ROCHESTER RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
FEBRUARY 29, 2024

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

ROCHESTER RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian Dollars)

	Notes	February 29, 2024 $	May 31, 2023 $
ASSETS			
Current assets			
Cash		561,430	181,520
Amounts receivable	4	1,403,500	1,850,952
GST/IVA tax receivables		1,108,666	930,995
Prepaid expenses and deposits		280,408	85,038
Inventories	5	702,942	1,089,485
Total current assets		4,056,946	4,137,990
Non-current assets			
Property, plant and equipment	7	1,156,732	1,396,375
Right of use assets	8	353,143	494,829
Total non-current assets		1,509,875	1,891,204
TOTAL ASSETS		5,566,821	6,029,194
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		15,908,255	13,507,468
Amounts payable to directors and officers	11	317,142	317,954
Current portion of lease liabilities	8	129,753	173,226
Current portion of amounts due	9	576,939	292,111
Total current liabilities		16,932,089	14,290,759
Non-current liabilities			
Non-current portion of amounts due to directors and officers	11(a)	1,102,180	1,083,820
Lease liabilities	8	333,585	404,292
Non-current portion of amounts due	9	18,413,195	17,789,231
Provision for site restoration	12	1,300,486	1,431,772
		21,149,446	20,709,115
TOTAL LIABILITIES		38,081,535	34,999,874
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	10	47,182,525	47,182,525
Share-based payments reserve		7,293,723	7,293,723
Contributed surplus		243,299	243,299
Deficit		(87,234,261)	(83,690,227)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		(32,514,714)	(28,970,680)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		5,566,821	6,029,194

Nature of Operations and Going Concern - See Note 1

Contingent Liability and Commitments - See Note 16

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on April 29, 2024 and are signed on its behalf by:

*/s/ **Eduardo Luna***
Eduardo Luna
Director

*/s/ **Nick DeMare***
Nick DeMare
Director

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

ROCHESTER RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended		Nine Months Ended	
		February 29, 2024 $	February 28, 2023 $	February 29, 2024 $	February 28, 2023 $
Revenue		2,287,944	3,120,733	9,426,626	9,875,480
Cost of operations					
Cost of sales		(3,034,141)	(3,287,324)	(10,077,785)	(10,547,566)
Depletion and amortization	7, 8	(133,570)	(144,823)	(402,616)	(435,638)
Provision for site restoration	12	(32,198)	(36,744)	(95,848)	(104,474)
Operating loss		(911,965)	(348,158)	(1,149,623)	(1,212,198)
Expenses and other					
General and administration		(400,251)	(185,571)	(828,968)	(581,980)
Financing expenses	13	(212,621)	(210,576)	(640,174)	(633,839)
Accretion of interest on lease liabilities	8	(24,886)	(23,839)	(80,887)	(68,679)
Foreign exchange		(290,444)	(203,670)	(597,707)	(1,193,084)
Impairment of exploration and evaluation assets	6	(104,612)	(95,938)	(246,675)	(224,068)
		(1,032,814)	(719,594)	(2,394,411)	(2,701,650)
Net loss and comprehensive loss for the period		(1,944,779)	(1,067,752)	(3,544,034)	(3,913,848)
Basic and diluted loss per common share		$(0.04)	$(0.02)	$(0.08)	$(0.08)
Basic and diluted weighted average number of common shares outstanding		47,144,125	47,144,125	47,144,125	47,144,125

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended February 29, 2024					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Contributed Surplus $	Deficit $	Total Shareholders' Equity (Deficit) $
Balance at May 31, 2023	47,144,125	47,182,525	7,293,723	243,299	(83,690,227)	(28,970,680)
Net loss for the period	-	-	-	-	(3,544,034)	(3,544,034)
Balance at February 29, 2024	47,144,125	47,182,525	7,293,723	243,299	(87,234,261)	(32,514,714)

	Nine Months Ended February 28, 2023					
	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Contributed Surplus $	Deficit $	Total Shareholders' Equity (Deficit) $
Balance at May 31, 2022	47,144,125	47,182,525	7,293,723	243,299	(77,781,176)	(23,061,629)
Net loss for the period	-	-	-	-	(3,913,848)	(3,913,848)
Balance at February 28, 2023	47,144,125	47,182,525	7,293,723	243,299	(81,695,024)	(26,975,477)

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

ROCHESTER RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended	
	February 29, 2024 $	February 28, 2023 $
Operating activities		
Net loss for the period	(3,544,034)	(3,913,848)
Adjustments for:		
Depletion and amortization	402,616	435,638
Provision for site restoration	95,848	104,474
Financing expenses	640,174	633,839
Foreign exchange	(290,522)	509,895
Accretion of interest on lease liabilities	80,887	68,679
Impairment of exploration and evaluation assets	246,675	224,068
Changes in non-cash working capital items:		
Amounts receivable	447,452	63,436
GST / IVA tax receivables	(177,671)	(115,256)
Prepaid expenses and deposits	(195,370)	4,761
Inventories	386,543	66,782
Accounts payable and accrued liabilities	2,400,787	2,298,085
Accounts payable to directors and officers	17,548	27,853
Amounts due	-	(69,315)
Net cash provided by operating activities	510,933	339,091
Investing activities		
Additions to property, plant and equipment	(2,307)	(261,230)
Expenditures on exploration and evaluation assets	(246,675)	(224,068)
Net cash used in investing activities	(248,982)	(485,298)
Financing activities		
Payments on lease liabilities	(214,047)	(100,184)
Advances received	2,710,778	-
Repayment of advances	(2,378,772)	-
Net cash provided by (used in) financing activities	117,959	(100,184)
Net change in cash	379,910	(246,391)
Cash at beginning of period	181,520	347,045
Cash at end of period	561,430	100,654

Supplemental cash flow information - Note 17

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

1. Nature of Operations and Going Concern

Rochester Resources Ltd. (the "Company") was incorporated on September 7, 1989 under the provisions of the Company Act (British Columbia). The Company is listed and trades on the TSX Venture Exchange ("TSXV") under the symbol "RCT". The Company's head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

The Company is engaged in the exploration and development of its mineral property interests in Mexico. The mineral exploration and development business involves, by its nature, a high degree of risk and there can be no assurance that the current operations or exploration projects will result in sustainable profitable mining operations. All of the Company's exploration and evaluation assets and property, plant and equipment are located in Mexico, and hence are subject to the risks normally associated with foreign investment including unanticipated changes in taxes and royalties, renegotiation of contracts, foreign currency fluctuations and political uncertainties.

During the nine months ended February 29, 2024 the Company incurred a net loss of $3,544,034 and, as at February 29, 2024, the Company had a working capital deficit of $12,875,142 and non-current liabilities of $21,149,446. The Company has been unable to make all concessions payments when due in the current and prior years for the Mina Real, San Francisco and Santa Fe properties. The Company is also in the process of resolving a dispute resulting from government audits and, as a result, has relied on ongoing advances from officers of the Company. See also Notes 9(e) and 16(a). The Company's ongoing operations are dependent on extracting mineralized material from the Mina Real and San Francisco properties and, therefore, on the Company's ability to preserve its interest in the underlying mineral property interests. In the immediate term, the Company's ability to continue as a going concern is dependent upon the market prices of silver and gold, its ability to improve its operations to maintain positive operating cash flow from the Mina Real and San Francisco properties on a consistent basis and to raise additional capital to fund its ongoing business operations and exploration projects and repay indebtedness as they come due. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term, the Company's ability to continue as a going concern will be dependent upon the discovery of economically recoverable reserves and the achievement of profitable operations. Whether the Company can generate positive cash flow on a consistent basis and, ultimately, achieve profitability is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2023, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended May 31, 2023.

2. Basis of Preparation (continued)

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

3. Subsidiaries

The subsidiaries of the Company are as follows:

Company	Location of Incorporation	Ownership Interest
ALB Holdings Ltd. ("ALB")	Canada	100%
Mina Real Mexico S.A. de C.V. ("Mina Real")	Mexico	100%
Compania Minera Santa Fe S.A. de C.V. ("Compania Minera")	Mexico	70%

4. Amounts Receivable

	February 29, 2024 $	May 31, 2023 $
Production receivable	1,353,773	1,809,049
Other	49,727	41,903
	1,403,500	1,850,952

5. Inventories

	February 29, 2024 $	May 31, 2023 $
Mineralized material in process	244,934	555,734
Mine stores, supplies and other	458,008	533,751
	702,942	1,089,485

(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets

	Santa Fe Property $
Balance at May 31, 2022	-
Acquisition costs	
Mineral claims	107,404
Option payments	160,296
	267,700
Impairment	(267,700)
Balance at May 31, 2023	-
Acquisition costs	
Mineral claims	125,373
Option payments	121,302
	246,675
Impairment	(246,675)
Balance at February 29, 2024	-

Through Mina Real the Company has an agreement to acquire a 70% interest in one concession (the "Santa Fe Property") located near the Mina Real Property. Under the terms of the agreement the Company agreed to implement a program of exploration to determine if the Santa Fe Property can be economically exploited. In addition, if the exploration work is successful, the Company agreed to provide the necessary capital to construct a processing plant capable of processing a minimum of 200 tonnes per day. To date, the Company has conducted limited exploration on the Santa Fe Property. The agreement was disputed by the 30% concession owners and the court has ordered the Company to return the Santa Fe property concession to the 30% concession owners, pay the ongoing monthly fee of US $10,000 to the 30% concession until the concession is returned, pay US $261,000 for a historical extraction and dissolve the Company's subsidiary Compania Minera. The Company is currently in the negotiation process with the 30% concession owners. During the nine months ended February 29, 2024 the Company made total payments of US $190,000. As at February 29, 2024, US $341,000 (May 31, 2023 - US $441,000) remained unpaid and is included in accounts payable and current liabilities.

During fiscal 2016 the Company assessed whether an impairment was required with respect to the Santa Fe Property as required by IFRS 6. In making the assessment management considered the Company's financial situation and its inability to implement an exploration work program. As a result the Company recorded an impairment charge to reduce the carrying value to $nil. The Company continues to record impairment charges for all subsequent costs incurred and capitalized on the Santa Fe Property to maintain the carrying value at $nil.

(Unaudited - Expressed in Canadian Dollars)

7. Property, Plant and Equipment

Cost:	**Mineral Properties $**	**Land $**	**Buildings $**	**Mill and Mine Equipment $**	**Total $**
Balance, May 31, 2022	33,934,944	2,692,313	3,517,234	7,766,238	47,910,729
Additions	-	-	49,007	8,165	57,172
Balance, May 31, 2023	33,934,944	2,692,313	3,566,241	7,774,403	47,967,901
Additions	-	-	-	2,307	2,307
Balance, February 29, 2024	33,934,944	2,692,313	3,566,241	7,776,710	47,970,208
Accumulated depletion, amortization and impairment:					
Balance, May 31, 2022	(33,934,944)	(2,692,313)	(3,178,591)	(6,346,602)	(46,152,450)
Depletion and amortization	-	-	(48,377)	(370,699)	(419,076)
Balance, May 31, 2023	(33,934,944)	(2,692,313)	(3,226,968)	(6,717,301)	(46,571,526)
Depletion and amortization	-	-	(36,282)	(205,668)	(241,950)
Balance, February 29, 2024	(33,934,944)	(2,692,313)	(3,263,250)	(6,922,969)	(46,813,476)
Carrying value:					
Balance, May 31, 2023	-	-	339,273	1,057,102	1,396,375
Balance, February 29, 2024	-	-	302,991	853,741	1,156,732

The Company holds 100% undivided interests in the Mina Real and San Francisco properties. The Mina Real Property comprises 11 concessions and one mineral claim located near Tepic, Mexico. The San Francisco Property comprises twelve concessions located approximately 60 kilometres west of the Company's mill on the Mina Real Property.

See also Note 16(a).

(Unaudited - Expressed in Canadian Dollars)

8. Right of Use Assets

Cost:	Land $	Buildings $	Mill & Mine Equipment $	Total $
Balance, May 31, 2022	84,372	118,848	508,938	712,158
Additions	130,259	-	32,472	162,731
Terminations	-	-	(9,056)	(9,056)
Balance, May 31, 2023	214,631	118,848	532,354	865,833
Additions	18,980	-	-	18,980
Balance, February 29, 2024	233,611	118,848	532,354	884,813
Accumulated amortization:				
Balance, May 31, 2022	(15,334)	(12,874)	(163,077)	(191,285)
Amortization	(15,473)	(11,884)	(152,362)	(179,719)
Balance, May 31, 2023	(30,807)	(24,758)	(315,439)	(371,004)
Amortization	(17,206)	(8,913)	(134,547)	(160,666)
Balance, February 29, 2024	(48,013)	(33,671)	(449,986)	(531,670)
Carrying value:				
Balance, May 31, 2023	183,824	94,090	216,915	494,829
Balance, February 29, 2024	185,598	85,177	82,368	353,143

The Company has lease contracts for various land, housing and vehicles. It does not have any subleases. As at February 29, 2024 lease liabilities have a remaining lease term of approximately ten years or less and were determined using an effective interest rate of 20%. The undiscounted cash flows over the remaining lease term are approximately $781,141 (May 31, 2023 - $1,012,407).

	Nine Months Ended	
	February 29, 2024 $	February 28, 2023 $
Balance, beginning of period	577,518	474,663
Additions	18,980	130,259
Terminations	-	(9,056)
Accretion of interest	80,887	68,679
Payments	(214,047)	(100,184)
Balance, end of period	463,338	564,361
Current portion of lease liabilities	129,753	155,438
Non-current portion of lease liabilities	333,585	408,923
Total lease liabilities	463,338	564,361

During the nine months ended February 29, 2024 the Company recorded accretion of interest on lease liabilities of $80,887 (February 28, 2023 - $68,679).

(Unaudited - Expressed in Canadian Dollars)

8. Right of Use Assets (continued)

As at February 29, 2024 the total of future minimum lease payments under leases are as follows:

	$
Less than one year	221,545
Greater than one year	559,596
	781,141

9. Amounts Due

The Company had received ongoing loans and advances, incurred indebtedness and issued debentures with its shareholders and current and former directors of the Company. The loans, advances, debentures, indebtedness and accrued interest (the "Amounts Due") were payable on demand and were classified as current liabilities as at May 31, 2022. During fiscal 2023 certain holders of the Amounts Due agreed that they would not demand repayment until May 31, 2025 and accordingly, the Company has reclassified these amounts as non-current liabilities as at May 31, 2023.

	9% Advances $	12% Advances $	Debentures $	Indebtedness $	Advances $	Total $
Principal						
Balance, May 31, 2022	913,254	3,104,036	225,000	3,631,000	-	7,873,290
Foreign exchange adjustment	36,509	233,485	-	-	-	269,994
Balance, May 31, 2023	949,763	3,337,521	225,000	3,631,000	-	8,143,284
Additions	-	-	-	-	2,710,778	2,710,778
Repayments	-	-	-	-	(2,378,772)	(2,378,772)
Foreign exchange adjustment	(1,262)	(8,068)	-	-	(47,036)	(56,366)
Balance, February 29, 2024	948,501	3,329,453	225,000	3,631,000	284,970	8,418,924
Interest						
Balance, May 31, 2022	1,006,578	3,110,760	1,639,811	3,135,788	-	8,892,937
Interest expense	84,632	393,283	45,000	326,790	-	849,705
Interest repaid	-	-	(69,315)	-	-	(69,315)
Foreign exchange adjustment	30,619	234,112	-	-	-	264,731
Balance, May 31, 2023	1,121,829	3,738,155	1,615,496	3,462,578	-	9,938,058
Interest expense	63,775	297,302	33,781	245,316	-	640,174
Foreign exchange adjustment	(836)	(6,186)	-	-	-	(7,022)
Balance, February 29, 2024	1,184,768	4,029,271	1,649,277	3,707,894	-	10,571,210
Total amounts due						
As at May 31, 2023						
Current portion	-	58,823	233,288	-	-	292,111
Non-current portion	2,071,592	7,016,853	1,607,208	7,093,578	-	17,789,231
	2,071,592	7,075,676	1,840,496	7,093,578	-	18,081,342
As at February 29, 2024						
Current portion	-	58,681	233,288	-	284,970	576,939
Non-current portion	2,133,269	7,300,043	1,640,989	7,338,894	-	18,413,195
	2,133,269	7,358,724	1,874,277	7,338,894	284,970	18,990,134

(Unaudited - Expressed in Canadian Dollars)

9. Amounts Due (continued)

(a) The 9% Advances bear interest at a rate of 9% per annum.

(b) The 12% Advances bear interest at a rate of 12% per annum.

(c) Principal amounts under a secured debenture financing (the "Debentures") are subject to a monthly interest charge equivalent to $12.67 multiplied by the greater of: (a) the monthly production of mineralized material from the Company's San Francisco Property, and (b) the average monthly production of mineralized material from the San Francisco Property, provided, however, that the monthly interest has a minimum monthly payment based on 6.4% per annum and a maximum payment based on 20% per annum.

(d) The indebtedness (the "Indebtedness") is secured by the assets of the Company and interest is calculated at 9% per annum.

(e) On August 7, 2023 the Mexican state of Nayarit's Secretary of Administration and Finance ("Nayarit SAF") initiated steps seeking to collect amounts owing relating to the ongoing dispute, as described in Note 16(a). The Company is in the process of pledging security of its office building in Tepic to the Nayarit SAF to satisfy collection efforts. As a result of these collection efforts, as at February 29, 2024 the Company received loan advances totalling $2,710,778 (US $1,992,849) from its Chairman and CEO to provide short-term funding to the Company while it resolves the dispute. In January 2024 the Company repaid $2,378,772 (US $1,782,849) on advances received.

10. Share Capital

(a) ***Authorized Share Capital***

The Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

The Company did not conduct any equity financings during the nine months ended February 29, 2024 or fiscal 2023.

(c) ***Warrants***

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at February 29, 2024 and February 28, 2023 and the changes for the nine months ended on those dates, is as follows:

	2024		2023	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of period	1,843,243	0.075	1,843,243	0.075
Expired	(1,843,243)	0.075	-	-
Balance, end of period	-	-	1,843,243	0.075

As at February 29, 2024 no warrants outstanding

(Unaudited - Expressed in Canadian Dollars)

10. Share Capital (continued)

(d) ***Share Option Plan***

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

No share options were granted during the nine months ended February 29, 2024 or February 28, 2023.

A summary of the Company's share options at February 29, 2024 and February 28, 2023 and the changes for the nine months ended on those dates, is as follows:

	2024		2023	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of period	2,105,000	0.05	2,185,000	0.05
Expired	(2,105,000)	0.05	(80,000)	0.05
Balance, end of period	-	0.05	2,105,000	0.05

No share options were outstanding as of February 29, 2024.

11. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

The Company considers its key management to consist of the Company's Chairman, the Chief Executive Officer ("CEO"), and the Chief Financial Officer ("CFO"). During the nine months ended February 29, 2024 the Company incurred $36,609 (February 28, 2023 - $36,463) for compensation to the CEO and CFO of the Company. As at February 29, 2024 $1,186,518 (May 31, 2023 - $1,166,322) remained unpaid and is included in amounts payable to directors and officers.

No fees were incurred with respect of the Chairman, during the nine months ended February 29, 2024 or February 28, 2023.

During the nine months ended February 29, 2024 certain officers and directors of the Company agreed to not demand repayment of a total of $1,102,180 (May 31, 2023 - $1,083,820) of past accrued professional fees until May 31, 2025.

(b) *Transactions with Other Related Parties*

(i) During the nine months ended February 29, 2024 the Company incurred $9,000 (February 28, 2023 - $9,000) for compensation to non-executive directors and an officer of the Company. As at February 29, 2024 $229,000 (May 31, 2023 - $228,000) remained unpaid and is included in amounts payable to directors and officers.

(Unaudited - Expressed in Canadian Dollars)

11. Related Party Disclosures (continued)

(ii) During the nine months ended February 29, 2024 the Company incurred a total of $46,750 (February 28, 2023 - $44,000) to Chase Management Ltd. ("Chase"), a private corporation owned by the CEO of the Company, for accounting and administration services provided by Chase personnel, excluding the CEO. As at February 29, 2024 $3,804 (May 31, 2023 - $7,452) remained unpaid and is included in amounts payable to directors and officers.

(c) See also Note 9.

12. Provision for Site Restoration

	Nine Months Ended	
	February 29, 2024 $	February 28, 2023 $
Balance, beginning of period	1,431,772	1,480,790
Accretion	95,848	104,474
Foreign exchange	(227,134)	(27,946)
Balance, end of period	1,300,486	1,557,318

The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligation at February 29, 2024 US $1,285,000 (May 31, 2023 - US $1,285,000) which, as at February 29, 2024, has been discounted using a credit adjusted pre-tax risk free rate of 9.20% (February 28, 2023 - 9.38%) and an inflation rate of 4.20% (February 28, 2023 - 7.62%). The present value of the reclamation liability may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur. The settlement of the obligation is anticipated to occur primarily in fiscal 2030.

13. Financing Expenses

Financing expenses for the nine months ended February 29, 2024 and February 28, 2023 are as follows:

	Note	2024 $	2023 $
Interest expense:			
Advances	9	361,077	355,760
Debentures	9	33,781	33,658
Indebtedness	9	245,316	244,421
		640,174	633,839

(Unaudited - Expressed in Canadian Dollars)

14. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); amortized cost; and fair value through other comprehensive income ("FVOCI"). The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	February 29, 2024 $	May 31, 2023 $
Cash	FVTPL	561,430	181,520
Amounts receivable	Amortized cost	1,403,500	1,850,952
Accounts payable and accrued liabilities	Amortized cost	(15,908,253)	(13,507,468)
Amounts payable to directors and officers	Amortized cost	(1,419,322)	(1,401,774)
Lease liabilities	Amortized cost	(463,338)	(577,518)
Amounts due	Amortized cost	(18,990,134)	(18,081,342)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable, accounts payable and accrued liabilities, amounts payable to directors and officers, and amounts due approximate their fair value due to their short-term nature. The recorded amounts for lease liabilities and amounts due approximate fair value and they have interest at market rates for similar debt. The Company's fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote. Amounts receivable are due from one customer.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company's ability to manage this risk is affected by low grades of mineralized material and operational challenges. See Note 1. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

14. **Financial Instruments and Risk Management** (continued)

	Contractual Maturity Analysis at February 29, 2024				
	Carrying Amount $	Contractual Cash Flows $	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $
Cash	561,430	561,430	561,430	-	-
Amounts receivable	1,403,500	1,403,500	1,403,500	-	-
Accounts payable and accrued liabilities	(15,908,253)	(15,908,253)	(15,908,253)	-	-
Amounts payable to directors and officers	(1,419,322)	(1,419,322)	-	(317,142)	(1,102,180)
Lease liabilities	(463,338)	(463,338)	(32,438)	(97,315)	(333,585)
Amounts due	(18,990,134)	(18,990,134)	-	(576,939)	(18,413,195)

Market Risk

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

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears a floating rate of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Commodity Price Risk

The Company is subject to risk from fluctuations in the market prices of silver and gold. Silver and gold prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control. The profitability of the Company's operations is highly correlated to the market prices of these metals, as is the ability of the Company to develop its other properties. If metal prices decline for a prolonged period below the cost of production of the Company's Mina Real mine, it may not be economically feasible to continue production.

The Company does not hedge silver and gold prices.

(c) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and the Company's operating expenses are incurred in Canadian Dollars and Mexican Pesos. The Company also has advances denominated in US Dollars. Management believes the foreign exchange risk related to currency conversions are minimal and therefore does not hedge its foreign exchange risk. At February 29, 2024, 1 Canadian Dollar was equal to 12.53 Mexican Pesos and 0.74 US Dollar.

Balances are as follows:

	Mexican Pesos	United States Dollars	CDN $ Equivalent
Cash	6,147,724	10,153	504,361
Amounts receivable	141,319	992,547	1,352,559
IVA tax receivable	13,873,801	-	1,107,247
Inventories	8,811,010	-	702,942
Accounts payable and accrued liabilities	(173,505,201)	(828,760)	(14,967,129)
Amounts payable to directors and officers	-	(62,150)	(83,986)
Amounts due	-	(6,298,621)	(8,511,650)
	(144,531,347)	(6,186,831)	(19,895,656)

(Unaudited - Expressed in Canadian Dollars)

14. Financial Instruments and Risk Management (continued)

Based on the net exposures as of February 29, 2024 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Mexican Peso and the US Dollar would result in the Company's comprehensive income (loss) being approximately $2,023,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

15. Segmented Information

The Company operates in one reportable segment, the acquisition, exploration and development of exploration and evaluation assets. The Company's mineral operations are located in Mexico and its corporate assets, comprising mainly of cash, are located in Canada.

	February 29, 2024		
	Non-current Assets $	Revenues $	Net Loss $
Mineral operations (Mexico)	1,509,875	9,426,626	(2,741,874)
Corporate (Canada)	-	-	(802,160)
	1,509,875	9,426,626	(3,544,034)

	May 31, 2023		
	Non-current Assets $	Revenues $	Net Loss $
Mineral operations (Mexico)	1,891,204	13,631,949	(4,848,923)
Corporate (Canada)	-	-	(1,060,128)
	1,891,204	13,631,949	(5,909,051)

16. Contingent Liability and Commitments

(a) From time to time the Company becomes involved in various claims and litigation, including various governmental audits, as part of the normal course of operations. During fiscal 2023, one of two claims against the Company by the Nayarit SAF was annulled reducing the potential liability to $580,000. The Company continues to work with legal counsel to review and respond to the reassessment and as at February 29, 2024, has accrued a provision of $580,000 (May 31, 2023 - $580,000).

(b) The Company has only made partial government concession payments and accrued carrying charges on its concessions. As at February 29, 2024 $5,150,133 (May 31, 2023 - $4,365,853) of government concession payments remained unpaid and are included in accounts payable and accrued liabilities.

(c) The Company has only made partial concession payments on the Santa Fe Property, as described in Note 6.

(Unaudited - Expressed in Canadian Dollars)

17. Supplemental Cash Flow Information

During the nine months ended February 29, 2024 and February 28, 2023 non-cash activities were conducted by the Company as follows:

	2024 $	2023 $
Operating activities		
Lease liabilities	18,980	130,259
Investing activities		
Additions to right of use assets	(18,980)	(130,259)