments are optional at the Company's discretion. Upon the Company's 100% earn-in, the vendors will retain a 2% net smelter returns ("NSR") royalty.
- (b) During the year ended December 31, 2022, through the acquisition of Gatling the Company acquired 100% of the Larder Project in Ontario (Note 6). As at December 31, 2023, the Company incurred \$10,116 in exploration and evaluation expenditures after acquisition costs, of which \$3,634 were drilling costs.
- (c) In 2017, the Company entered into an option earn-in agreement with a private group whereby the Company could earn up to a 100% interest in a land claim package in the Black Hills of South Dakota. Although the geological prospect of the property remained encouraging, growing negative sentiment towards resource extraction in the area, combined with a slow consultation process resulted in significant challenges being encountered in permitting the property for exploration drilling. The Company provided formal notice that it would not be making the final \$150 option payment in May 2022 and concurrently wrotedown the property's full carrying amount of \$10,471 during the year ended December 31, 2022.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

During the year ended December 31, 2023, the Company has incurred the following exploration and evaluation expenditures on these projects:

Deer Trail \$ \$ Option and other payments 275 210 Total acquisition costs 275 210 Geochemical 590 422 Camp and site costs 875 713 Drilling 3,959 6,255 Geological consulting 1,185 964 Geophysical 120 325 Land taxes and government fees 213 323 Largel, community and other consultation costs 343 303 Travel 190 167 Total for by ear 7,750 9,591 Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 15,167 Card Larder project 2 15,187 Acquisition (Note 6) 5 15,187 Option and other payments 6 15,206 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting		December 31,	December 31,
Deer Trail 275 210 Option and other payments 275 210 Geochemical 590 422 Camp and site costs 875 713 Drilling 3,959 6,255 Geological consulting 1,185 964 Geophysical 120 325 Land taxes and government fees 213 322 Legal, community and other consultation costs 343 303 Travel 190 167 Total for the year 7,750 9,591 Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 15,665 Larder project 27,315 15,865 Larder project 27,315 15,865 Acquisition (Note 6) - 15,187 Option and other payments - 19 Total acquisition costs - 15,206 Geochemical 1,117 112 Camp and site costs 772 12 Total for the year		2023	2022
Option and other payments 275 210 Total acquisition costs 275 210 Geochemical 590 422 Camp and site costs 875 713 Drilling 3,959 6,255 Geological consulting 1,185 964 Geological consulting 1,185 964 Geophysical 120 325 Land taxes and government fees 213 232 Legal, community and other consultation costs 343 303 Travel 190 167 Total for the year 7,750 9,591 Balance, beginning of year 19,565 9,74 Total Dear Trail Project cost 27,315 19,565 Larder project Acquisition (Note 6) - 15,187 Option and other payments - 19 Total acquisition costs - 15,206 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 <t< th=""><th></th><th>\$</th><th>\$</th></t<>		\$	\$
Total acquisition costs 275 210 Geochemical 590 422 Camp and site costs 875 713 Drilling 3,959 6,255 Geological consulting 1,185 964 Geophysical 120 325 Land taxes and government fees 213 232 Legal, community and other consultation costs 343 303 Travel 190 167 Total for the year 7,750 9,591 Balance, beginning of year 19,565 9,974 Total Project cost 27,315 19,565 Larder project 27,315 19,565 Larder project 27,315 19,565 Larder project cost 27,315 19,565 Larder project 27,315 19,565 Larder project cost 1 1,587 Acquisition (Note 6) - 15,87 Option and other payments - 19 Total acquisition costs - 19 Geochemical			
Geochemical 590 422 Camp and site costs 875 713 Drilling 3,959 6,255 Geological consulting 1,185 964 Geophysical 120 325 Land taxes and government fees 213 232 Legal, community and other consultation costs 343 303 Travel 7,750 9,591 Total for the year 19,565 9,974 Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 19,565 Larder project 8 1 19,565 Acquisition (Note 6) - 15,876 19 Option and other payments - 19 19 Total acquisition costs - 15,206 6 6 15,876 Option and other payments - 15,206 6 6 6 15,876 19 12 12 12 12 12 12 12 12 12 12 <t< td=""><td></td><td></td><td></td></t<>			
Camp and site costs 875 713 Drilling 3,959 6,255 Geological consulting 1,185 964 Geophysical 120 325 Land taxes and government fees 213 322 Legal, community and other consultation costs 343 303 Travel 190 167 Total for the year 7,750 9,591 Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 19,565 Larder project 27,315 19,565 Larder project cost - 15,187 Option and other payments - 15,206 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geolypsical 1,074 314 Land taxes and government fees 34 19 Legal, community and other consultation costs 34 1769	•		
Drilling 3,959 6,255 Geological consulting 1,185 964 Geophysical 120 325 Land taxes and government fees 213 232 Legal, community and other consultation costs 343 303 Travel 190 167 Total for the year 7,750 9,591 Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 19,565 Larder project - 15,187 Acquisition (Note 6) - 15,187 Option and other payments - 15,296 Geochemical - 15,296 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,074 45 Geophysical 1,074 45 Legal, community and other consultation costs 347 176 Travel 7,628 17,694 Balance, beginning o		590	422
Geological consulting 1,185 964 Geophysical 120 325 Land taxes and government fees 213 232 Legal, community and other consultation costs 343 303 Travel 190 167 Total for the year 19,565 9,591 Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 19,565 Larder project - 15,187 Acquisition (Note 6) - 15,187 Option and other payments - 19 Total acquisition costs - 15,206 Geochemical 1,117 111 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,074 314 Legal, community and other consultation costs 347 176 Travel 109 5 Total for the year 5 5 Camp and site	•		_
Geophysical 120 325 Land taxes and government fees 213 323 Legal, community and other consultation costs 343 303 Travel 190 167 Total for the year 19,565 9,974 Total Deer Trail Project cost 27,315 19,565 Larder project 27,315 15,187 Acquisition (Note 6) - 15,187 Option and other payments - 19 Total acquisition costs - 19 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,322 Geological consulting 1,64 450 Geophysical 1,074 314 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 1,764 - Total Larder Project cost 25,322 17,694 B	•	3,959	6,255
Land taxes and government fees 213 232 Legal, community and other consultation costs 343 303 Travel 190 167 Total for the year 7,750 9,591 Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 19,565 Larder project 2 15,187 Option and other payments - 15,206 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Black Hills 2 1,7694 Geochemical - 5 Camp and site costs - 5 Camp and site cost		-	
Legal, community and other consultation costs 343 303 Travel 190 167 Total for the year 7,750 9,591 Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 19,565 Larder project 27,315 19,565 Larder project 2 15,187 Option and other payments - 15,206 Geochemical 1,117 1112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 7,628 17,694 - Balance, beginning of year 7,628 17,694 - Total Larder Project cost 2,5322 17,694 Black Hills - 1 - Geochemical -<			
Travel 190 167 Total for the year 7,750 9,591 Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 19,565 Larder project - 15,187 Acquisition (Note 6) - 15,187 Option and other payments - 15,206 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,074 314 Geophysical 1,074 34 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 7,628 17,694 Total Larder Project cost 25,322 176 Geochemical - 5 Camp and site costs - 1 Geochemical <	Land taxes and government fees	213	232
Total for the year 7,750 9,591 Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 19,565 Larder project - 15,187 Option and other payments - 15,187 Option and other payments - 15,206 Geochemical 1,117 1112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,074 314 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 343 19 Balance, beginning of year 7,628 17,694 Total Larder Project cost 25,322 17,694 Black Hills - 5 Geophysical - 1 Camp and site costs - 1 Camp and site costs - 1 Geophysical - <td>Legal, community and other consultation costs</td> <td>343</td> <td>303</td>	Legal, community and other consultation costs	343	303
Balance, beginning of year 19,565 9,974 Total Deer Trail Project cost 27,315 19,565 Larder project Use of the project of the proj	Travel		
Total Deer Trail Project cost 27,315 19,565 Larder project Acquisition (Note 6) - 15,187 Option and other payments - 19,206 Geochemical 1,1117 112 Camp and site costs 7772 127 Drilling 2,402 1,232 Geological consulting 1,674 450 Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Geochemical - 5 Camp and site costs - 1 Geochemical - 5 Camp and site costs - 1 Geophysical - 3 Legal, community a	Total for the year	7,750	9,591
Larder project Acquisition (Note 6) - 15,187 Option and other payments - 19 Total acquisition costs - 15,206 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,764 450 Legal, community and other consultation costs 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Balance, beginning of year 5 5 Camp and site costs - 1 Geochemical - 5 Camp and site costs - 1 Geophysical - 1 Legal, community and other consultation costs - 46		19,565	9,974
Acquisition (Note 6) - 15,187 Option and other payments - 19 Total acquisition costs - 15,206 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 - Balance, beginning of year 7,628 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Camp and site costs - 5 Camp and site costs - 1 Geochemical - 5 Camp and site costs - 1 Geophysical - 1 Geophysical	Total Deer Trail Project cost	27,315	19,565
Option and other payments - 19 Total acquisition costs - 15,206 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Geochemical - 5 Camp and site costs - 1 Geochemical - 5 Camp and site costs - 1 Geophysical - 1 Legal, community and other consultation costs - 7 Legal, community and other consultation costs	Larder project		
Total acquisition costs - 15,206 Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Geochemical - 5 Camp and site costs - 1 Geochemical - 1 Geophysical - 1 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2		-	15,187
Geochemical 1,117 112 Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 - Balance, beginning of year 7,628 17,694 - Total Larder Project cost 25,322 17,694 - Black Hills - 5 Camp and site costs - 1 Geological consulting - 1 Geological consulting - 1 Geophysical - 1 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 2 Total for the year - 191 Balanc	Option and other payments	-	19
Camp and site costs 772 127 Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 25,322 17,694 Black Hills 2 5 Camp and site costs - 1 Geochemical - 5 Camp and site costs - 1 Geological consulting - 5 Geophysical - 3 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 2 Balance, beginning of year - 2 Less: Amounts written off - (10,471) Total Black Hills Project cost -	Total acquisition costs	-	15,206
Drilling 2,402 1,232 Geological consulting 1,764 450 Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 25,322 17,694 Total Larder Project cost 25,322 17,694 Black Hills - 5 Camp and site costs - 1 Geochemical - 5 Camp and site costs - 1 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year - 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost	Geochemical	1,117	112
Geological consulting 1,764 450 Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Geochemical - 5 Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year - 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Camp and site costs	772	127
Geophysical 1,074 314 Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Geochemical - 5 Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year - 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Drilling	2,402	1,232
Land taxes and government fees 43 19 Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Geochemical - 5 Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year - 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Geological consulting	1,764	450
Legal, community and other consultation costs 347 176 Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Geochemical - 5 Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year - 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Geophysical	1,074	314
Travel 109 58 Total for the year 7,628 17,694 Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Geochemical - 5 Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year - 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Land taxes and government fees	43	19
Total for the year 7,628 17,694 Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Geochemical - 5 Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Legal, community and other consultation costs	347	176
Balance, beginning of year 17,694 - Total Larder Project cost 25,322 17,694 Black Hills - 5 Geochemical - 5 Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Travel	109	58
Total Larder Project cost 25,322 17,694 Black Hills Geochemical - 5 Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Total for the year	7,628	17,694
Black Hills Geochemical - 5 Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Balance, beginning of year	17,694	<u>-</u>
Geochemical - 5 Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Total Larder Project cost	25,322	17,694
Camp and site costs - 1 Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Black Hills		
Geological consulting - 127 Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Geochemical	-	5
Geophysical - 3 Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Camp and site costs	-	1
Land taxes and government fees - 7 Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Geological consulting	-	127
Legal, community and other consultation costs - 46 Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Geophysical	-	3
Travel - 2 Total for the year - 191 Balance, beginning of year 10,280 Less: Amounts written off - (10,471) Total Black Hills Project cost - -	Land taxes and government fees	-	7
Total for the year-191Balance, beginning of year10,280Less: Amounts written off-(10,471)Total Black Hills Project cost	Legal, community and other consultation costs	-	46
Balance, beginning of year Less: Amounts written off Total Black Hills Project cost 10,280 - (10,471)	Travel	<u> </u>	2
Less: Amounts written off-(10,471)Total Black Hills Project cost	Total for the year	-	191
Less: Amounts written off-(10,471)Total Black Hills Project cost	Balance, beginning of year		10,280
Total Black Hills Project cost		<u> </u>	
Total Exploration and Evaluation Assets 52,637 37,259	Total Black Hills Project cost	-	
	Total Exploration and Evaluation Assets	52,637	37,259

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

11. SHARE CAPITAL

(a) Public Offerings

On February 7, 2023, the Company closed a \$42,558 bought deal public offering and issued 2,905,000 common shares, at a price of \$14.65 per common share.

On February 16, 2023, the Company closed a \$17,133 (C\$23,024) bought deal private placement and issued 969,450 common shares on a "flow-through" basis" (as defined in the Income Tax Act (Canada)) (the Flow-Through Shares"), at a price of \$17.67 (C\$23.75) per Flow-Through Share. The premium paid by investors on the flow-through shares was calculated as \$3.08 per share. Accordingly, \$2,986 was recorded as flow-through share premium liability (Note 12).

The aggregate gross proceeds from the combined bought deal public offering and bought deal private placement amounted to \$59,691. The Company paid commissions to underwriters of \$3,010 and legal and filing fees totalling \$932 yielding net proceeds of \$55,749.

(b) Stock options

The Company may enter into Incentive Stock Option Agreements in accordance with the Company's Stock Option Plan (the "Plan"). On June 26, 2023, the Shareholders reapproved the Plan. The maximum number of common shares that may be issuable under the Plan is set at 5% of the number of issued and outstanding common shares on a non-diluted basis at any time, provided that the number of common shares issued or issuable under the combined Plan and Share Unit Plan (Note 11(f)) shall not exceed 5% of the issued and outstanding common shares of the Company on a non-diluted basis. Options granted under the Plan have a maximum term of 5 years.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

The following table summarizes the Company's stock options activity, excluding the Gatling replacement options (Note 6), for the year ended December 31, 2023.

	Stock options activity	Weighted average exercise price (C\$/option)
Outstanding Innuary 1, 2022	000 727	16.77
Outstanding, January 1, 2022	988,727	16.77
Granted	230,089	18.86
Exercised for cash	(100,678)	13.79
Exercised cashless	(105,344)	16.52
Outstanding, December 31, 2022	1,012,794	17.56
Granted	236,928	16.42
Expired	(20,000)	19.41
Forfeited	(13,564)	18.35
Exercised for cash	(28,787)	14.34
Outstanding, December 31, 2023	1,187,371	17.37

During the year ended December 31, 2023, the Company recorded a share-based compensation expense of \$1,124 (December 31, 2022: \$1,393) and capitalized \$165 (December 31, 2022: \$52) to exploration and evaluation assets relating to stock options to employees and consultants. Furthermore, 236,928 stock options (December 31, 2022: 230,089) were granted with 76,344 (December 31, 2022: 52,182) vesting in 12 months, 76,355 (December 31, 2022: 16,234) vesting in 24 months and another 76,361 (December 31, 2022: 16,234) vesting in 36 months.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

The following table summarizes the Company's stock options, excluding the Gatling replacement options (Note 6), outstanding and exercisable as at December 31, 2023.

Exercise price (C\$/option)	Number Outstanding	Number Exercisable	Weighted avg. remaining contractual life (years)
13.46	209,432	209,432	0.28
14.98	239,333	239,333	1.16
16.09	6,021	-	4.25
16.43	223,039	-	4.25
17.02	100,000	33,333	3.38
20.20	110,998	37,794	3.27
21.26	50,000	33,333	2.92
21.29	9,191	3,063	3.27
21.57	189,357	189,357	1.94
23.53	50,000	33,333	2.05
13.46 - 23.53	1,187,371	778,978	2.24

The Company determined the fair value of the options using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31,	December 31,
	2023	2022
Risk-free interest rate	3.53%	2.58%
Expected volatility	57%	61%
Expected dividend yield	nil	nil
Expected life (years)	3	3

In 2022, the Company issued 43,675 replacement stock options pursuant to the Gatling acquisition (Note 6) of which 27,719 replacement stock options expired unexercised. The following table summarizes the Gatling replacement options that are outstanding and exercisable as at December 31, 2023:

Exercise price (C\$/option)	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
21.40	1,706	1,706	0.55
21.68 - 21.93	9,986	9,986	0.62
25.80	4,264	4,264	0.05
21.40 - 25.80	15,956	15,956	0.46

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

(c) Restricted and performance share units

On June 26, 2023, the Shareholders re-approved a share unit plan (the "Share Unit Plan") for the benefit of the Company's officers, employees and consultants. The Share Unit Plan provides for the issuance of common shares from treasury, in the form of RSUs and PSUs. The maximum number of common shares that may be issuable under the Share Unit Plan is set at 1.5% of the number of issued and outstanding common shares on a non-diluted basis, provided that the number of common shares issued or issuable under the combined Share Unit Plan and Stock Option Plan (Note 11(b)) shall not exceed 5% of the issued and outstanding common shares on a non-diluted basis. RSUs and PSUs granted under the Share Unit Plan have a term of 5 years unless otherwise specified by the Board, and each unit entitles the participant to receive one common share of the Company subject to vesting criteria, and in the case of PSUs, performance criteria which may also impact the number of PSUs to vest between 0-200%. PSUs for which the performance targets are not achieved during the performance period are automatically forfeited and cancelled.

The following table summarizes the Company's RSUs activity for the year ended December 31, 2023.

	RSU activity	Weighted average fair value (C\$/RSU)
Outstanding, January 1, 2022	24,109	18.44
Granted	84,644	18.71
	,	
Exercised	(7,694)	13.79
Outstanding, December 31, 2022	101,059	18.47
Granted	56,425	16.42
Forfeited	(4,244)	17.07
Exercised	(54,985)	17.19
Outstanding, December 31, 2023	98,255	17.82

During the year ended December 31, 2023, the Company recorded share-based compensation expense of \$671 (December 31, 2022: \$731) and capitalized \$91 (December 31, 2022: \$0) to exploration and evaluation assets relating to RSUs to employees and consultants. Furthermore, 56,425 RSUs (December 31, 2022: 84,644) were granted with 17,725 (December 31, 2022: 52,182) vesting in 12 months, 17,734 (December 31, 2022: 16,234) vesting in 24 months and another 17,739 (December 31, 2022: 16,234) vesting in 36 months.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

The following table summarizes the Company's PSUs activity for the year ended December 31, 2023.

		Weighted average
	PSU activity	fair value (C\$/PSU)
Outstanding, January 1, 2022	240,765	14.61
Granted	87,375	20.30
Forfeited	(6,567)	16.65
Exercised	(90,318)	11.53
Outstanding, December 31, 2022	231,255	17.91
Granted	156,861	16.42
Forfeited	(43,047)	19.71
Exercised	(57,620)	13.17
·	-	-
Outstanding, December 31, 2023	287,449	17.78

During the year ended December 31, 2023, the Company recorded share-based compensation expense of \$229 (December 31, 2022: \$619) and capitalized \$131 (December 31, 2022: \$0) to exploration and evaluation assets relating to PSUs to employees and consultants. Furthermore, 156,861 PSUs were granted (December 31, 2022: 87,375) under the Company's Share Unit Plan with a five-year term. Of the grant, 117,646 PSUs (December 31, 2022: 65,531) vest upon the achievement of specified performance targets over a three-year performance period. The remainder of the grant, 39,215 PSUs (December 31, 2022: 21,844) are subject to a market share price performance factor measured over a three-year performance period.

(d) Deferred share units

On June 26, 2023, the Shareholders re-approved a Deferred Share Unit Plan (the "DSU Plan") for the benefit of the Company's non-executive directors. The DSU Plan provides for the issuance of common shares from treasury, on conversion of Deferred Share Units ("DSUs") granted. Directors may also elect to receive all or a portion of their annual retainer in the form of DSUs. DSUs may be settled in cash or in common shares issued from treasury, as determined by the Board at the time of the grant. The maximum number of common shares that may be issuable under the DSU Plan is set at 1.0% of the number of issued and outstanding common shares on a non-diluted basis.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

The following table summarizes the Company's DSUs activity for the year ended December 31, 2023.

	Weighted averag	
	DSU activity	fair value (C\$/DSU)
Outstanding, January 1, 2022	469,373	14.15
Granted	37,037	18.49
Exercised	(86,295)	12.84
	-	-
Outstanding, December 31, 2022	420,115	14.80
Granted	78,474	14.81
Outstanding, December 31, 2023	498,589	14.80

During the year ended December 31, 2023, the Company recorded share-based compensation expense of \$869 (December 31, 2022: \$507) relating to DSUs to directors. Furthermore, 70,882 DSUs were granted under the plan and 7,592 DSUs were granted to directors who elected to receive a portion of their annual retainer in DSUs rather than in cash (December 31, 2022: 32,426 and 4,611 respectively).

(e) Replacement warrants

In 2022, the Company issued 53,508 replacement warrants pursuant to the Gatling acquisition (Note 6), all of which expired unexercised.

(f) Diluted earnings per share

	D	ecember 31,	December 31,
		2023	2022
Net earnings		48,656	17,594
Basic weighted average number of shares outstanding		102,486,986	98,420,906
Effect of dilutive common share equivalents:			
Stock options		51,971	96,894
Restricted and performance share units		93,007	39,815
Diluted weighted average number of shares outstanding		102,631,964	98,557,615
Diluted earnings per share	\$	0.47 \$	0.18

As of December 31, 2023, there are 748,541 anti-dilutive stock options (December 31, 2022: 627,008), 292,697 anti-dilutive restricted and performance share units (December 31, 2022: 292,498), and 498,589 anti-dilutive deferred share units (December 31, 2022: 420,115).

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

12. FLOW-THROUGH PREMIUM LIABILITY

As at December 31, 2023, the Company has a flow-through share premium liability of \$1,969 (December 31, 2022: nil) in relation to the flow-through share financing completed on February 16, 2023 (see Note 11(a) for full details of the financing). Flow-through shares are issued at a premium, and in the Company's case, considering the separate offerings for flow-through shares and standard public offering for common shares both made on January 25, 2023, this premium has been calculated as the difference between the pricing of a flow-through share and that of a common share from the public offering made on the same date. Tax deductions generated by the eligible expenditures are passed through to the shareholders of the flow-through shares once the eligible expenditures are incurred and renounced. Below is a summary of the flow-through financing and the related flow-through share premium liability generated.

	Shares issued	•	Premium per flow through share price \$	Flow-through premium liability \$
February 2023 Financing	969,450	17.67	3.08	2,986

The following table is a continuity of the flow-through share funding and expenditures along with the corresponding impact on the flow-through share premium liability:

	Flow-through funding and expenditures	Flow-through premium liability
	\$	\$
Balance at January 1, 2023	-	-
Flow-through funds raised	17,133	2,986
Flow-through eligible expenditures	(5,835)	(1,017)
Balance at December 31, 2023	11,298	1,969

The Company renounced the entirety of tax deductions from incurred and not yet incurred eligible spend to its shareholders of flow-through shares as at December 31, 2023 (see Note 20).

13. DEBT FACILITY

In October 2023 the Company entered into a \$40,000 senior secured revolving credit facility with the Bank of Montreal. There is a provision for an accordion feature whereby, upon request, the facility may be increased to \$75,000 any time prior to the maturity date, at the discretion of the lender. The credit facility will bear interest on a sliding scale of SOFR or the Lender's Base Rate on US Dollar commercial loans plus an applicable margin on a sliding scale of between 200 and 400 basis points based on the Company's leverage ratio. Interest incurred on drawn

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

amounts is to be paid quarterly. Commitment fees on the undrawn portion of the facility are calculated on a similar sliding scale of between 50 and 75 basis points, and are also to be paid on a quarterly basis. The term of the facility is 34 months, maturing on August 4, 2026, at which date any drawn amount is required to be paid back in full. All debts, liabilities and obligations under the facility are guaranteed by the Company's material subsidiaries and secured by assets of the Company including the pledge of a material subsidiary. The facility includes a number of customary covenants (liquidity, leverage, tangible net worth) and conditions including limitations on acquisitions and investments (excluding exploration and capital expenditures) funded using cash with no limitations when equity is used as a funding source. As at December 31, 2023, the Company is in compliance with all applicable covenants.

As of December 31, 2023, the Company has not drawn down any funds from its revolving credit facility, and as a result expensed \$48 of commitment fees. Expenditures of \$993 related to this debt facility have been capitalized to deferred financing fees, of which \$84 has been amortized for the year ended December 31, 2023.

14. CAPITAL RISK MANAGEMENT

The Company's objectives in managing its liquidity and capital are to safeguard the Company's ability to continue as a going concern and to provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of its equity (comprised of share capital, equity reserve, accumulated other comprehensive income and deficit), its undrawn Credit Facility (see Note 13) and lease obligation, net of cash and investments in equity securities as follows:

	December 31,	December 31,
	2023	2022
	\$	\$
Equity	506,757	401,696
Lease obligation	154	261
Cash	(68,707)	(29,955)
Investments	(8)	(11)
Total	438,196	371,991

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt and/or acquire or dispose of assets.

As at December 31, 2023, the Company does not have any long-term debt outstanding, is in compliance with all applicable Credit Facility covenants, and is not subject to any other externally imposed capital requirements.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

15. FINANCIAL RISK MANAGEMENT

The Company's operations consist of the acquisition, exploration and advancement of mineral projects in the Americas. 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, liquidity risk, currency risk, interest rate risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Market risk

The Company conducts the majority of its business through its equity interest in its associates, Juanicipio (Note 9). Juanicipio is exposed to commodity price risk, specifically to the prices of silver, gold, and to a lesser extent, lead and zinc. Currently, Juanicipio produces and sells concentrates containing these metals which are each subject to market price fluctuations which will affect its profitability and its ability to generate cash flow. Juanicipio does not hedge any of the commodities produced and does not have any such positions outstanding at December 31, 2023.

(b) 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 financial statements.

(i) Trade credit risk

Juanicipio, in which the Company has a 44% interest, has revenue from its operations as described in Note 9. Juanicipio sells and receives payment for its concentrates at market terms, under an offtake agreement with Met-Mex Peñoles, S.A. de C.V. ("Met-Mex"), a related party to Fresnillo. The Company believes Juanicipio is not exposed to significant trade credit risk.

(ii) Cash

In order to manage credit and liquidity risk, the Company's practice is to invest only in highly rated investment grade instruments backed by Canadian commercial banks, and in the case of its Mexican and US operations, the Company maintains minimal cash in its US and Mexican subsidiaries.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

The Company's maximum exposure to credit risk is the carrying value of its cash, accounts receivable and loans receivable from Juanicipio which is classified as an Investment in Juanicipio in the audited consolidated statements of financial position, as follows:

	December 31,	December 31,
	2023	2022
	\$	\$
Cash	68,707	29,955
Accounts receivable (Note 8)	1,559	708
Juanicipio loans (Notes 9 & 18)	94,414	104,653
	164,680	135,316

(c) Liquidity risk

The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements, its exploration and mineral projects advancement plans, and its various optional property and other commitments (Notes 9, 10 and 18). The annual budget is approved by the Board of Directors. The Company ensures that there are sufficient cash balances to meet its short-term business requirements.

To increase its flexibility with regards to access to capital, on October 4, 2023 the Company executed definitive documentation for a \$40,000 senior secured revolving credit facility with the Bank of Montreal (see Note 13 for full details of the debt facility).

The Company estimates it has the ability to fund the next 12 months of corporate and exploration expenses with its liquidity position, and the Company 's overall liquidity risk has not changed significantly from December 31, 2022. Future liquidity may therefore depend upon the Company's ability to repatriate capital from Juanicipio, arrange additional debt or additional equity financing.

(d) Currency risk

The Company is exposed to the financial risks related to the fluctuation of foreign exchange rates, both in the Mexican peso and C\$, relative to the US\$. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign exchange rates.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

Exposure to currency risk

As at December 31, 2023, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the functional currency of the applicable entity:

	Mexican peso	Canadian dollar
(in US\$ equivalent)	\$	\$
Cash	8	2,187
Accounts receivable	120	651
Prepaid expenses	-	986
Investments	-	8
Accounts payable	(95)	(2,466)
Lease obligations	-	(154)
Net (liabilities) assets exposure	33	1,212

Mexican peso relative to the US\$

Although the majority of operating expenses in Mexico are both determined and denominated in US\$, an appreciation in the Mexican peso relative to the US\$ will increase the Company's cost of operations in Mexico (reported in US\$) related to those operating costs denominated and determined in Mexican pesos. Alternatively, a depreciation in the Mexican peso relative to the US\$ will decrease the Company's cost of operations in Mexico (reported in US\$) related to those operating costs denominated and determined in Mexican pesos.

An appreciation/depreciation in the Mexican peso against the US\$ will also result in a gain/loss before tax and deferred tax to the extent that the Company holds net monetary assets (liabilities) in pesos. Specifically, the Company's foreign currency exposure is comprised of peso denominated cash, prepaids and value added taxes receivable, net of trade and other payables. The carrying amount of the Company's net peso denominated monetary assets at December 31, 2023 is 564 thousand pesos (December 31, 2022: 8.9 million pesos net monetary liabilities). A 10% appreciation or depreciation in the peso against the US\$ would have an immaterial effect on the Company's income (loss) before tax.

Mexican peso relative to the US\$ - Investment in Juanicipio

The Company conducts the majority of its business through its equity interest in its associates (Note 9). The Company accounts for this investment using the equity method and recognizes the Company's 44% share of earnings and losses of Juanicipio. Juanicipio also has a US\$ functional currency and is exposed to the same currency risks noted above for the Company.

An appreciation/depreciation in the Mexican peso against the US\$ will also result in a gain/loss before tax and deferred taxes (Note 9) in Juanicipio to the extent that it holds net

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

monetary assets (liabilities) in pesos, comprised of peso denominated cash, value added taxes receivable, net of trade and other payables. The carrying amount of Juanicipio's net peso denominated monetary liabilities at December 31, 2023 is 545 million pesos (December 31, 2022: 744 million). A 10% appreciation in the peso against the US\$ would result in a loss before tax at December 31, 2023 of \$3,584 (December 31, 2022: \$4,269) in Juanicipio, of which the Company would record its 44% share being \$1,577 loss from equity investment in Juanicipio (December 31, 2022: \$1,878 loss), while a 10% depreciation in the peso relative to the US\$ would result in an equivalent gain.

C\$ relative to the US\$

The Company is exposed to gains and losses from fluctuations in the C\$ relative to the US\$.

As general and administrative overheads in Canada are predominantly denominated in C\$, an appreciation in the C\$ relative to the US\$ will increase the Company's overhead costs as reported in US\$. Alternatively, a depreciation in the C\$ relative to the US\$ will decrease the Company's overhead costs as reported in US\$.

An appreciation/depreciation in the C\$ against the US\$ will result in a gain/loss to the extent that MAG, the parent entity, and the Larder Project holds net monetary assets (liabilities) in C\$. The carrying amount of the Company's net Canadian denominated monetary assets at December 31, 2023 is C\$1.4 million (December 31, 2022: C\$1.1 million net monetary liabilities). A 10% appreciation or depreciation in the C\$ against the US\$ would have a \$160 effect on the Company's income (loss) before tax.

(e) Interest rate risk

The Company's interest income earned on cash is exposed to interest rate risk. A decrease in interest rates would result in lower relative interest income and an increase in interest rates would result in higher relative interest income.

The Company long-term credit facility is based on variable interest rate, where it will bear interest on a sliding scale of SOFR or the Lender's Base Rate on US Dollar commercial loans plus an applicable margin on a sliding scale of between 200 and 400 basis points based on the Company's leverage ratio. As of December 31, 2023, the Company has not drawn down any funds from its revolving credit facility.

16. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The Company's financial instruments include cash, accounts receivable, investments, and trade and other payables. The carrying values of cash, accounts receivable, and trade and other payables reported in the consolidated statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments.

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Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value as described below:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Observable inputs other than quoted prices in Level 1 such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs which are supported by little or no market activity.

The Company's financial assets or liabilities as measured in accordance with the fair value hierarchy described above are:

As at December 31, 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments	8	-	-	8
As at December 31, 2022	Level 1	Level 2	Level 3	Total
· ·	\$	\$	\$	\$
Investments	11	-	-	11

There were no transfers between levels 1, 2 and 3 during the year ended December 31, 2023 or during the year ended December 31, 2022.

17. SEGMENTED INFORMATION

The Company operates in one operating segment, being the exploration and advancement of mineral projects in North America. The Company's principal asset, its 44% ownership in the Juanicipio Mine, is located in Mexico, and the Company also has other exploration properties in North America. The Company's executive and head office is located in Canada.

18. RELATED PARTY TRANSACTIONS

The Company does not have offices or direct personnel in Mexico, but rather is party to a Field Services Agreement, whereby it has contracted administrative and exploration services in Mexico with Minera Cascabel, S.A. de C.V. ("Cascabel") and IMDEX Inc. ("IMDEX"). Dr. Peter Megaw, the Company's Chief Exploration Officer, is a principal of both IMDEX and Cascabel, and is remunerated by the Company through fees to IMDEX. In addition to corporate executive responsibilities with MAG, Dr. Megaw is responsible for the planning, execution and assessment of the Company's exploration programs.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

During the year, the Company incurred expenses with Cascabel and IMDEX as follows:

	December 31,	December 31,
	December 51,	December 51,
	2023	2022
	\$	\$
Fees related to Dr. Megaw:		
Exploration and marketing services	393	372
Travel and expenses	39	30
Other fees to Cascabel and IMDEX:		
Administration for Mexican subsidiaries	55	54
Field exploration services	180	165
Share-based payments (Note 11)	443	456
	1,110	1,077

All transactions are incurred in the normal course of business and are negotiated on arm's length terms between the parties for all services rendered. A portion of the expenditures are incurred on the Company's behalf and are charged to the Company on a "cost + 10%" basis. The services provided do not include drilling and assay work which are contracted out independently from Cascabel and IMDEX.

Any amounts due to related parties arising from the above transactions are unsecured, non-interest bearing and are due upon receipt of invoices.

The details of the Company's significant subsidiary and controlling ownership interests are as follows:

Name	Country of	Principal	MAG's effect	ctive interest
	Incorporation	Asset	2023 (%)	2022 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Juanicipio (44%)	100%	100%

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

As at December 31, 2023, Fresnillo and the Company have advanced, on a net basis, \$214,586 as shareholder loans (MAG's 44% share \$94,414) to Juanicipio, bearing interest at 1 and 6 months SOFR + 2%. From January 2022, with the mine being brought into commercial production, a portion of the interest incurred by Juanicipio was expensed whereas the remainder, pertaining to the processing facility, continued to be capitalized. From January 2023, with the commencement of commissioning of the processing facility at Juanicipio, all of the interest is expensed. Interest recorded by Juanicipio for the year ended December 31, 2023 totalling \$8,150 (year ended December 31, 2022: \$1,058) has therefore been included in MAG's income from equity investment in Juanicipio.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

During the year ended December 31, 2023 and 2022, compensation of key management personnel (including directors) was as follows:

	For the year ended		
	December 31, December		
	2023	2022	
	\$	\$	
Salaries and other short term employee benefits	1,949	2,075	
Severance paid to a former executive	-	382	
Share-based compensation (non-cash) (Note 8)	2,532	1,774	
	4,481	4,231	

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consists of its directors, the Chief Executive Officer, the Chief Financial Officer and the Chief Sustainability Officer.

19. COMMITMENTS AND CONTINGENCIES

The following table discloses the contractual obligations of the Company and its subsidiaries as at December 31, 2023 for committed exploration work and committed other obligations.

	Total \$	Less than 1 year \$	1-3 Years \$	3-5 Years \$	More than 5 years \$
Minera Juanicipio (1)	-	-	-	-	-
Consulting contract commitments	857	307	550	-	<u>-</u>
Total Obligations and Commitments	857	307	550	-	-

⁽¹⁾ According to the operator, Fresnillo, contractual commitments including project development and for continuing operations and purchase orders issued for project capital, sustaining capital, and continuing operations total \$13,779 (December 31, 2022: \$47,809), with respect to Juanicipio on a 100% basis as at December 31, 2023.

The concessions associated with the Larder Project are all in good standing with various underlying obligations or royalties ranging from nil-2% NSRs associated with various mineral claims, and various payments upon a production announcement.

The Company is obligated to a 2.5% NSR royalty on the Cinco de Mayo property.

The Company could be subject to various investigations, claims and legal and tax proceedings covering matters that arise in the ordinary course of business activities. Each of these matters would be subject to various uncertainties and it is possible that some matters may be resolved unfavourably to the Company. Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company is not aware of

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

any such claims or investigations, and as such has not recorded any related provisions and does not expect such matters to result in a material impact on the results of operations, cash flows and financial position.

20. INCOME TAXES

The income taxes recognized in the consolidated statements of income and comprehensive income are as follows:

	For the year ended		
	December 31, December 2023		
	\$	\$	
Deferred tax expense	(5,577)	(371)	
Total income tax expense	(5,577)	(371)	

The provision for income taxes reported differs from the amounts computed by applying statutory Canadian federal and provincial tax rates to the loss before tax provision due to the following:

	For the year ended		
	December 31,	December 31,	
	2023	2022	
	\$	\$	
Income for the year before income taxes	54,236	18,015	
Statutory tax rate	27%	27%	
Income tax (expense) computed at statutory rates	(14,644)	(4,864)	
Share issuance costs	1,050	-	
Share based compensation	(762)	(878)	
Mexican inflationary adjustments	788	2,429	
Differing effective tax rate on loss in foreign jurisdiction	(1,904)	(1,156)	
Equity accounted earnings from Investment in Juanicipio	22,398	13,060	
Withholding tax on planned foreign earnings repatriation	(6,123)	(2,921)	
Flow-through shares obligations	(3,814)	-	
Unrecognized deferred tax assets	(21,072)	(7,239)	
Impact of foreign exchange and other	17,055	1,198	
Other	1,451	-	
Total income tax (expense) benefit	(5,577)	(371)	

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

The approximate tax effect of each item that gives rise to the Company's unrecognized and recognized deferred tax assets and liabilities as at December 31, 2023 and 2022 are as follows:

	December 31,	December 31,
	2023	2022
	\$	\$
Deferred income tax assets		
Non-capital losses	3,232	3,993
	3,232	3,993
Deferred income tax liabilities		
Property and equipment	(819)	(826)
Investment in Juanicipio	(6,123)	(5,880)
Financing costs	(26)	-
Investments	(137)	(208)
Exploration and evaluation assets	(4,625)	-
	(11,730)	(6,914)
Net deferred income tax liability	(8,498)	(2,921)

The Company's movement of net deferred tax liabilities is described below:

	December 31,	December 31,
	2023	2022
	\$	\$
At January 1	(2,921)	(2,557)
Deferred income tax (expense) benefit through income statement	(5,577)	(371)
Deferred income tax benefit through OCI	-	7
At December 31	(8,498)	(2,921)

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized:

	December 31,		December 31,
	2023	expiry dates	2022
	\$		\$
Non-capital losses	163,349	2024-2043	118,353
Exploration and evaluation assets	16,559	no expiry	15,915
Financing fees	5,109	2044-2046	3,242
Other	3,002	no expiry	1,141
Total	188,019		138,651

Notes to the Consolidated Financial Statements For the years ended December 31, 2023 and 2022 (Expressed in thousands of US dollars unless otherwise stated)

At December 31, 2023, the Company has non-capital loss carry forwards in Canada aggregating \$61,207 (December 31, 2022: \$57,196), which expire over the period between 2026 and 2043, available to offset future taxable income in Canada. None of these deductible temporary differences have been recognized.

At December 31, 2023, the Company has non-capital loss carry forwards in Mexico aggregating \$100,880 (December 31, 2022: \$59,943) which expire over the period between 2023 and 2032, available to offset future taxable income in Mexico. None of these deductible temporary differences have been recognized.

At December 31, 2023, the Company has non-capital loss carry forwards in the United States of America aggregating \$1,262 (December 31, 2022: \$1,214), available to offset future taxable income in the United States of America. None of these deductible temporary differences have been recognized.

21. SUBSEQUENT EVENTS

On December 7, 2023 the Company, through its Gatling Exploration Inc. subsidiary, entered into an asset purchase agreement with Goldstake Explorations Inc. and Transpacific Resources Inc., whereby Gatling Exploration Inc. would purchase 100% ownership of the Goldstake property for consideration of C\$5,000. Shareholder meetings of Goldstake Exploration Inc. and Transpacific Resources Inc. were held during March approving the transaction and the Company is in receipt of ministerial approvals for the transfer of the leases to Gatling Exploration Inc. The closing of the asset purchase agreement is scheduled for the second half of March 2024.