Excellon Resources Inc.

Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022
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	**September 30 2023 $**	**December 31 2022 $**
Assets			
Current assets			
Cash and cash equivalents		146	1,468
Trade receivables		-	690
VAT recoverable	*3*	340	1,906
Other current assets	*2*	511	1,861
		997	5,925
Non-current assets			
Mineral rights	*4*	16,324	20,510
Other assets		97	229
Total assets		17,418	26,664
Liabilities			
Current liabilities			
Trade and other payables	*5*	9,765	7,817
VAT payable		2,839	2,410
Convertible Debentures	*7*	11,864	11,282
Lease liabilities		91	174
Provision for litigation	*9*	-	22,229
Provisions	*6*	722	2,541
		25,281	46,453
Non-current liabilities			
Provisions	*6*	746	1,323
Deferred tax liabilities		737	736
Lease liabilities		-	47
Total liabilities		26,764	48,559
Shareholders' deficit			
Share capital	*8*	143,271	141,051
Contributed surplus	*8*	33,797	34,760
Accumulated other comprehensive loss		(12,126)	(16,703)
Deficit		(174,288)	(181,003)
Total shareholders' deficit		(9,346)	(21,895)
Total liabilities and shareholders' deficit		17,418	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"	*"Craig Lindsay"*

Excellon Resources Inc.

Condensed Consolidated Statements of Comprehensive (Loss) Income
For the three and nine months ended September 30, 2023 and 2022
(unaudited) (in thousands of U.S. dollars, except share and per share data)

		Three months ended		Nine months ended	
		September 30 2023	September 30 2022	September 30 2023	September 30 2022
	Notes	$	$	$	$
Revenue		-	6,982	-	23,260
Production costs		-	(4,579)	-	(16,000)
Write-down of materials and supplies		-	-	-	(532)
Depletion and amortization		-	(1,153)	-	(6,370)
Cost of sales		-	(5,732)	-	(22,902)
Gross profit		-	1,250	-	358
Care and maintenance and wind down expenses		(187)	-	(507)	-
Administrative expense	*10*	(1,224)	(1,080)	(3,172)	(3,104)
Share-based payment reversal (expense)	*8*	398	(145)	205	(405)
Amortization		(45)	(54)	(133)	(272)
General and administrative expenses		(1,058)	(1,279)	(3,607)	(3,781)
Gain on deconsolidation of San Pedro	*9*	-	-	24,255	-
Reclassification of currency translation adjustments	*9*	-	-	(6,923)	-
Exploration and holding expenses		(311)	(2,344)	(1,314)	(4,299)
Other income (expenses)	*10*	1,251	(247)	2,942	786
Impairment loss	*3, 4*	(5,564)	-	(5,564)	-
Finance expense	*11*	(808)	(985)	(3,134)	(3,086)
(Loss) income before income taxes		(6,490)	(3,605)	6,655	(10,022)
Income tax recovery (expense)		-	(174)	60	(194)
Net (loss) income		(6,490)	(3,779)	6,715	(10,216)
Other comprehensive income					
Items that may be reclassified subsequently to profit and loss:					
Foreign currency translation differences		577	917	(2,346)	423
Reclassification of currency translation adjustments	9	-	-	6,923	-
Total other comprehensive income		577	917	4,577	423
Total comprehensive (loss) income		(5,913)	(2,862)	11,292	(9,793)
(Loss) income per share					
Basic and diluted		$ (0.15)	$ (0.11)	$ 0.17	$ (0.30)
Weighted average number of shares					
Basic and diluted		42,258,500	35,399,105	39,705,724	34,335,373

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

Excellon Resources Inc.

Condensed Consolidated Statements of Cash Flow

For the nine months ended September 30, 2023 and 2022

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

	Nine months ended	
	September 30 2023	September 30 2022
	$	$
Cash flow generated by (used in)		
Operating activities		
Net income (loss) for the period	6,715	(10,216)
Adjustments for non-cash items:		
Gain on deconsolidation of San Pedro	(24,255)	-
Reclassification of currency translation adjustments	6,923	-
Depletion and amortization	133	6,642
Income tax recovery (expense)	(60)	194
Share-based payment (reversal) expense	(205)	405
Write-down (recovery) of material and supplies	-	532
Interest and accretion expenses	3,134	3,041
Gain on disposal of property, plant and equipment	-	(253)
Fair value loss on market securities and purchase warrants	-	111
Impairment loss	5,564	-
Other (income) expense	(2,942)	-
Convertible debentures – gain & extension fee (Note 7)	165	-
Taxes paid	-	(233)
Operating cash flows before changes in working capital	(4,828)	223
Changes in working capital		
Trade receivables	690	(567)
VAT recoverable	129	655
Provisions	(2,396)	-
Inventories	-	433
Other assets	1,151	(117)
Trade and other payables	3,449	(1,353)
VAT payable	429	299
Net cash (used in) generated by operating activities	(1,376)	(427)
Investing activities		
Proceeds from sale of marketable securities	-	342
Purchase of property, plant and equipment, net	-	(1,265)
Sale (purchase) of mineral rights	200	(151)
Payments received under earn-in agreement - Oakley	-	100
Net cash received from (used in) investing activities	200	(974)
Financing activities		
Lease payments	(131)	(168)
Interest paid	(7)	(33)
Net cash used in financing activities	(138)	(201)
Effect of exchange rate changes on cash and cash equivalents	(7)	(389)
Change in cash and cash equivalents	(1,322)	(1,991)
Cash and cash equivalents – beginning of period	1,468	4,071
Cash and cash equivalents – end of period	146	2,080

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 nine months ended September 30, 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	-	-	-	(10,216)	(10,216)
Total other comprehensive loss	-	-	423	-	423
Total comprehensive loss	-	-	423	(10,216)	(9,793)
Share options:					
Share-based compensation	-	138	-	-	138
Deferred and restricted share units:					
Shares issued on RSUs / DSUs exercise	282	(282)	-	-	-
Share-based compensation	-	253	-	-	253
Value of shares issued in asset acquisition	450	-	-	-	450
Convertible Debentures:					
Interest paid in shares	694	-	-	-	694
Balance – September 30, 2022	140,387	34,677	(15,428)	(172,381)	(12,745)
Balance - January 1, 2023	141,051	34,760	(16,703)	(181,003)	(21,895)
Net income for the period	-	-	-	6,715	6,715
Total other comprehensive income	-	-	4,577	-	4,577
Total comprehensive income	-	-	4,577	6,715	11,292
Share options:					
Share-based compensation	-	32	-	-	32
Deferred and restricted share units:					
Shares issued on RSUs / DSUs exercise	758	(758)	-	-	-
Share-based compensation	-	(237)	-	-	(237)
Convertible Debentures:					
Extension fees settled in shares (Note 7)	794	-	-	-	794
Interest paid in shares	668	-	-	-	668
Balance – September 30, 2023	143,271	33,797	(12,126)	(174,288)	(9,346)

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 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.

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 November 13, 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 pursue other financing transactions to fund its working capital requirements, corporate expenditures and exploration activities. The Company incurred losses, has a shareholders’ deficit of $9,346 and negative working capital of $24,284 at September 30, 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 7), 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 9, 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, including the $22 million provision for litigation (Note 9). In accordance with IFRS requirements for the deconsolidation of a foreign subsidiary, the Company also recognized a non-cash loss of $6,923 from the reclassification of the currency translation adjustment from accumulated other comprehensive loss to net income before income taxes.

c) *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.

d) *Termination of the La Negra Acquisition, related Debenture Restructuring and financing*

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 (the "Debenture Holders") 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").

On April 13, 2023 the Company announced the launch of a non-brokered private placement of up to 28,571,428 subscription receipts (the "Subscription Receipts Offering"), at a price of C$0.35 for aggregate gross proceeds of up to C$10 million.

On July 20, 2023, the Company unexpectedly received a notice of termination of the La Negra Acquisition from the seller, Dalu S.à r.l., an entity owned by an investment fund managed by Orion Resource Partners ("Orion"). Prior to receipt of the termination notice, the Company had been in discussions with Orion regarding options to advance the acquisition of La Negra to closing, including securing the necessary financing. Consequently, the Company also announced the termination of the Subscription Receipts Offering. The Company also held discussions with Debenture Holders in July 2023, in accordance with the Debenture Restructuring term sheet agreement, as the binding obligation of the agreement dated January 8th, had lapsed.

Following the termination of the La Negra Acquisition, the Company significantly reduced its workforce, who had primarily been retained to assist in the restart of the La Negra Mine.

As the Company expected to account for the La Negra transaction as an asset acquisition, $1.4 million in transaction costs had been capitalized to Other current assets at June 30, 2023. Following the termination of the La Negra transaction, $0.8 million of capitalized transaction costs were written-off (with a corresponding reduction in Trade and other payables), and $0.6 million were expensed in Q3 2023.

3. VAT RECOVERABLE

At September 30, 2023, the Company had VAT recoverable of $0.2 million in Germany and $0.1 million in Canada. The Company determined that the VAT credits held in the Mexican entities were not recoverable following the termination of the La Negra transaction, and in light of the VAT payable in those entities. As a result, the Company recorded an impairment of $1.4 million in Q3 2023. The Company recovered VAT of $0.4 million from the German authorities in Q3 2023, with the remaining $0.2 million received in Q4 2023.

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

4. 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 September 30, 2023				
Opening net book value	1,565	13,756	5,189	20,510
Impairment loss	-	-	(4,189)	(4,189)
Exchange differences	3	-	-	3
Closing net book value	**1,568**	**13,756**	**1,000**	**16,324**

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

The Company 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. In Q3 2023 the Company exercised the option to acquire the license and in accordance with the option agreement, Globex was 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. In 2023, the Frauenstein, Mohorn and Oederan exploration licenses were extended to March 2027.

(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 an 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.

In 2023, Centerra met the requirements for, and exercised the First and Second Options to earn a 70% interest in the Oakley Project. There was no accounting impact on the exercise of the First and Second Options. Following the exercise of the Second Option, the agreement required the parties to 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, the interest will automatically convert to a 2% NSR royalty that is not subject to a buyback provision.

On August 30, 2023 the Company announced that it had entered into a definitive agreement (the "Purchase Agreement") with Centerra, to sell Excellon's remaining minority interest in the Oakley Project ("Oakley") for US$1 million in cash. The Company received $200 of the purchase price on signing the Purchase Agreement (recorded as an advance at September 30, 2023 in Trade and other payables), with the remaining consideration received on closing on October 18, 2023. The Company recorded a related impairment loss of $4,189 in Q3 2023.

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

5. TRADE AND OTHER PAYABLES

The Company's payables comprise trade payables, accruals and other payables as at September 30, 2023. Trade payables comprise $3,682 of the $9,765 balance (December 31, 2022 – $4,602 of the $7,817 balance), of which $1,510 relate to Mexico (December 31, 2022 – $2,611). Accruals and other payables of $5,516 (December 31, 2022 – $3,215), of which $3,646 relate to Mexico (December 31, 2022 – $1,470) include administrative and operating costs, accounting and legal services and withholding taxes. At September 30, 2023, the Company had amounts owing to management and directors of the Company of $0.4 million. Following the termination of the La Negra transaction, $0.8 million of capitalized transaction costs were written-off with a corresponding reduction in Trade and other payables in Q3 2023 (Note 2).

6. 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 September 30, 2023				
Opening balance	835	1,323	1,706	3,864
Payments	(6)	-	-	(6)
Transfer to Trade and other payables	-	-	(1,706)	(1,706)
Deconsolidation of San Pedro (Note 9)	(193)	(725)	-	(918)
Accretion for the period	79	97	-	176
Exchange differences	7	51	-	58
Closing balance	722	746	-	1,468
Current	722	-	-	722
Non-current	-	746	-	746

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

7. 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, maturing on July 30, 2023, and 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 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 July 24, 2023, the Company announced that it had entered into a binding agreement with holders of greater than $66^{2/3}$% of the Convertible Debentures ("Debentureholders"), to extend the maturity date of the Convertible Debentures by 367 days from July 30, 2023 to July 31, 2024 (the "Extension"). In consideration for the Extension, the Company agreed to a fee equal to 6% of the aggregate principal amount of the Convertible Debentures payable in common shares of the Company priced at C$0.156 per common share (the "Extension Fee"). All necessary regulatory and securityholder approvals were received and the Extension completed in Q3 2023.

The Extension was accounted for as an extinguishment of the original compound instrument and the recognition of the revised instrument at fair value, which resulted in a gain of US$1.0 million recorded in Other income in Q3 2023. The equity component of the revised instrument has a nominal value at the unchanged conversion price of $5.30 per common share, while the debt component is recorded at amortized cost, net of the Extension Fee, and is accreted to the principal amount over the extended term of the Debentures.

On September 21, 2023, the Company announced that it had entered into a binding term sheet with Debentureholders to reduce the outstanding principal amount 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"). Completion of the Debenture Restructuring is subject to, among other things, approval by the requisite majorities of Debentureholders and holders of Common Shares, as well as the approval of the Toronto Stock Exchange. The Debenture Restructuring is expected to close in Q4 2023.

	$ 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**

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

Period ended September 30, 2023		
Opening balance	15,280	11,282
Interest expense – pre-Extension	3,603	2,677
Value of shares issued to settle interest payable – pre-Extension	(888)	(661)
Extinguishment of original Convertible Debenture	(17,995)	(13,842)
Fair value of extended Convertible Debenture	16,552	12,732
Extension fee paid in shares	(1,075)	(800)
Interest expenses – post-Extension	562	418
Exchange differences	-	58
Closing balance	**16,039**	**11,864**

8. 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 7)	2,799	1,358
Balance at December 31, 2022	**38,054**	**141,051**
Period ended September 30, 2023		
Opening balance	38,054	141,051
Shares issued on exercise of RSUs and DSUs	577	758
Extension fees settled in shares (Note 7)	6,888	794
Shares issued to settle interest on convertible debentures	3,553	668
Balance at September 30, 2023	**49,072**	**143,271**

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)	-

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

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

	Options		Warrants			
	Options Outstanding	Weighted Average Exercise Price (CAD)	Warrants Outstanding	Weighted Average Exercise Price (CAD)	RSUs Outstanding	DSUs Outstanding
Outstanding at January 1, 2023	1,450,737	1.84	1,143,428	5.75	1,186,000	706,160
Granted/issued	30,000	0.38	-	-	60,000	-
Exercised/settled	-	-	-	-	(336,333)	(240,963)
Expired	(296,930)	3.66	1,143,428	5.75	(20,000)	-
Forfeited	(140,000)	0.58	-	-	(455,000)	-
Outstanding at September 30, 2023	1,043,807	1.45	-	-	434,667	465,197
Exercisable at September 30, 2023	879,557	1.61	-	-	-	127,686

The Company’s 1,143,428 Warrants with an exercise price of C$5.75, expired on July 30, 2023 (Note 7).

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 $0.99	747,000	1.84	582,750	0.58
$1.00 to $1.99	35,000	1.06	35,000	1.78
$2.00 to $2.99	42,307	0.56	42,307	2.20
$3.00 to $3.99	27,500	1.28	27,500	3.68
$4.00 to $4.99	192,000	1.05	192,000	4.29
	1,043,807	1.60	879,557	1.61

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 (reversal) expense comprises the following:

	Three months ended		Nine months ended	
	September 30 2023	September 30 2022	September 30 2023	September 30 2022
	$	$	$	$
Stock options	(20)	101	32	140
RSUs	(378)	(65)	(237)	87
DSUs	-	110	-	177
	(398)	145	(205)	405

9. 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.

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 for the deconsolidation of a foreign subsidiary, the Company also recognized a non-cash loss of $6,923 on the reclassification of currency translation adjustment from accumulated other comprehensive loss to net income before income taxes.

10. EXPENSES BY NATURE

(a) Administrative expense consists of the following:

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

	Three months ended		Nine months ended	
	September 30 2023	September 30 2022	September 30 2023	September 30 2022
	$	$	$	$
Office and overhead	238	568	1,010	1,584
Salaries and wages [1]	218	355	1,115	1,051
Corporate development and legal[2]	729	107	952	351
Public company costs	39	50	95	118
Administrative expense	**1,224**	**1,080**	**3,172**	**3,104**

(1) 2023 includes costs related to employees in Mexico, previously recorded in production costs in 2022.
(2) 2023 includes $0.6 million related to La Negra transaction costs (Note 2).

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

	Three months ended		Nine months ended	
	September 30 2023	September 30 2022	September 30 2023	September 30 2022
	$	$	$	$
Fair value loss on marketable securities	-	8	-	67
Fair value loss on purchase warrants	1	5	4	44
Gain on disposal of PP&E	-	(137)	-	(253)
Gain on Convertible Debenture (Note 7)	(1,037)	-	(1,037)	-
Unrealized foreign exchange loss (gain)	(215)	343	(1,909)	(160)
Realized foreign exchange loss (gain)	-	(43)	1	(54)
Interest and other expenses (income)	-	71	(1)	162
Insurance proceeds received	-	-	-	(592)
Other income	**(1,251)**	**247**	**(2,942)**	**(786)**

11. FINANCE EXPENSE

Finance expense consists of the following:

	Three months ended		Nine months ended	
	September 30 2023	September 30 2022	September 30 2023	September 30 2022
	$	$	$	$
Interest expense - Convertible Debentures	806	926	3,095	2,868
Interest expense - other	2	5	7	43
Accretion on provisions	-	54	31	175
Finance expense	**808**	**985**	**3,133**	**3,086**

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

12. 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 September 30, 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	September 30 2023 $	December 31 2022 $
Financial assets			
Fair value through profit and loss			
Warrants	Level 2	2	5
Trade receivables from provisionally priced sales	Level 2	-	690
		2	695

There were no transfers between levels 1, 2 or 3 during the three months ended September 30, 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.