# Excellon Resources Inc.

Condensed Consolidated Financial Statements

For the three months ended March 31, 2025 and 2024
in thousands of U.S. dollars
(unaudited)

**Notice to Reader**

*The accompanying unaudited interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.*

**Excellon Resources Inc.**

Condensed Consolidated Statements of Financial Position
(unaudited) (in thousands of U.S. dollars)

| | Notes | March 31 2025 $ | December 31 2024 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 404 | 1,362 |
| VAT recoverable | | 238 | 240 |
| Other assets | | 198 | 224 |
| | | 840 | 1,826 |
| **Non-current assets** | | | |
| Mineral rights | *3* | 15,237 | 15,230 |
| Other assets | *4* | 2,103 | 1,332 |
| **Total assets** | | 18,180 | 18,388 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Payables and accruals | | 3,570 | 3,450 |
| Other VAT liabilities | | 987 | 990 |
| Promissory note | *6* | 1,250 | 1,250 |
| | | 5,807 | 5,690 |
| **Non-current liabilities** | | | |
| Convertible debentures | *5* | 3,497 | 3,250 |
| **Total liabilities** | | 9,304 | 8,940 |
| **Shareholders' equity** | | | |
| Share capital | *7* | 153,996 | 153,602 |
| Contributed surplus | | 40,536 | 40,529 |
| Accumulated other comprehensive loss | | (3,472) | (3,466) |
| Deficit | | (180,654) | (179,689) |
| | | 10,406 | 10,976 |
| **Non-controlling interest** | | (1,530) | (1,528) |
| **Total equity** | | 8,876 | 9,448 |
| **Total liabilities and equity** | | 18,180 | 18,388 |

Basis of presentation and going concern (Note 2)

| **Approved by the Board** | **Director** | **Director** |
|---|---|---|
| | *"Laurence Curtis"* | *"Craig Lindsay"* |

**Excellon Resources Inc.**

Condensed Consolidated Statements of Comprehensive Loss

For the three months ended March 31, 2025 and 2024

(unaudited) (in thousands of U.S. dollars, except share and per share data)

| | Notes | March 31 2025 $ | March 31 2024 $ |
|---|---|---|---|
| Administrative expenses | *8* | (355) | (254) |
| Share-based payment expense | *7* | (225) | (181) |
| Amortization | | - | (39) |
| General and administrative expenses | | (580) | (474) |
| Exploration and holding expenses | | (17) | (43) |
| Other expenses | *8* | (13) | (720) |
| Finance expenses | *9* | (349) | (1,235) |
| **Loss before income taxes** | | (959) | (2,472) |
| Income tax expense | | - | - |
| **Net loss** | | (959) | (2,472) |
| **Attributable to:** | | | |
| Shareholders of the Company | | (965) | (2,472) |
| Non-controlling interest | | 6 | - |
| **Net loss** | | (959) | (2,472) |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit and loss: | | | |
| Foreign currency translation differences | | (14) | 177 |
| **Other comprehensive (loss) income** | | (14) | 177 |
| **Total comprehensive loss** | | (973) | (2,295) |
| **Attributable to:** | | | |
| Shareholders of the Company | | (971) | (2,295) |
| Non-controlling interest | | (2) | - |
| **Total comprehensive loss** | | (973) | (2,295) |
| **Net loss per share** | | | |
| Basic and diluted | | ($0.01) | ($0.04) |
| **Weighted average number of shares** | | | |
| Basic and diluted | | 143,484,819 | 59,055,632 |

**Excellon Resources Inc.**

Condensed Consolidated Statements of Cash Flow

For the three months ended March 31, 2025 and 2024

(unaudited) (in thousands of U.S. dollars)

| | Three months ended | |
|---|---|---|
| | **March 31 2025 $** | **March 31 2024 $** |
| **Cash flow generated by (used in)** | | |
| **Operating activities** | | |
| Net loss for the period | (959) | (2,472) |
| Adjustments for non-cash items: | | |
| Amortization | - | 39 |
| Share-based payment expense | 225 | 181 |
| Fair value gain on marketable securities | (4) | - |
| Finance expenses | 349 | 1,235 |
| Loss on Debenture Restructuring | - | 812 |
| Loss on convertible debenture conversion | 31 | - |
| Other expenses and foreign exchange gains and losses | 9 | (35) |
| Operating cash flows before changes in working capital | (349) | (240) |
| Changes in non-cash working capital | | |
| VAT recoverable | 3 | (68) |
| Other assets | (41) | 30 |
| Payables and accruals | 128 | (67) |
| Other VAT liabilities | 3 | - |
| **Net cash used in operating activities** | **(256)** | **(345)** |
| **Investing activities** | | |
| Upfront funding related to Mallay Acquisition | (715) | - |
| Interest received | 14 | 5 |
| Proceeds from sale of marketable securities | 11 | - |
| **Net cash (used in) generated by investing activities** | **(690)** | **5** |
| **Financing activities** | | |
| **Net cash generated by financing activities** | **-** | **-** |
| **Effect of exchange rate changes on cash and cash equivalents** | (12) | (13) |
| **Change in cash and cash equivalents** | (958) | (353) |
| **Cash and cash equivalents – beginning of period** | 1,362 | 691 |
| **Cash and cash equivalents – end of period** | **404** | **338** |

**Excellon Resources Inc.**

Condensed Consolidated Statements of Changes in Equity
For the three months ended March 31, 2025 and 2024
(unaudited) (in thousands of U.S. dollars, except per share data)

| | Share capital $ | Contributed surplus $ | Accumulated other comprehensive loss $ | Deficit $ | Attributable to Shareholders of the Company $ | Non-controlling interest $ | Total (deficit) equity $ |
|---|---|---|---|---|---|---|---|
| **Balance – January 1, 2024** | 143,393 | 33,700 | (12,451) | (174,469) | (9,827) | - | (9,827) |
| Net loss for the period | - | - | - | (2,472) | (2,472) | - | (2,472) |
| Total other comprehensive income | - | - | 177 | - | 177 | - | 177 |
| Total comprehensive income (loss) | - | - | 177 | (2,472) | (2,295) | - | (2,295) |
| Share options: Share-based compensation | - | 58 | - | - | 58 | - | 58 |
| Deferred and restricted share units: | | | | | | | |
| Shares issued on RSU exercise | 77 | (77) | - | - | - | - | - |
| Share-based compensation | - | 430 | - | - | 430 | - | 430 |
| Convertible debentures: | | | | | | | |
| Shares issued on restructuring | 6,318 | - | - | - | 6,318 | - | 6,318 |
| Value of conversion option | - | 5,257 | - | - | 5,257 | - | 5,257 |
| Non-controlling interest | - | - | - | - | - | (1,547) | (1,547) |
| Interest paid in shares | 992 | - | - | - | 992 | - | 992 |
| **Balance – March 31, 2024** | **150,780** | **39,368** | **(12,274)** | **(176,941)** | **933** | **(1,547)** | **(614)** |
| **Balance – January 1, 2025** | 153,602 | 40,529 | (3,466) | (179,689) | 10,976 | (1,528) | 9,448 |
| Net (loss) income for the period | - | - | - | (965) | (965) | 6 | (959) |
| Total other comprehensive loss | - | - | (6) | - | (6) | (8) | (14) |
| Total comprehensive loss | - | - | (6) | (965) | (971) | (2) | (973) |
| Share options: Share-based compensation | - | 78 | - | - | 78 | - | 78 |
| Deferred and restricted share units: | | | | | | | |
| Shares issued on RSU exercise | 130 | (130) | - | - | - | - | - |
| Share-based compensation | - | 147 | - | - | 147 | - | 147 |
| Convertible debentures (Note 5): | | | | | | | |
| Shares issued on conversion | 120 | - | - | - | 120 | - | 120 |
| Value of option reversed on conversion | 88 | (88) | - | - | - | - | - |
| Shares issued to settle payables (Note 7) | 56 | - | - | - | **56** | - | 56 |
| **Balance – March 31, 2025** | **153,996** | **40,536** | **(3,472)** | **(180,654)** | **10,406** | **(1,530)** | **8,876** |

## 1. GENERAL INFORMATION

Excellon Resources Inc. (the “Company” or “Excellon”) is engaged in the acquisition, exploration and advancement of mineral properties. The Company is listed on the Toronto Venture Stock Exchange (the “TSXV”) under the symbol EXN, the OTC Pink Market (the "OTC") in the United States under the symbol EXNRF, and the Frankfurt Stock Exchange under the symbol E4X2. The Company is advancing a portfolio of gold, silver and base metals assets including Kilgore, an advanced gold exploration project in Idaho; and Silver City, a high-grade epithermal silver district in Saxony, Germany. The Company has also entered into an agreement to acquire the Mallay Property, which includes the past-producing Ag-Zn-Pb Mallay Mine and the Tres Cerros Exploration Property, located in Peru.

Excellon is domiciled in Canada and incorporated under the laws of the Province of Ontario. The address of its registered office is 3400 First Canadian Place, 100 King Street West, Toronto, M5X 1A4. These consolidated financial statements were approved by the Board of Directors on May 15, 2025.

## 2. BASIS OF PRESENTATION AND GOING CONCERN

*a) Statement of compliance and going concern*

The Company prepares its condensed consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Accordingly, certain information and note disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed. These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2024.

The Company is subject to the risks of an exploration company. These risks include the challenges of securing adequate capital for exploration and development. The Company has no source of operating cash flows, incurred a net loss of $959 for the three months ended March 31, 2025 and had current liabilities in excess of current assets of $4,967 as of March 31, 2025. The Company’s ability to continue as a going concern is dependent upon its ability to raise additional capital to continue the exploration of its mining properties.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern and therefore realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company’s ability to continue as a going concern is dependent on its ability to obtain the necessary financing to fund its working capital requirements, advance its exploration projects and meet its ongoing corporate overhead costs. Although the Company has been successful in obtaining debt and equity financing in the past, there is no assurance that it will be able to do so in the future or that such arrangements will be on terms advantageous to the Company. These condensed consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these condensed consolidated financial statements do not include adjustments to the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business at amounts different from those in the accompanying condensed consolidated financial statements. Such adjustments could be material.

(unaudited) (in thousands of U.S. dollars, except share and per share data)

b) *Summary of significant accounting policies, judgments, and estimates*

These condensed consolidated financial statements have been prepared using the same accounting policies, methods of computation, judgments and estimates as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2024.

## 3. MINERAL RIGHTS

| | Silver City (Germany) [1] $ | Kilgore (Idaho) [2] $ | Total $ |
|---|---|---|---|
| **Year ended December 31, 2024** | | | |
| Opening net book value | 1,609 | 13,750 | 15,359 |
| Exchange differences | (129) | - | (129) |
| **Closing net book value** | **1,480** | **13,750** | **15,230** |
| **Period ended March 31, 2025** | | | |
| Opening net book value | 1,480 | 13,750 | 15,230 |
| Exchange differences | 7 | - | 7 |
| **Closing net book value** | **1,487** | **13,750** | **15,237** |

(1) The Company holds the Bräunsdorf, Frauenstein, Mohorn and Oederan exploration licences, a 340 $km^2$ silver district in Saxony, Germany (the "Silver City Project").

On acquisition of the Bräunsdorf license, a gross metals royalty of 3% for precious metals and 2.5% for other metals was issued to the vendor, both of which may be reduced by 1% upon a payment of C$1,500. Additional one-time payments of C$300 and C$700 are to be made by the Company following any future announcement of a maiden mineral resource estimate on the property and upon the achievement of commercial production, respectively.

In 2024, and as part of the Debenture Restructuring (Note 5), the Company issued a 25% interest in Saxony Silver Corp. to the Debentureholders ("Saxony Shares") in partial consideration for the cancellation of C$10.41 million aggregate principal amount of the original convertible debentures. The Company continues to consolidate Saxony Silver Corp. and record a non-controlling interest related to the 25% held by the Debentureholders.

(2) The Kilgore Project consists of approximately 5,489 hectares of mineral concessions located in Clark County, situated in eastern Idaho, USA.

In 2024, and as part of the Debenture Restructuring (Note 5), the Company issued contingent value rights providing for payments equal to the equivalent of up to 1,500 troy ounces of gold upon the achievement of certain milestones at Kilgore ("Kilgore CVR"), and a 2% NSR royalty on the unpatented claims comprising the Kilgore Project ("Kilgore NSR"), to the Debentureholders in partial consideration for the cancellation of C$10.41 million aggregate principal amount of the original convertible debentures.

(unaudited) (in thousands of U.S. dollars, except share and per share data)

## 4. OTHER ASSETS

| | March 31 2025 $ | December 31 2024 $ |
|---|---|---|
| **CURRENT** | | |
| Prepaid expenses, deposits and bonds | 171 | 189 |
| Marketable securities and warrants | 5 | 13 |
| Other | 22 | 22 |
| | **198** | **224** |
| **NON-CURRENT** | | |
| Upfront funding and deferred transactions costs (1) | 2,103 | 1,332 |
| | **2,103** | **1,332** |

(1) In Q4 2024, the Company announced entering into an agreement to acquire the Mallay Property. The Company advanced upfront funding of $1,815 to the property and the seller, and incurred $288 in transaction costs, both of which the Company expects to capitalize to the Mallay Property on closing of the transaction.

## 5. CONVERTIBLE DEBENTURES

On March 28, 2024, the Company closed the previously announced binding term sheet with the Debentureholders to reduce the outstanding principal amount from C$17.91 million to C$7.5 million, representing a 58% reduction in principal, and to amend the terms of the remaining debentures to, among other things, further extend the maturity date to August 31, 2026 (the "Debenture Restructuring"). As a result, the remaining debentures' conversion price decreased from C$5.30 to C$0.10, the interest rate payable in cash increased from 5.75% to 6.50% per annum, while the Company retained the option to satisfy interest in shares at an effective interest rate of 10% per annum. In consideration for the cancellation of C$10.41 million in principal amount of the convertible debentures, the Company issued approximately 38.9 million shares of the Company ("Share Consideration"), Kilgore CVR, Kilgore NSR and Saxony Shares (Notes 3 and 4).

The Debenture Restructuring was accounted for as an extinguishment of the original convertible debenture ($11,880 or C$16,086), and the recognition of a revised convertible debenture ($7,921 or C$10,725), non-controlling interest related to the Saxony Shares ($1,547 or C$2,094 – debit) and the issuance of the Share Consideration ($6,318 or C$8,555), which resulted in a loss on restructuring ($812 or C$1,100). The fair value of the revised convertible debenture with conversion price of C$0.10, the Share Consideration, and hence the loss on restructuring, was driven by an increase in the Company's share price from the date of the term sheet ($0.09) to the closing on March 28, 2024 ($0.22). The Company determined that the Kilgore CVR and Kilgore NSR are contingent on future transactions and hence do not meet the IFRS criteria for recognition at this time (Note 4).

The Company recorded interest expense of C$455 ($318) and C$1,637 ($1,218) for the three months ended March 31, 2025 and 2024, respectively.

(unaudited) (in thousands of U.S. dollars, except share and per share data)

| | $ CAD | $ USD |
|---|---|---|
| **Year ended December 31, 2024** | | |
| Opening balance | 15,795 | 11,942 |
| Value of shares issued to settle interest payable – H2 2023 | (903) | (673) |
| Interest expense – pre-restructuring | 1,625 | 1,205 |
| Value of shares issued to settle interest payable – up to restructuring | (431) | (318) |
| Exchange differences | - | (276) |
| Extinguishment of convertible debentures on restructuring | 16,086 | 11,880 |
| Fair value of consideration recognized on closing | (17,186) | (12,692) |
| Loss on restructuring | (1,100) | (812) |
| | | |
| Fair value of the new debt component | 3,607 | 2,664 |
| Interest expense – post-restructuring | 1,637 | 1,181 |
| Value of shares issued to settle interest payable – post-restructuring | (570) | (405) |
| Exchange differences | - | (190) |
| **Closing balance** | **4,674** | **3,250** |
| | | |
| **Period ended March 31, 2025** | | |
| Opening balance | 4,674 | 3,250 |
| Interest expense | 455 | 318 |
| Conversion of debentures (1) | (126) | (89) |
| Exchange differences | - | 18 |
| **Closing balance** | **5,003** | **3,497** |

(1) In Q1 2025, a Debentureholder elected to convert debenture principal of C$126 ($89) into 1,260,000 shares of the Company in accordance with the debenture indenture (Note 7, 8). The remaining principal amount outstanding is C$7,374 ($5,154).

## 6. PROMISSORY NOTE

In connection with the agreement to acquire the Mallay Property, the Company issued a $1,250 non-convertible promissory note of the Company. The promissory note is due May 1, 2026, bears interest at 10% per annum payable on maturity and, at the election of the holder, may be applied as a prepayment against a portion of the purchase price payable by the holder to exercise its Back In Right pursuant to an agreement (the “Back In Right Agreement”) to be entered into in connection with the Mallay Acquisition (the “Tres Cerros Prepayment Election”). If the Mallay Acquisition is not completed prior to the outside date, the promissory note and any accrued interest are repayable within 30 days of the outside date, hence the current classification of the promissory note. The Company may elect, at any time, to prepay in cash any or all of the principal amount plus any accrued interest.

The promissory note was recorded at fair value of $1,250 as it is repayable within 30 days if the Mallay Acquisition is not completed prior to the outside date. In Q1 2025, the Company recorded interest expense of $31 on the promissory note (Note 9).

(unaudited) (in thousands of U.S. dollars, except share and per share data)

## 7. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares.

| | Number of shares (000's) | $ |
|---|---|---|
| **Year ended December 31, 2024** | | |
| Opening balance | 49,136 | 143,393 |
| Shares issued to settle interest on debentures – H2 2023 | 8,591 | 673 |
| Shares issued on exercise of RSUs | 2,500 | 261 |
| Shares issued to settle interest on debentures – 2024 (Note 5) | 8,047 | 723 |
| Shares issued on Debenture Restructuring (Note 5) | 38,889 | 6,318 |
| Shares issued in private placements (1) | 26,857 | 1,661 |
| Shares issued to settle payables | 7,621 | 573 |
| **Balance at December 31, 2024** | **141,641** | **153,602** |
| **Period ended March 31, 2025** | | |
| Opening balance | 141,641 | 153,602 |
| Shares issued on exercise of RSUs | 956 | 130 |
| Shares issued on debenture conversion (Note 5, 8) (2) | 1,260 | 208 |
| Shares issued to settle payables (3) | 850 | 56 |
| **Balance at March 31, 2025** | **144,707** | **153,996** |

(1) In April and May, 2024, the Company completed a non-brokered private placement offering of 7.4 million units at C$0.18 per unit for gross proceeds of C$1,320, with each unit consisting of one share and one warrant exercisable at C$0.27 for 24 months. In December 2024, in connection with the Mallay Acquisition, the Company closed a non-brokered private placement offering of 19.5 million units at C$0.105 per unit for gross proceeds of C$2,048, with each unit consisting of one share and one warrant exercisable at C$0.15 for 24 months. The net proceeds after transaction costs, were allocated proportionally between the fair values of the shares and the warrants.

(2) In Q1 2025, a Debentureholder elected to convert debenture principal of C$126 into 1,260,000 shares of the Company in accordance with the debenture indenture (Note 5). The shares were recorded at their market value on the date of issuance ($120), plus the related value of the conversion option reversed from contributed surplus ($88). A loss of $31 was recorded in other expenses reflecting the difference between the conversion price and the market value on issuance (Note 8).

(3) In Q1 2025, the Company issued 850,000 shares as part settlement of a 2024 bridge loan of $100 from a director in connection with the Mallay Acquisition. $38 was repaid in cash in Q4 2024 and $62 was settled through the issuance of shares in Q1 2025. Equity issuance costs of $6 were capitalized.

The outstanding number and weighted average exercise prices of equity-settled Stock Options, Warrants, DSUs and RSUs are as follows:

(unaudited) (in thousands of U.S. dollars, except share and per share data)

| | Options | | Warrants | | | |
|---|---|---|---|---|---|---|
| | Options Outstanding | Weighted Average Exercise Price (CAD) | Warrants Outstanding | Weighted Average Exercise Price (CAD) | RSUs Outstanding | DSUs Outstanding |
| Outstanding at January 1, 2024 | 781,307 | 1.41 | - | - | 404,667 | 400,873 |
| Granted/issued | 2,550,000 | 0.10 | 17,343,842 | 0.20 | 3,412,169 | 5,140,011 |
| Exercised/settled | - | - | - | - | (2,500,202) | - |
| Expired | (176,807) | 3.47 | - | - | (4,800) | - |
| Outstanding at December 31, 2024 | 3,154,500 | 0.23 | 17,343,842 | 0.20 | 1,311,834 | 5,540,884 |
| Exercisable at December 31, 2024 | 1,879,500 | 0.33 | 17,343,842 | 0.20 | 637,000 | 5,540,884 |
| | | | | | | |
| Outstanding at January 1, 2025 | 3,154,500 | 0.23 | 17,343,842 | 0.20 | 1,311,834 | 5,540,884 |
| Granted/issued | 3,185,000 | 0.15 | - | - | 930,000 | 1,047,047 |
| Exercised/settled | - | - | - | - | (956,334) | - |
| Expired | - | - | - | - | (14,500) | - |
| Outstanding at March 31, 2025 | 6,339,500 | 0.19 | 17,343,842 | 0.20 | 1,271,000 | 6,587,931 |
| Exercisable at March 31, 2025 | 3,313,250 | 0.24 | 17,343,842 | 0.20 | 366,000 | 6,587,931 |

The Company issued the following warrants as part of the private placements in 2024:

- 7,593,842 warrants with an exercise price of C$0.27 and an expiry of April 12 or May 9, 2026, and
- 9,750,000 warrants with an exercise price of C$0.15 and an expiry of December 3, 2026.

Options outstanding and exercisable are as follows:

| Exercise Price Range (CAD) | Stock Options Outstanding | Weighted Avg Remaining Contractual Life (years) | Stock Options Exercisable | Weighted Average Exercise Price (CAD) |
|---|---|---|---|---|
| $0.00 to $0.49 | 5,735,000 | 2.43 | 2,708,750 | 0.13 |
| $0.50 to $0.99 | 567,000 | 0.28 | 567,000 | 0.58 |
| $1.00 to $4.50 | 37,500 | 0.67 | 37,500 | 4.13 |
| | **6,339,500** | **2.23** | **3,313,250** | **0.19** |

Share-based payment expense is recognized over the vesting period of the grant with the corresponding equity impact recorded in contributed surplus. Share-based payment expense comprises the following:

| | Three months ended | |
|---|---|---|
| | March 31 2025 | March 31 2024 |
| | $ | $ |
| Stock options | 78 | 58 |
| RSUs | 41 | 41 |
| DSUs | 106 | 82 |
| **Share-based payment expense** | **225** | **181** |

(unaudited) (in thousands of U.S. dollars, except share and per share data)

## 8. EXPENSES BY NATURE

(a) Administrative expenses consist of the following:

| | Three months ended | |
|---|---|---|
| | March 31 2025 | March 31 2024 |
| | $ | $ |
| Office, insurance and overhead expenses | 33 | 77 |
| Salaries, consultant, director and professional fees | 151 | 101 |
| Corporate development and legal expenses | 151 | 42 |
| Public company costs | 20 | 34 |
| **Administrative expenses** | **355** | **254** |

(b) Other expenses consist of the following:

| | | |
|---|---|---|
| Loss on Debenture Restructuring (Note 5) | - | 812 |
| Unrealized foreign exchange loss (gain) | 9 | (44) |
| Interest and other income | (14) | (5) |
| Fair value gain on marketable securities and warrants | (4) | (3) |
| Loss on debenture conversion (Note 5, 7) | 31 | - |
| Other | (9) | (40) |
| **Other expenses** | **13** | **720** |

## 9. FINANCE EXPENSES

Finance expenses consist of the following:

| | Three months ended | |
|---|---|---|
| | March 31 2025 | March 31 2024 |
| | $ | $ |
| Interest expense – convertible debentures (Note 5) | 318 | 1,218 |
| Interest expense – promissory note (Note 6) | 31 | - |
| Other and accretion on provisions | - | 17 |
| **Finance expenses** | **349** | **1,235** |

## 10. LEGAL PROCEEDINGS

The Company is involved in legal proceedings and business disputes from time to time arising from the normal course of business. Management, after consultation with legal counsel, believes that the outcome of these proceedings will not have a material impact on the Company’s condensed consolidated financial position, results of operations or liquidity. With respect to the claim filed by Javier Martinez Lomas (as disclosed in the Company’s news release on April 21, 2025), management considers the claim to be without merit and intends to vigorously defend the action and seek its dismissal. Management believes the probability of outflow in connection with this matter is remote.

(unaudited) (in thousands of U.S. dollars, except share and per share data)

## 11. FINANCIAL INSTRUMENTS

*Fair values of non-derivative financial instruments*

All financial assets and financial liabilities, other than derivatives, are initially recognized at the fair value of consideration paid or received, net of transaction costs, as appropriate, and are subsequently carried at fair value or amortized cost. At March 31, 2025, the carrying amounts of payables and accruals, VAT recoverable and liabilities, the promissory note and other current assets are considered to be reasonable approximations of their respective fair values due to the short-term nature of these instruments.

*Fair value hierarchy*

The three levels of the fair value hierarchy are as follows:

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

| | | Three months ended | |
|---|---|---|---|
| | Fair value hierarchy | March 31 2025 $ | March 31 2024 $ |
| **Financial assets** | | | |
| Fair value through profit and loss | | | |
| Marketable securities | Level 1 | 5 | 54 |
| | | 5 | 54 |

There were no transfers between Levels 1 or 2 during the three months ended March 31, 2025 and 2024.

Valuation techniques and inputs used to determine fair values include:

- Marketable securities – the use of quoted market prices; and
- Warrants – based on a Black-Scholes model, which uses quoted observable inputs.

*Risk management policies and hedging activities*

The Company is sensitive to changes in foreign exchange rates. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company addresses its exposures through the use of options, futures, forwards and derivative contracts where appropriate.

*Credit risk*

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes the credit risk on cash and cash equivalents is low since the Company's cash and cash equivalents are held at large international financial institutions with strong credit ratings.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to determine the funds required to meet its operating and growth objectives. To the extent that the Company may foresee insufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

*Currency risk*

The MXN, USD, EUR and CAD are the functional currencies of subsidiaries of the Company, while the parent company has a CAD functional currency. As a result, currency exposures arise from transactions and balances in currencies other than the functional currencies.

*Translational exposure in respect of non-functional currency monetary items*

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation are periodically revalued to the functional currency equivalents as at that date, and the associated unrealized gain or loss is recorded in the consolidated statements of comprehensive income to reflect this risk.

*Interest rate risk*

Cash and cash equivalents earn interest at floating rates dependent upon market conditions.

## 12. SUBSEQUENT EVENTS

On May 14, 2025, the Company closed a previously announced upsized brokered private placement offering of approximately 76.2 million units at a price of C$0.105 per unit for aggregate gross proceeds of C$8.0 million. Each unit comprised one share and one-half share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one share at a price of C$0.15 per share for a period of 36 months from the closing date. The Company paid agent’s fees in the amount of C$456 and issued a total of 4,361,642 broker’s warrants exercisable at C$0.105 for a period of 36 months and 578,750 finder’s shares. The Company intends to use the net proceeds for advancing development of the Mallay Mine, working capital and general corporate purposes.