Excellon Resources Inc.

Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022
in thousands of U.S. dollars
(unaudited)

Excellon Resources Inc.

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

	Notes	March 31 2023 $	December 31 2022 $
Assets			
Current assets			
Cash and cash equivalents		466	1,468
Trade receivables	*2*	-	690
VAT recoverable		2,210	1,906
Other current assets		1,734	1,861
		4,410	5,925
Non-current assets			
Mineral rights	*3*	20,512	20,510
Other assets		185	229
Total assets		25,107	26,664
Liabilities			
Current liabilities			
Trade and other payables		7,805	7,817
VAT payable		2,740	2,410
Convertible Debentures	*5*	12,287	11,282
Lease liabilities		179	174
Provision for litigation	*7*	-	22,229
Provisions	*4*	1,827	2,541
		24,838	46,453
Non-current liabilities			
Provisions	*4*	710	1,323
Deferred tax liabilities		734	736
Lease liabilities		-	47
Total liabilities		26,282	48,559
Shareholders' deficit			
Share capital	*6*	141,283	141,051
Contributed surplus	*6*	34,636	34,760
Accumulated other comprehensive loss	7	(11,993)	(16,703)
Deficit		(165,101)	(181,003)
Total shareholders' deficit		(1,175)	(21,895)
Total liabilities and shareholders' deficit		25,107	26,664

Basis of presentation and going concern (Note 2)

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

Approved by the Board	**Director**	**Director**
	"Laurence Curtis"	*"Jeff Swinoga"*

Excellon Resources Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three months ended March 31, 2023 and 2022

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

	Notes	**March 31 2023 $**	**March 31 2022 $**
Revenue	*2*	-	8,496
Production costs	*2*	-	(5,635)
Depletion and amortization	*2*	-	(2,278)
Cost of sales		-	(7,913)
Gross profit		-	583
Care and maintenance and wind down expenses		(184)	-
Administrative expense	*8*	(1,154)	(1,025)
Share-based payment expense	*6*	(108)	(188)
Amortization		(44)	(98)
General and administrative expenses		(1,490)	(1,311)
Gain on deconsolidation of San Pedro	*7*	24,255	-
Reclassification of currency translation adjustments	*7*	(6,923)	-
Exploration and holding expenses	*9*	(513)	(1,116)
Other income	*8*	1,580	992
Finance expense	*10*	(1,009)	(915)
Income (loss) before income taxes		15,900	(1,767)
Income tax recovery		2	67
Net income (loss)		15,902	(1,700)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation differences		(2,213)	(736)
Reclassification of currency translation adjustments	*7*	6,923	-
Total other comprehensive income (loss)		4,710	(736)
Total comprehensive income (loss)		20,612	(2,436)
Income (loss) per share			
Basic		$0.42	($0.05)
Diluted		$0.41	($0.05)
Weighted average number of shares			
Basic		38,236,371	33,794,264
Diluted		41,615,616	33,794,264

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

Excellon Resources Inc.

Condensed Consolidated Statements of Cash Flow

For the three months ended March 31, 2023 and 2022

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

	Three months ended	
	March 31 2023	**March 31 2022**
	$	$
Cash flow generated by (used in)		
Operating activities		
Net income (loss) for the period	15,902	(1,700)
Adjustments for non-cash items:		
Gain on deconsolidation of San Pedro	(24,255)	-
Reclassification of currency translation adjustments	6,923	-
Depletion and amortization	44	2,376
Income tax recovery	(2)	(67)
Share-based payment expense	108	188
Interest and accretion expenses	1,009	1,071
Other (income) expense	(1,580)	60
Taxes paid	-	(17)
Operating cash flows before changes in working capital	(1,851)	1,911
Changes in working capital		
Trade receivables	690	(165)
VAT recoverable	(304)	459
Provisions	(409)	-
Inventories	-	222
Other assets	127	282
Trade and other payables	1,003	(1,859)
VAT payable	330	(358)
Net cash (used in) generated by operating activities	(414)	492
Investing activities		
Proceeds from sale of marketable securities	-	228
Purchase of property, plant and equipment	-	(910)
Payments received under earn-in agreement - Oakley	-	100
Net cash used in investing activities	-	(582)
Financing activities		
Lease payments	(42)	(77)
Interest paid	(3)	(25)
Net cash used in financing activities	(45)	(102)
Effect of exchange rate changes on cash and cash equivalents	(543)	(529)
Change in cash and cash equivalents	(1,002)	(721)
Cash and cash equivalents – beginning of period	1,468	4,071
Cash and cash equivalents – end of period	466	3,350

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

Excellon Resources Inc.

Condensed Consolidated Statements of Changes in Deficit
For the three months ended March 31, 2023 and 2022
(unaudited) (in thousands of U.S. dollars, except per share data)

	Share capital $	**Contributed surplus $**	**Accumulated other comprehensive loss $**	**Deficit $**	**Total shareholders' deficit $**
Balance - January 1, 2022	138,961	34,568	(15,851)	(162,165)	(4,487)
Net loss for the period	-	-	-	(1,700)	(1,700)
Total other comprehensive loss	-	-	(736)	-	(736)
Total comprehensive loss	-	-	(736)	(1,700)	(2,436)
Share options:					
Share-based compensation	-	38	-	-	38
Deferred and restricted share units:					
Shares issued on exercise of RSUs / DSUs	112	(112)	-	-	-
Share-based compensation	-	150	-	-	150
Balance - March 31, 2022	139,073	34,644	(16,587)	(163,865)	(6,735)
Balance - January 1, 2023	141,051	34,760	(16,703)	(181,003)	(21,895)
Net income for the period	-	-	-	15,902	15,902
Total other comprehensive income	-	-	4,710	-	4,710
Total comprehensive income	-	-	4,710	15,902	20,612
Share options:					
Share-based compensation	-	28	-	-	28
Deferred and restricted share units:					
Shares issued on exercise of RSUs / DSUs	232	(232)	-	-	-
Share-based compensation	-	80	-	-	80
Balance - March 31, 2023	141,283	34,636	(11,993)	(165,101)	(1,175)

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

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 Stock Exchange (the "TSX") under the symbol EXN, the OTCQB Venture Market (the "OTCQB") in the United States under the symbol EXNRF, and the Frankfurt Stock Exchange under the symbol E4X2. Excellon's vision is to realize opportunities for the benefit of its employees, communities and shareholders, through the acquisition of advanced development or producing assets with further potential to gain from an experienced operational management team. 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 La Negra, a past-producing Ag-Zn-Cu-Pb mine with exploration potential, located in Querétaro State, Mexico ("La Negra").

Excellon is domiciled in Canada and incorporated under the laws of the Province of Ontario. The address of its registered office is 10 King Street East, Suite 200, Toronto, Ontario, M5C 1C3, Canada.

These condensed consolidated financial statements were approved by the Board of Directors on May 15, 2023.

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, 2022.

In January 2022, the Company announced that it was assessing the economic viability of mining at Platosa at achievable dewatering rates and with acceptable capital expenditures, beyond mid-2022. Underground and surface drilling continued throughout H1 2022; however, based on drilling results and consideration of economic factors, production ceased and the Platosa Mine was placed on care and maintenance in early Q4 2022. Revenues ceased after the wind down of operations and, therefore, the Company must utilize its current cash reserves and pursue other financing transactions to fund its working capital requirements, corporate expenditures and exploration activities. The Company incurred losses, has a shareholders' deficit of $1,175 and negative working capital of $20,428 at March 31, 2023.

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 refinance its Convertible Debentures (Note 5), obtain the necessary financing to 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. The Company is considering various financing, corporate development opportunities and strategic alternatives that may include acquisitions, divestitures, mergers or spin-offs of the Company's or third parties' assets, as applicable.

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.

b) *San Pedro deconsolidation*

As indicated in Note 7, San Pedro Resources, S.A. de C.V ("San Pedro"), a Mexican subsidiary of the Company, is party to a legal claim which resulted in the recognition of a $22 million provision for litigation in Q3 2021.

On November 30, 2022, following the wind down of mining operations at the Platosa mine and, in turn, milling operations, San Pedro voluntarily filed a petition for bankruptcy with the Mexican Bankruptcy Court (Instituto Federal de Especialistas de Concursos Mercantile). In March 2023, the Court–appointed auditor completed its review of San Pedro's petition and, on March 28, 2023, the Court declared San Pedro bankrupt. The Court appointed a trustee to take possession and control of, and administer, San Pedro for the benefit of its creditors. At the time it was declared bankrupt, San Pedro had been on care and maintenance since October 2022. As a result of the loss of control, the Company deconsolidated the assets and liabilities of San Pedro from Excellon's consolidated statement of financial position at March 31, 2023, including the $22 million provision for litigation (Note 7). In accordance with IFRS requirements with respect to accounting for the deconsolidation of a foreign subsidiary, the Company also recognized a non-cash loss of $6,923 from the reclassification of currency translation adjustment from accumulated other comprehensive loss to net income before income taxes.

c) *La Negra acquisition*

On January 8, 2023, the Company entered into a definitive acquisition agreement (the "Acquisition Agreement") to acquire the past-producing La Negra Mine located in Querétaro State, Mexico from Dalu S. à r.l., an entity owned by an investment fund managed by Orion Resource Partners, for aggregate consideration of $50 million paid through upfront payments totalling $20 million, payable in common shares of the Company, and a further $30 million of deferred, contingent consideration payable in common shares of the Company or in cash at the Company's option, following the restart of commercial production (the "La Negra Acquisition").

Concurrent with the execution of the Acquisition Agreement, Excellon entered into a binding term sheet with holders representing approximately 66 2/3% of the principal amount of outstanding Convertible Debentures to, among other things, convert 25% of the Convertible Debentures into equity and reprice and extend maturity of the remaining principal outstanding upon closing the La Negra Acquisition (the "Debenture Restructuring").

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

Subsequent to March 31, 2023, on April 13, 2023 the Company announced the launch of a non-brokered private placement of up to 28,571,428 subscription receipts, at a price of C$0.35 for aggregate gross proceeds of up to C$10 million.

d) *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, 2022.

3. MINERAL RIGHTS

	Silver City (Germany) (1) $	Kilgore (Idaho) $	Oakley (Idaho) (2) $	Total $
Year ended December 31, 2022				
Opening net book value	1,035	13,756	5,289	20,080
Additions	601	-	-	601
Payments received under earn-in agreement	-	-	(100)	(100)
Exchange differences	(71)	-	-	(71)
Closing net book value	1,565	13,756	5,189	20,510
Period ended March 31, 2023				
Opening net book value	1,565	13,756	5,189	20,510
Exchange differences	2	-	-	2
Closing net book value	**1,567**	**13,756**	**5,189**	**20,512**

(1) In 2019, the Company signed an option agreement with Globex Mining Enterprises Inc. ("Globex") to acquire a 100% interest in the Bräunsdorf exploration license for the Silver City Project in Saxony, Germany.

The Company since paid total aggregate consideration of C$500 in cash and issued common shares valued at C$1,600 over a period of three years to maintain its option on the Bräunsdorf exploration license and intends to exercise the option to acquire such licence in 2023, upon which Globex will be granted a gross metals royalty of 3% for precious metals and 2.5% for other metals, both of which may be reduced by 1% upon a payment of $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 achievement of commercial production from the project, respectively.

In 2021, the Frauenstein, Mohorn and Oederan exploration licenses were granted to the Company following applications to the Sächsisches Oberbergamt (Saxon Mining Authority), increasing the Silver City ground position by 17,600 hectares.

(2) In 2020, the Company acquired 100% ownership of the Oakley Project in Cassia County, Idaho, as part of the Otis acquisition.

Otis had entered into a definitive option agreement with Centerra (U.S.) Inc. ("Centerra"), a subsidiary of Centerra Gold Inc., whereby Centerra can earn up to a 70% interest in the Oakley Project in exchange for total exploration expenditures of $7,000 and cash payments to the Company of $550 over a six-year period.

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

In Q1 2023, Centerra met the requirements for, and exercised the First Option to earn a 51% interest in the Oakley Project, by incurring $4,500 in exploration expenditures and by making cash payments of $250 over a three-year period. There was no accounting impact on the exercise of the First Option. Centerra has an option to acquire a further 19% of the Oakley Project, for a total of 70% (the "Second Option"), by incurring an additional $3,000 in exploration expenditures and making a cash payment of $300 over three years. On April 4, 2023, Centerra provided notice of its intention to proceed to exercise the Second Option. Subsequent to Centerra being deemed to have exercised the Second Option (or alternatively Centerra terminating such option), the parties shall form a joint venture and fund expenditures going forward on a pro rata basis. Should Excellon's interest fall below 10% during the joint venture, that interest will automatically convert to a 2% net service revenue or NSR that is not subject to a buyback provision.

4. PROVISIONS

	Post-retirement benefits $	Rehabilitation provision $	Onerous contract $	Total $
Year ended December 31, 2022				
Opening balance	1,795	1,813	-	3,608
Payments	(974)	-	-	(974)
Accretion for the year	79	128	-	207
Change in estimate	(174)	(730)	-	(904)
Exchange differences	109	112	-	221
Provision recognized	-	-	1,706	1,706
Closing balance	835	1,323	1,706	3,864
Current	835	-	1,706	2,541
Non-current	-	1,323	-	1,323
Period ended March 31, 2023				
Opening balance	835	1,323	1,706	3,864
Payments	(6)	-	-	(6)
Transfer to Trade and other payables	-	-	(569)	(569)
Deconsolidation of San Pedro (Note 7)	(193)	(725)	-	(918)
Accretion for the period	-	15	-	15
Exchange differences	54	97	-	151
Closing balance	690	710	1,137	2,537
Current	690	-	1,137	1,827
Non-current	-	710	-	710

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

5. CONVERTIBLE DEBENTURES

On July 30, 2020, the Company closed a private placement (the "Financing") of secured convertible debentures (the "Convertible Debentures") for total proceeds of C$17.91 million.

The Convertible Debentures have a term of 36 months maturing on July 30, 2023, and are convertible by the holder into common shares of the Company prior to maturity at a conversion price of C$5.30 per common share. The Convertible Debentures bear interest at an annual rate of 5.75%, payable in cash semi-annually. Interest on the Convertible Debentures may alternatively be paid in common shares of the Company at the Company's option based on the 10-day volume-weighted average price ("VWAP") of the common shares prior to the payment date at an effective annual rate of 10%. On July 27, 2022, the Company received approval from the Debenture holders to transfer the security under the Convertible Debentures from the Company's Mexican assets to its Kilgore assets in Idaho (the "security transfer"). The security transfer was effective in Q3 2022, and in Q4 2022 cancellation of the Mexican security was registered with the applicable authorities.

On or after July 30, 2022 and prior to maturity, the Company may accelerate the conversion of the entire issuance of Convertible Debentures, provided that the 20-day VWAP of the common shares on or after such 24-month anniversary is equal to or greater than C$12.50.

The purchasers of the Convertible Debentures were also issued 1,006,542 common share purchase warrants ("Warrants"), with an exercise price of C$5.75 and an expiry date of July 30, 2023. In connection with the Financing, the Company granted 136,887 common share purchase warrants, with an exercise price of C$5.75 and an expiry date of July 30, 2023.

Net proceeds from the Convertible Debentures were C$17.1 million ($12.8 million) after cash transaction costs of C$768 ($572), and were allocated between debt and equity components. The debt component is recorded at amortized cost and is accreted to the principal amount over the term of the Convertible Debentures. The Company elected to pay the June 30, 2022 and December 31, 2022 interest payments in common shares valued at C$888 ($694) and C$903 ($664), respectively. The Company recorded interest expense of C$1,041 ($822) and C$1,348 ($991) for the three months ended March 31, 2022 and 2023, respectively.

See Excellon's January 9, 2023 news release regarding, among other things, the Debenture Restructuring (Note 2).

	$ CAD	$ USD
Year ended December 31, 2022		
Opening balance	11,802	9,238
Interest expense	5,269	4,039
Value of shares issued to settle interest payable	(1,791)	(1,358)
Exchange differences	-	(637)
Closing balance	**15,280**	**11,282**
Period ended March 31, 2023		
Opening balance	15,280	11,282
Interest expense	1,348	991
Exchange differences	-	14
Closing balance	**16,628**	**12,287**

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

6. 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, 2022		
Opening balance	33,763	138,961
Shares issued on exercise of RSUs and DSUs	162	282
Value of shares issued in asset acquisition	1,330	450
Shares issued to settle interest on Convertible Debentures (Note 5)	2,799	1,358
Balance at December 31, 2022	**38,054**	**141,051**
Period ended March 31, 2023		
Opening balance	38,054	141,051
Shares issued on exercise of RSUs and DSUs	336	232
Balance at March 31, 2023	**38,390**	**141,283**

The outstanding number and weighted average exercise prices of equity-settled Stock Options, Warrants, Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs") are as follows:

	Options		Warrants			
	Options Outstanding	**Weighted Average Exercise Price (CAD)**	**Warrants Outstanding**	**Weighted Average Exercise Price (CAD)**	**RSUs Outstanding**	**DSUs Outstanding**
Outstanding at January 1, 2022	945,487	3.96	1,446,188	5.24	667,409	456,198
Granted/issued	942,000	0.58	-	-	1,124,948	380,417
Exercised/settled	-	-	-	-	(31,787)	(130,455)
Expired	(382,375)	4.01	(302,760)	3.30	-	-
Forfeited	(54,375)	1.76	-	-	(574,570)	-
Outstanding at December 31, 2022	1,450,737	1.84	1,143,428	5.75	1,186,000	706,160
Exercisable at December 31, 2022	808,987	2.83	1,143,428	5.75	-	368,649
Outstanding at January 1, 2023	1,450,737	1.84	1,143,428	5.75	1,186,000	706,160
Granted/issued	-	-	-	-	30,000	-
Exercised/settled	-	-	-	-	(336,333)	-
Expired	(138,930)	3.77	-	-	-	-
Outstanding at March 31, 2023	1,311,807	1.63	1,143,428	5.75	879,667	706,160
Exercisable at March 31, 2023	874,557	2.15	1,143,428	5.75	-	368,649

The Company has 1,143,428 Warrants with an exercise price of C$5.75, expiring on July 30, 2023 (Note 5).

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

Options outstanding and exercisable are as follows:

Exercise Price Range (CAD)	Stock Options Outstanding	Weighted Average Remaining Contractual Life (years)	Stock Options Exercisable	Weighted Average Exercise Price (CAD)
$0.00 to $0.99	857,000	2.32	428,500	0.58
$1.00 to $1.99	35,000	1.56	26,250	1.78
$2.00 to $2.99	42,307	1.06	42,307	2.20
$3.00 to $3.99	146,500	0.39	146,500	3.17
$4.00 to $8.00	231,000	1.36	231,000	4.43
	1,311,807	1.87	874,557	2.15

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 2023	March 31 2022
	$	$
Stock options	28	38
RSUs	80	115
DSUs	-	35
	108	188

7. PROVISION FOR LITIGATION AND DECONSOLIDATION OF SAN PEDRO

A Mexican subsidiary of the Company, San Pedro Resources S.A. de C.V. ("San Pedro"), is party to an action by a claimant (the "Plaintiff") in respect of damages under a property agreement regarding the La Antigua mineral concession ("La Antigua"), a non-material mineral concession. La Antigua is subject to an exploration and exploitation agreement between San Pedro and the Plaintiff dated December 3, 2006, with a purchase option and, among other obligations, a 3% NSR if the property is brought into production (the "Antigua Agreement"). Pursuant to the Antigua Agreement, San Pedro had the right to purchase absolute title to La Antigua including the NSR royalty upon payment of $500. San Pedro was under no contractual obligation to put the mine into production and has not done so. The Plaintiff was initially awarded damages of $700 in the court of first instance. On appeal by both parties, the appellate court confirmed the initial decision but, subsequently, in late 2019, granted the Plaintiff an award of $22,175 (the "Judgment"), which San Pedro and the Company both believe is multiple times greater than any income the applicable NSR royalty could ever have produced had La Antigua ever been put into commercial production. In Q3 2021, San Pedro's appeal of this decision was fully and finally dismissed by the Mexican Federal Court, with no further right of appeal in Mexico. Accordingly, the Company recorded a corresponding provision for litigation of $22 million.

The Judgment is solely against San Pedro as defendant and the Company believes that the Plaintiff has no recourse against the Company's other assets in Mexico, Idaho, Saxony, Germany or Canada. San Pedro was a wholly owned, indirect subsidiary of the Company that holds the Miguel Auza processing facility and various mineral concessions.

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

San Pedro continued to operate in the ordinary course until it had processed the last ore from the Platosa Mine following its completion of production and transition to care and maintenance in early Q4 2022 (Note 2). In 2022, the Plaintiff registered the Judgment against the real property and certain assets owned by San Pedro. With no further ore to process, and the continuing recourse of the Plaintiff under the Judgment, in Q4 2022 San Pedro voluntarily filed a petition for bankruptcy with the Mexican Bankruptcy Court, which was accepted for adjudication on December 15, 2022.

In Q1 2023, the Court-appointed auditor completed their review of San Pedro's petition and confirmed San Pedro's insolvency. The Company received notice that San Pedro was declared bankrupt by the Mexican Bankruptcy Court effective March 28, 2023. As a result of the loss of control, the assets and liabilities of San Pedro were deconsolidated from the condensed consolidated financial statements of the Company. The gain on deconsolidation of San Pedro ($24,255) reflected the provision for litigation ($22,303), payables and accruals ($1,034), post-retirement provision ($193) and rehabilitation provision ($725). In accordance with IFRS requirements with respect to accounting for the deconsolidation of a foreign subsidiary, the Company also recognized a non-cash loss of $6,923 from the reclassification of currency translation adjustment from accumulated other comprehensive loss to net income before income taxes.

8. EXPENSES BY NATURE

(a) Administrative expense consists of the following:

	Three months ended	
	March 31 2023	March 31 2022
	$	$
Office and overhead	583	561
Salaries and wages	405	371
Corporate development and legal	115	60
Public company costs	51	33
Administrative expense	**1,154**	**1,025**

(b) Other (income) expense consists of the following:

	Three months ended	
	March 31 2023	March 31 2022
	$	$
Fair value loss on marketable securities and warrants	1	60
Unrealized foreign exchange gain	(1,649)	(515)
Realized foreign exchange gain	(12)	(23)
Other expense	80	78
Insurance proceeds received	-	(592)
Other income	**(1,580)**	**(992)**

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

9. EXPLORATION AND HOLDING EXPENSES

Exploration and holding expenses were incurred on the following projects:

		Three months ended	
		March 31 2023	**March 31 2022**
		$	**$**
Platosa property (Mexico)	- exploration work	-	231
	- holding costs	71	51
Evolución (Mexico)	- exploration work	-	40
	- holding costs	34	85
Silver City (Germany)	- exploration work(1)	166	478
Kilgore (USA)	- exploration work	242	231
Exploration and holding expenses		**513**	**1,116**

(1) There are no annual fees associated with exploration licenses in Saxony, Germany.

10. FINANCE EXPENSE

Finance expense consists of the following:

	Three months ended	
	March 31 2023	**March 31 2022**
	$	**$**
Interest expense - Convertible Debentures	991	822
Interest expense - other	3	31
Accretion on provisions	15	62
Finance expense	**1,009**	**915**

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, 2023, the carrying amounts of trade and other payables 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 for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

	Fair value hierarchy	March 31 2023 $	December 31 2022 $
Financial assets			
Fair value through profit and loss			
Warrants	Level 2	4	5
Trade receivables from provisionally priced sales	Level 2	-	690
		4	695

There were no transfers between levels 1, 2 or 3 during the three months ended March 31, 2023.

Valuation techniques and inputs used to determine fair values include:

- Warrants – based on a Black-Scholes model which uses quoted observable inputs; and
- Trade receivables from provisionally priced sales – key inputs are payable metal and future metal prices, marked-to-market based on a quoted forward price and final settlement weights and assays.