



REYNA SILVER

**REYNA SILVER CORP.**  
*(An Exploration Stage Company)*

**Consolidated Financial Statements**

**December 31, 2023**

410-325 Howe Street  
Vancouver, British Columbia, Canada V6C 1Z7

## Contents

	Page
Auditor's Report	3-5
Consolidated Statements of Financial Position	6
Consolidated Statements of Loss and Comprehensive Loss	7
Consolidated Statements of Changes in Shareholders' Equity	8
Consolidated Statements of Cash Flows	9
Notes To the Consolidated Financial Statements	10-34

## INDEPENDENT AUDITOR’S REPORT

**To the Shareholders of Reyna Silver Corp.**

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Reyna Silver Corp. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company’s continuation as a going concern is dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets, and to commence profitable operations in the future. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there is the following key audit matter to communicate in our auditor’s report.

Key audit matter:	How our audit addressed the key audit matter:
Assessment of impairment indicators of Exploration and evaluation assets.	Our approach to addressing the matter included the following procedures, among others:
<i>Refer to note 3 – Significant estimates and assumptions, note 3 – accounting policy for Exploration and evaluation assets and note 5 – Exploration and evaluation assets and mineral exploration expenses</i>	Evaluated the reasonableness of management’s assessment of impairment indicators, which included the following: <ul style="list-style-type: none"> <li>• Assessed the Company’s market capitalization in</li> </ul>

---

Management assesses at each reporting period whether there is an indication that the carrying value of exploration and evaluation assets may not be recoverable. Management applies significant judgement in assessing whether indicators of impairment exist that necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in the Company's assessment of whether commercially viable quantities of mineral resources exist within the properties; and (iii) changes in metal prices, capital and operating costs, are evaluated by management in determining whether there are any indicators of impairment.

We considered this a key audit matter due to (i) the significance of the exploration and evaluation asset balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the factors evaluated by management in its assessment of impairment indicators, which required significant management judgement.

comparison to the Company's net assets, which may be an indication of impairment.

- Assessed the completeness of the factors that could be considered indicators of impairment, including consideration of evidence obtained in other areas of the audit.
- Confirmed that the Company's right to explore the properties had not expired.
- Obtained management's written representations regarding the Company's future plans for the exploration and evaluation assets.
- Assessed the reasonability of the Company's financial statement disclosure regarding their exploration and evaluation assets.

---

## Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is James Roxburgh.

The image shows a handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants**

Vancouver, BC, Canada  
April 26, 2024

**REYNA SILVER CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	Note	December 31, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 96,110	\$ 2,024,660
Receivables		6,776	4,439
Prepaid expenses		65,897	356,452
		168,783	2,385,551
<b>Non-current</b>			
Equipment	4	55,348	66,399
Exploration and evaluation assets	5	11,933,033	11,562,392
Exploration deposit	6	74,837	30,525
VAT receivables		2,513,713	2,003,986
		14,576,931	13,663,302
		\$ 14,745,714	\$ 16,048,853
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		\$ 464,923	\$ 567,093
Due to related parties	10	111,546	8,835
		576,469	575,928
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	8	41,183,244	34,840,096
Reserves	8	8,807,661	7,417,605
Deficit		(35,821,660)	(26,784,776)
		14,169,245	15,472,925
		\$ 14,745,714	\$ 16,048,853

**Nature of Operations and Going Concern (Note 1)**  
**Events After the Reporting Period (Note 5 and 16)**

These consolidated financial statements are authorized for issue by the Board of Directors on April 26, 2024. They are signed on the Company's behalf by:

***“Alexander Langer”***

\_\_\_\_\_  
Alexander Langer, Director

***“Jorge Ramiro Monroy”***

\_\_\_\_\_  
Jorge Ramiro Monroy, Director

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

**REYNA SILVER CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	Note	Years ended December 31	
		2023	2022
Exploration expenses	5	\$ 6,230,931	\$ 5,735,525
		<u>6,230,931</u>	<u>5,735,525</u>
Administrative expenses			
Accounting and audit		144,220	142,592
Bank charges		8,908	9,673
Consulting		362,639	191,792
Legal		165,394	113,315
Management and director fees	10	495,000	780,999
Marketing and shareholders communication		720,564	1,328,325
Office	10	191,290	193,382
Share-based compensation	8(d)	44,365	1,739
Transfer agent, listing and filing fees		137,116	93,002
Foreign exchange loss		34,852	2,502
		<u>2,304,348</u>	<u>2,857,321</u>
Other items			
Gain on sale of marketable securities	7	-	50,000
Property investigation costs		(138,645)	(26,300)
Write-off of exploration and evaluation assets	5(c)	(362,960)	-
		<u>9,036,884</u>	<u>8,569,146</u>
Net loss			
Other comprehensive (income)			
Cumulative translation adjustment		(475,954)	(286,523)
Total comprehensive loss for the year		<u>\$ 8,560,930</u>	<u>\$ 8,282,623</u>
Basic and diluted loss per share		<u>\$ 0.06</u>	<u>\$ 0.08</u>
Weighted average number of common shares outstanding		<u>146,623,111</u>	<u>110,112,507</u>

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

**REYNA SILVER CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian dollars)

	Note	Common Shares		Reserves				Total	Deficit	Total shareholders' equity
		Number of shares	Amount	Equity-settled employee benefits	Finder's warrants	Warrants	Foreign exchange reserve			
<b>Balance as at December 31, 2021</b>		101,513,218	\$ 27,686,298	\$ 2,373,928	\$ 858,195	\$ 3,495,459	\$ (17,981)	\$ 6,709,601	\$ (18,215,630)	\$ 16,180,269
Shares issued:										
Private placements	8(b)	13,888,889	5,000,000	-	-	-	-	-	-	5,000,000
Share issue costs	8(b)	-	(678,051)	-	123,592	-	-	123,592	-	(554,459)
In lieu of services rendered	8(b),10	155,843	119,999	-	-	-	-	-	-	119,999
For property acquisition	5,8(b)	6,550,000	2,189,250	-	-	-	-	-	-	2,189,250
Warrants issued for property acquisition	8(e)	-	-	-	-	328,400	-	328,400	-	328,400
Exercise of options	8(d)	375,000	107,250	(32,250)	-	-	-	(32,250)	-	75,000
Exercise of warrants	8(e)	923,000	415,350	-	-	-	-	-	-	415,350
Share-based compensation	8(d)	-	-	1,739	-	-	-	1,739	-	1,739
Net loss and comprehensive loss		-	-	-	-	-	286,523	286,523	(8,569,146)	(8,282,623)
<b>Balance as at December 31, 2022</b>		123,405,950	34,840,096	2,343,417	981,787	3,823,859	268,542	7,417,605	(26,784,776)	15,472,925
Shares issued:										
Private placements	8(b)	26,705,720	7,344,073	-	-	667,643	-	667,643	-	8,011,716
Share issue costs	8(b)	-	(1,029,675)	-	202,094	-	-	202,094	-	(827,581)
For property acquisitions	5,8(b)	125,000	28,750	-	-	-	-	-	-	28,750
Share-based compensation	8(d)	-	-	44,365	-	-	-	44,365	-	44,365
Net loss and comprehensive loss		-	-	-	-	-	475,954	475,954	(9,036,884)	(8,560,930)
<b>Balance as at December 31, 2023</b>		150,236,670	\$ 41,183,244	\$ 2,387,782	\$ 1,183,881	\$ 4,491,502	\$ 744,496	\$ 8,807,661	\$ (35,821,660)	\$ 14,169,245

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



**REYNA SILVER CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

		For the Years ended December 31	
	Note	2023	2022
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net loss		\$ (9,036,884)	\$ (8,569,146)
Items not involving cash:			
Depreciation expense included in exploration expenses	4	9,686	1,556
Management and director fees paid in common shares	10	-	119,999
Share-based compensation	8(d)	44,365	1,739
Write-off of exploration and evaluation assets	5	362,960	-
Gain on sale of marketable securities		-	(50,000)
Foreign exchange loss		32,593	117,513
Changes in non-cash working capital items:			
Receivables		(2,337)	10,914
Prepaid expenses		288,544	(232,931)
VAT receivables		(259,121)	(628,617)
Trade and other payables		(12,380)	139,978
Due to related parties		102,711	8,835
Cash (used in) operating activities		(8,469,863)	(9,080,160)
<b>Investing activities</b>			
Purchase of equipment		-	(68,019)
Exploration and evaluation assets		(597,794)	(1,584,018)
Exploration deposit		(45,028)	(30,525)
Proceeds from sale of marketable securities		-	150,000
Cash (used in) investing activities		(642,822)	(1,532,562)
<b>Financing activities</b>			
Net proceeds from issuance of common shares	8	7,184,135	4,935,891
Cash provided by financing activities		7,184,135	4,935,891
<b>Net change in cash and cash equivalents</b>		(1,928,550)	(5,676,831)
<b>Cash and cash equivalents - beginning of the year</b>		2,024,660	7,701,491
<b>Cash and cash equivalents - end of the year</b>		\$ 96,110	\$ 2,024,660
<b>Supplemental disclosure with respect to cash flows:</b>			
Common shares issuance pursuant to management and director fees		\$ -	\$ 119,999
Common shares issuance pursuant to property acquisition		28,750	2,189,250
Reclassification of reserves pursuant to exercise of advisor's options		-	32,250
Finder's warrants issuance pursuant to share issue costs		202,094	123,592
Warrants issuance pursuant to property acquisition		-	328,400
Exploration and evaluation assets included in accounts payable		-	110,353

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

# REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Reyna Silver Corp. (the “Company” or “Reyna Silver”) registered its incorporation on August 24, 2017 in the province of British Columbia, Canada and its principal business activity is the acquisition and exploration of mineral properties. The Company began trading on TSX Venture Exchange (the “Exchange”) on June 17, 2019. Its registered address is at 10<sup>th</sup> floor, 595 Howe Street, Vancouver, BC V6C 2T5.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets, and to commence profitable operations in the future. To date, the Company has not generated any significant revenues and is considered to be in the exploration stage.

Management’s plan includes continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated financial statements of financial position. These material uncertainties cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue in existence.

	December 31,		December 31,	
	2023		2022	
Deficit	\$	(35,821,660)	\$	(26,784,776)
Working capital (deficiency)	\$	(407,686)	\$	1,809,623

## 2. BASIS OF PRESENTATION

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance and compliance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

### (b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

#### Basis of consolidation

##### Subsidiary

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (its "subsidiaries"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Company's subsidiaries are:

	<u>% of ownership</u>	<u>Jurisdiction</u>	<u>Principal activity</u>
Reyna Silver Mining Inc.	100%	Canada	Holding company
Reyna Silver, S.A. de C.V.	100%	Mexico	Exploration company
Exploration La Reyna, S.A. de C.V.	100%	Mexico	Exploration company
Silver Medicine LLC	100%	USA	Exploration company

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases.

##### Inter-company balances and transactions

Inter-company balances and transactions, including unrealised income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

#### Foreign currencies

The functional and presentation currency of the parent company, Reyna Silver Corp., is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rate of the exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company has determined that the functional currency of its subsidiaries in Mexico is the Mexican peso and the functional currency of its subsidiary in US is the US dollar. Exchange differences arising from the translation of the subsidiaries' functional currencies into the Company's presentation currency are taken directly into the foreign exchange reserve.

##### Subsidiaries

The results and financial position of the Company's subsidiaries that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates for the period;
- Equity is translated using historical rates;
- All resulting exchange differences are recognised in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign exchange reserve included in Reserves. When a foreign operation is sold, such exchange differences are recognised in the statement of loss as part of the gain or loss on sale.

## **REYNA SILVER CORP.**

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### **3. MATERIAL ACCOUNTING POLICY INFORMATION, (Continued)**

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and guaranteed investment certificates. At December 31, 2023, the Company had \$96,110 in cash and cash equivalents.

#### **Exploration and evaluation assets**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or asset acquisition which are recognized as assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the consolidated statement of comprehensive loss.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where they are considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### **Equipment**

Equipment is recorded at cost less accumulated depreciation and impairment losses, if any. Depreciation is recognized as follows:

- Field equipment – 14% straight line

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### 3. MATERIAL ACCOUNTING POLICY INFORMATION, (Continued)

#### Impairment of non-financial assets

The carrying amount of the Company's long-lived assets (which include exploration and evaluation assets) is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as a charge in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a recovery in the statement of comprehensive loss for the period.

#### Financial Instruments

The Company recognizes an allowance using the Expected Credit Loss ("ECL") model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all amounts recoverable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss and comprehensive loss.

The Company has assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 as follows:

<b>Financial Assets</b>	<b>IFRS 9</b>
Cash and cash equivalents	Amortized cost
Receivables (excluding sales taxes)	Amortized cost
Exploration deposit	Amortized cost

  

<b>Financial Liabilities</b>	
Trade and other payables	Amortized cost
Due to related parties	Amortized cost

The classification of financial assets is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Transaction costs with respect to financial instruments classified as fair value through profit or loss are recognized in the consolidated statements of comprehensive income or loss.

## **REYNA SILVER CORP.**

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### **3. MATERIAL ACCOUNTING POLICY INFORMATION, (Continued)**

#### **Share-based payment transactions**

The Company's stock option plan allows the Company's employees and consultants to acquire shares of the Company through the exercise of granted stock options. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when such individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Warrants with the right to acquire common shares in the Company are typically issued through the Company's equity financing activities. Where finders' warrants are issued on a stand-alone basis, their fair values are measured on their issuance date using the Black-Scholes option pricing model and are recorded as both an increase to reserves and as a share issue cost.

When warrants are exercised, the cash proceeds along with the amount previously recorded in equity reserves are recorded as share capital.

#### **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

#### **Basic loss per share**

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the years presented and accordingly, basic and diluted losses per share are the same.

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### 3. MATERIAL ACCOUNTING POLICY INFORMATION, (Continued)

#### Significant estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

#### Critical judgments

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent, management considered both the funds from financing activities and the currency in which goods and services are paid. The functional currency of its subsidiaries in Mexico is the Mexican peso and the functional currency of its subsidiary in USA is the US dollar. The Company chooses to report in Canadian dollar as the presentation currency;
- The assessment of indications of impairment of each mineral property and related determination of the net realized value and write-down of those properties where applicable;
- The determination of the value of the common shares issued pursuant to the acquisition of the exploration and evaluation assets; and
- The determination that the Company will continue as a going concern for the next year.

#### Income taxes

##### Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

### 3. MATERIAL ACCOUNTING POLICY INFORMATION, (Continued)

#### Income taxes (Continued)

##### Deferred income tax: (Continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### New accounting standards and interpretations

There were no new accounting standards and interpretations adopted during the year ended December 31, 2023 that had a material impact on these consolidated financial statements.

Pronouncements that are not applicable or that do not have a significant impact on the Company have not been included in these consolidated financial statements.

### 4. EQUIPMENT

	Field equipment	
<b>Cost</b>		
Balance, December 31, 2021	\$	-
Additions		68,019
Balance, December 31, 2022	\$	68,019
Exchange adjustment		(1,597)
Balance, December 31, 2023	\$	66,422
<b>Accumulated depreciation</b>		
Balance, December 31, 2021	\$	-
Depreciation		1,556
Exchange adjustment		64
Balance, December 31, 2022	\$	1,620
Depreciation		9,686
Exchange adjustment		(232)
Balance, December 31, 2023	\$	11,074
<b>Carrying amounts</b>		
As at December 31, 2022	\$	66,399
As at December 31, 2023	\$	55,348

During the year ended December 31, 2023, the Company included depreciation of \$9,686 (2022 - \$1,556) in exploration expenses in the statement of comprehensive loss (Note 5).



## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### 5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

#### MEXICO

##### (a) Batopilas Property

The Company acquired 100% interest of the Batopilas Property pursuant to Asset Purchase and Sale Agreement (the "Agreement") with MAG Silver Corp. ("MAG Silver") on June 29, 2018. The Batopilas Property, consisting of 10 concessions (1,169.7313 hectares) is located in Chihuahua Mexico.

Pursuant to the Agreement, the Company acquired the Guigui Property and the Batopilas Property by paying US\$8,500 (\$11,036) to MAG Silver and issuing 14,556,706 common shares with each common share valued at \$0.20 for a total value of \$2,911,341. These 14,556,706 common shares were subject to a voluntary pooling arrangement in accordance with the Agreement (Note 8c).

The Batopilas property is subject to a 4.5% net smelter royalty ("NSR") payable to the underlying owner with a right of first refusal.

##### (b) Guigui Property

The Company acquired 100% interest of the Guigui Property pursuant to the Agreement with MAG Silver on June 29, 2018. The Guigui Property, consisting of 7 concessions (4,553.7034 hectares), is located in Chihuahua Mexico.

The Company entered into two agreements to acquire an 80% interest in the La Chinche Property (which is contiguous to the Guigui Property and together formed part of the Guigui Property).

On July 1, 2020, the Company entered into a mineral property option agreement with United Minerals Pty Limited and Minerales Unidos La Chinche S.A. de C.V. ("United Minerals") to acquire 50% interest in the La Chinche property in exchange for 500,000 common shares and 11,500,000 warrants as follows:

<b>Date/Period</b>	<b>Shares</b>	<b>Warrants</b>
Upon receipt of the Exchange approval	250,000 (issued)	1,000,000 warrants exercisable for a period of 12 months at \$0.74 (issued)
January 1, 2021	None	3,000,000 warrants exercisable for a period of 12 months at \$0.75 (issued)
July 1, 2021	None	3,500,000 warrants exercisable for a period of 12 months at \$1.00 (issued)
January 1, 2022	None	4,000,000 warrants exercisable for a period of 12 months at \$1.25 (issued)
July 1, 2022	250,000 (issued)	None

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### 5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES, (Continued)

#### MEXICO, (Continued)

##### (b) Guigui Property, (Continued)

On July 1, 2020, the Company entered into a mineral property option agreement with the underlying concession owner (the "Sellers") to acquire an additional 30% interest in the La Chinche property by incurring the following:

- (i) Making a cash payment of US\$42,000 on signing the agreement (paid);
- (ii) Undertaking a minimum of US\$900,000 in work on the property within 24 months (met);
- (iii) Following the above work program, preparing a NI 43-101 technical report summarizing any mineral resources on the property (the "Report"); and
- (iv) Based on the mineral resources set out in the Report, paying an additional amount to the Sellers, calculated as a minimum of US\$1,000,000 (paid in 2022) (for up to 1,500,000 tonnes of resource based on 12% Zn equivalent cut-off) plus an additional US\$250,000 for every 500,000 tonnes of resource at comparable grade contained within the property over and above 1,500,000 tonnes.

On July 14, 2022, the Company acquired an 80% interest in the La Chinche property.

The Guigui property is subject to a 2.5% NSR payable to the underlying owner with a right of first refusal.

##### (c) La Reyna Property

On September 29, 2020, the Company entered into a mineral property option agreement with the underlying concession owner (the "Sellers") whereby the Company had the option to acquire a 100% interest in the La Reyna property.

During the year ended December 31, 2023, the Company terminated the option agreement and wrote off the acquisition costs of \$362,960.

##### (d) Matilde Property

In fiscal 2018, the Company acquired the Matilde property for \$7,476 by staking. The Matilde property is located in Sonora Mexico and consists of 1,369 hectares.

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### 5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES, (Continued)

#### MEXICO, (Continued)

##### (e) El Durazno Property

In fiscal 2019, the Company acquired the El Durazno property for \$9,601 by staking. The El Durazno property is located in Sonora Mexico and consists of 24,630 hectares.

On July 19, 2021, the Company signed an option agreement with Reyna Gold Corp (“Reyna Gold”), a company with directors in common. The Company agreed to grant Reyna Gold the exclusive option to acquire up to a 51% interest in the El Durazno Property. Pursuant to the agreement:

- Reyna Gold must pay the sum of \$20,000 within 10 days of execution of this agreement (received); and
- Incur at least \$500,000 of expenditures on the El Durazno property before July 19, 2025.

#### UNITED STATES

##### (f) Medicine Springs Property (Nevada)

On September 24, 2020, the Company entered into a property option agreement with Northern Lights Resources Corp. (“Northern Lights”) to acquire an 80% interest in the Medicine Springs Property, located in Elko County, Nevada.

On December 14, 2022, the option agreement was superseded by an Acquisition Agreement whereby Northern Lights agreed to sell to the Company its option to acquire a 100% interest in the Medicine Springs Property. Pursuant to the Acquisition Agreement, the Company agreed to the following terms:

- (i) Assuming all of Northern Lights’ obligations under the underlying option agreement with the property owners (the “Optionors”);
- (ii) Paying Northern Lights US\$100,000 in cash (paid US\$25,000 in fiscal 2022 and US\$75,000 in fiscal 2023);
- (iii) Issuing 6,000,000 common shares of the Company to Northern Lights (the “Consideration Shares”) (issued in fiscal 2022); and
- (iv) Granting to Northern Lights a 1.0% Net Smelter Returns royalty (“NSR”) on mining production received by the Company on the Medicine Springs Property (the “NLR Royalty”).

The Acquisition Agreement provides the Company at any time the option to buy back one-half of the NLR Royalty by paying Northern Lights US\$2,500,000.

The Consideration Shares are subject to contractual resale restrictions over a 24-month period with an initial 6-month lock up and release 25% every 6 months after that.

In connection with the Acquisition Agreement, the Company paid a finder’s fee of 300,000 common shares (issued in fiscal 2022) and US\$5,000 in cash (paid in fiscal 2023).

The Optionors and the Company subsequently agreed to amend the underlying option agreement pursuant to amending agreements dated March 30, 2023, September 14, 2023, November 10, 2023 and January 31, 2024. Per the terms of the amended option agreement, in order to exercise the option and acquire a 100% interest in the property, the Company is required to fulfill the following:

- (i) Make a cash payment of US \$150,000 to the Optionors within 3 days of the execution of the amendment dated March 30, 2023 (paid);
- (ii) Make a cash payment of US \$150,000 to the Optionors on or before September 15, 2023 (paid);

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

### 5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES, (Continued)

#### UNITED STATES, (Continued)

##### (f) Medicine Springs Property (Nevada), (Continued)

- (iii) Pay to the Optionors an amendment fee in the aggregate amount of US \$5,000 (paid);
- (iv) Make a cash payment of US \$150,000 to the Optionors on or before March 1, 2024 (paid);
- (v) Make a cash payment of US \$150,000 to the Optionors on or before October 1, 2024;
- (vi) Make a cash payment of US \$225,000 to the Optionors and issue to the Optionors such number of common shares of the Company having a market value equal to US \$300,000 on or before February 1, 2025;
- (vii) Make a cash payment of US \$150,000 to the Optionors on or before October 1, 2025;
- (viii) Incur additional expenditures on the development of the property such that the total aggregate expenditures on the property is not less than US \$2,700,000 on or before December 31, 2023 (Incurred);
- (ix) Paying such amount as is required to maintain the mineral claims included in the property in good standing on or before July 15, 2023 (paid).

##### (g) Gryphon Summit Property (Nevada)

On August 29, 2023, the Company and Reyna Gold entered into a property option agreement (the "Agreement") with Golden Gryphon USA Inc. ("Gryphon") to jointly earn up to a 70% interest in the Gryphon Summit Property, located in Eureka and Elko counties, Nevada.

The Company and Reyna Gold have formed an unincorporated joint venture for the purpose of holding the Option (the "Reyna JV"). The Option is subject to the Reyna JV performing the following by April 30, 2027:

- (i) Expend a total of US\$9,500,000 on the property.
- (ii) Make cash payments to Gryphon in the aggregate amount of US\$1,100,000; and
- (iii) Issue a total of 1,200,000 common shares in the capital of the Company and 1,200,000 common shares in the capital of Reyna Gold to Gryphon. Upon completion of the Option, Gryphon and Reyna JV will enter a joint venture to continue exploration and development of the Project.

To complete its full 70% earn-in under the Agreement, Reyna JV must complete the following:

Date/Period	Cash Payments	Common Shares	Expenditures
On the Effective Date	US\$100,000 (paid)	None	None
With 5 business days of the acceptance of the agreement	None	125,000 (issued)	None
On or before April 30, 2024	US\$100,000	None	US\$500,000
On or before October 31, 2024	US\$100,000	None	None
On or before April 30, 2025	US\$150,000	125,000	US\$2,000,000
On or before October 31, 2025	US\$150,000	None	None
On or before April 30, 2026	US\$250,000	200,000	US\$3,000,000
On or before October 31, 2026	US\$250,000	None	None
On or before April 30, 2027	None	750,000	US\$4,000,000

## **REYNA SILVER CORP.**

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### **5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES, (Continued)**

#### **UNITED STATES, (Continued)**

##### **(g) Gryphon Summit Property (Nevada), (Continued)**

Gryphon will be granted a 2% net smelter returns royalty on the Project (subject to a 50% buy down right to a 1% royalty), except that the part of the property comprising the eight patented mining claims will be subject only to a 1% net smelter returns royalty (not subject to further buy-down) (the "NSR Agreement"). The terms of the NSR Agreement will be negotiated on or before April 30, 2025.

#### **CANADA**

##### **(h) Trudeau Gold Property (Quebec)**

The Company held a 100% interest in the Trudeau Gold Property consisting of three non-contiguous claim groups surrounding Duparquet Lake in the province of Quebec, namely Fabie, Trudeau and Eastchester.

On March 8, 2021, the Company sold its Trudeau Gold property to Beyond Minerals Ltd. ("Beyond Minerals"). The sale price received by the Company was 1,000,000 shares of Beyond Minerals and a 1.0% NSR (see note 7).

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

### 5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES, (Continued)

	Mexico				Canada	USA	Total
	Batopilas	Guigui	La Reyna	Others	Trudeau	Medicine Springs	
<b>Exploration and evaluation assets</b>							
<b>Acquisition costs</b>							
<b>As of January 1, 2022</b>	\$ 597,262	\$ 6,392,511	\$ 192,168	\$ 17,077	\$ -	\$ 162,281	\$ 7,361,299
Addition during the year	-	1,849,762	107,546	-	-	2,220,882	4,178,190
Foreign currency translation	-	-	22,903	-	-	-	22,903
<b>As of December 31, 2022</b>	<b>\$ 597,262</b>	<b>\$ 8,242,273</b>	<b>\$ 322,617</b>	<b>\$ 17,077</b>	<b>\$ -</b>	<b>\$ 2,383,163</b>	<b>\$ 11,562,392</b>
<b>Mineral exploration expenses for the year ended December 31, 2022</b>							
Consulting and reporting	\$ 5,931	\$ 7,249	\$ -	\$ -	\$ -	\$ -	\$ 13,180
Mineral taxes	28,591	117,425	7,414	-	-	131,990	285,420
Depreciation	-	-	-	-	-	1,556	1,556
Drilling	299,068	368,033	284	-	-	1,936,421	2,603,806
Geochemistry	29,012	35,459	-	-	-	25,711	90,182
Geology and exploration	661,888	781,361	22,084	-	-	171,021	1,636,354
Geophysics	132,146	177,278	-	-	-	23,642	333,066
Other property related expenses	31,261	54,683	-	-	-	229,793	315,737
Permitting	-	-	-	-	-	23,814	23,814
Reclamation	2,109	2,578	-	-	-	-	4,687
Surface access	51,768	126,185	-	-	-	-	177,953
Trenching	-	-	-	-	-	249,770	249,770
	<b>\$ 1,241,774</b>	<b>\$ 1,670,251</b>	<b>\$ 29,782</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,793,718</b>	<b>\$ 5,735,525</b>
<b>Cumulative mineral exploration expenses up to December 31, 2022</b>							
Consulting and reporting	\$ 19,872	\$ 297,137	\$ -	\$ -	\$ 4,500	\$ -	\$ 321,509
Claim staking	-	-	-	-	-	46,282	46,282
Mineral taxes	125,827	524,289	60,637	-	-	437,353	1,148,106
Depreciation	-	-	-	-	-	1,556	1,556
Drilling	848,110	1,868,682	284	-	-	1,936,421	4,653,497
Geochemistry	29,012	35,459	-	-	-	25,711	90,182
Geology and exploration	1,682,862	4,636,275	95,075	-	-	351,992	6,766,204
Geophysics	145,064	227,106	-	-	-	23,642	395,812
Other property related expenses	212,985	810,049	-	-	-	285,240	1,308,274
Permitting	-	-	-	-	-	29,031	29,031
Reclamation	2,109	2,578	-	-	-	-	4,687
Surface access	51,768	126,185	-	-	-	-	177,953
Trenching	-	-	-	-	-	249,770	249,770
Reimbursements from optionee	-	-	-	(20,000)	-	-	(20,000)
	<b>\$ 3,117,609</b>	<b>\$ 8,527,760</b>	<b>\$ 155,996</b>	<b>\$ (20,000)</b>	<b>\$ 4,500</b>	<b>\$ 3,386,998</b>	<b>\$ 15,172,863</b>

# REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

## 5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES, (Continued)

	Mexico				Canada Trudeau	USA		Total
	Batopilas	Guigui	La Reyna	Others		Medicine Springs	Gryphon Summit	
<b>Exploration and evaluation assets</b>								
<b>Acquisition costs</b>								
<b>As of January 1, 2023</b>	\$ 597,262	\$ 8,242,273	\$ 322,617	\$ 17,077	\$ -	\$ 2,383,163	\$ -	\$ 11,562,392
Addition during the period	-	-	-	-	-	419,477	96,715	516,192
Write-off of exploration and evaluation assets	-	-	(362,960)	-	-	-	-	(362,960)
Foreign currency translation	-	180,404	40,343	-	-	(3,338)	-	217,409
<b>As of December 31, 2023</b>	<b>\$ 597,262</b>	<b>\$ 8,422,677</b>	<b>\$ -</b>	<b>\$ 17,077</b>	<b>\$ -</b>	<b>\$ 2,799,302</b>	<b>\$ 96,715</b>	<b>\$ 11,933,033</b>
<b>Mineral exploration expenses for the year ended December 31, 2023</b>								
Claim staking	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,140	\$ -	\$ 10,140
Mineral taxes	36,437	149,131	-	-	-	275,791	155,517	616,876
Depreciation	-	-	-	-	-	9,686	-	9,686
Drilling	113,463	22,524	-	-	-	1,499,588	34,089	1,669,664
Well drilling	-	-	-	-	-	487,505	-	487,505
Geochemistry	-	62,000	-	-	-	128,503	4,670	195,173
Geology and exploration	355,529	393,680	-	-	-	417,727	97,186	1,264,122
Geophysics	318,870	7,841	-	-	-	479,455	-	806,166
Other property related expenses	11,481	14,625	-	-	-	653,292	13,059	692,457
Permitting	-	-	-	-	-	15,002	7,589	22,591
Surface access	68,943	57,134	-	-	-	-	1,644	127,721
Trenching	-	-	-	-	-	328,830	-	328,830
	<b>\$ 904,723</b>	<b>\$ 706,935</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,305,519</b>	<b>\$ 313,754</b>	<b>\$ 6,230,931</b>
<b>Cumulative mineral exploration expenses up to December 31, 2023</b>								
Consulting and reporting	\$ 19,872	\$ 297,137	\$ -	\$ -	\$ 4,500	\$ -	\$ -	\$ 321,509
Claim staking	-	-	-	-	-	56,422	-	56,422
Mineral taxes	162,264	673,420	60,637	-	-	713,144	155,517	1,764,982
Depreciation	-	-	-	-	-	11,242	-	11,242
Drilling	961,573	1,891,206	284	-	-	3,436,009	34,089	6,323,161
Well drilling	-	-	-	-	-	487,505	-	487,505
Geochemistry	29,012	97,459	-	-	-	154,214	4,670	285,355
Geology and exploration	2,038,391	5,029,955	95,075	-	-	769,719	97,186	8,030,326
Geophysics	463,934	234,947	-	-	-	503,097	-	1,201,978
Other property related expenses	224,466	824,674	-	-	-	938,532	13,059	2,000,731
Permitting	-	-	-	-	-	44,033	7,589	51,622
Reclamation	2,109	2,578	-	-	-	-	-	4,687
Surface access	120,711	183,319	-	-	-	-	1,644	305,674
Trenching	-	-	-	-	-	578,600	-	578,600
Reimbursements from optionee	-	-	-	(20,000)	-	-	-	(20,000)
	<b>\$ 4,022,332</b>	<b>\$ 9,234,695</b>	<b>\$ 155,996</b>	<b>\$ (20,000)</b>	<b>\$ 4,500</b>	<b>\$ 7,692,517</b>	<b>\$ 313,754</b>	<b>\$ 21,403,794</b>

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### 6. DEPOSITS

As of December 31, 2023, the Company has a US\$56,583 (\$74,837) reclamation bond with Bureau of Land Management for the Medicine Springs property (December 31, 2022 – US\$22,538 (\$30,525)).

### 7. MARKETABLE SECURITIES

In 2021, the Company sold its Trudeau Gold property to Beyond Minerals for 1,000,000 shares of Beyond Minerals and a 1.0% NSR (see note 5(h)). On April 13, 2022, Beyond Minerals began trading on the Canadian Securities Exchange. The shares were measured and presented at fair value using the observable market share price as at the date of the statements of financial position. The gain or loss as a result of the re-measurement was recorded through profit and loss ("FVTPL").

On November 14, 2022, 1,000,000 common shares of Beyond Minerals were sold at the price of \$0.15 per share for a total purchase price of \$150,000.

### 8. SHARE CAPITAL

#### a. Authorized

There are an unlimited number of common shares without par value.

There are an unlimited number of preferred shares without par value.

#### b. Common share issuance

During the year ended December 31, 2022:

- (i) The Company issued 155,843 common shares with a fair value of \$119,999 to its directors and officers for consulting services.
- (ii) On June 24, 2022, the Company completed a non-brokered private placement by issuing 13,888,889 units ("Unit") at a price of \$0.36 per Unit for gross proceeds of \$5,000,000. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a 24-month period at a price of \$0.50, expiring on June 24, 2024. Under the residual value approach, no value was assigned to the warrant component of the Units.

In connection with the private placement, the Company paid a total of \$326,452 cash finder's fee, issued 624,999 compensation options, each of which is exercisable into one Unit at a price of \$0.36 for a period of 24 months, expiring on June 24, 2024, and issued 284,105 finder's warrants, each of which is exercisable into one common share at a price of \$0.50 for a period of 24 months, expiring on June 24, 2024. The value of the compensation options was determined to be \$91,687 and the value of the finder's warrants was determined to be \$31,905 calculated using the Black-Scholes option pricing model. Another \$228,007 was also included as share issue costs.

- (iii) On June 30, 2022, the Company issued 250,000 common shares with a fair value of \$78,750 to United Minerals pursuant to the mineral property option agreement (see note 5(b)).
- (iv) On December 22, 2022, the Company issued 6,000,000 common shares with a fair value of \$2,010,000 to Northern Lights pursuant to the Acquisition Agreement and 300,000 common shares with a fair value of \$100,500 as finder's fee (see note 5(f)).
- (v) During the year, 375,000 options and 923,000 warrants were exercised at \$0.20 and \$0.45 respectively, resulting in gross proceeds of \$490,350.



## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### 8. SHARE CAPITAL, (Continued)

#### b. Common share issuance, (Continued)

During the year ended December 31, 2023:

- (i) On February 13, 2023, the Company completed the first tranche of a non-brokered private placement by issuing 16,666,000 units ("Unit") at a price of \$0.30 per Unit for gross proceeds of \$4,999,800 and on February 23, 2023, the Company completed the second tranche of a non-brokered private placement by issuing 10,039,720 units ("Unit") at a price of \$0.30 per Unit for gross proceeds of \$3,011,916. Each Unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.40 until February 13, 2026 for the first tranche and until February 23, 2026 for the second tranche. Under the residual value approach, \$667,643 was assigned to the warrant component of the Units.

In connection with the private placement, the Company paid a total of \$527,833 cash finder's fee, issued 1,166,620 compensation warrants, each of which is exercisable into one Unit at a price of \$0.30 until February 13, 2025 and issued 686,572 compensation warrants, each of which is exercisable into one Unit at a price of \$0.30 until February 23, 2025. Each Unit consists of one common share and one common share purchase warrant. Each warrant will then entitle the holder to purchase one additional common share at a price of \$0.40 until February 13, 2026 for the first tranche and until February 23, 2026 for the second tranche. The value of the compensation warrants was determined to be \$202,094 calculated using the Black-Scholes option pricing model. Another \$299,748 was also included as share issue costs.

- (ii) On December 14, 2023, the Company issued 125,000 common shares with a fair value of \$28,750 to Gryphon pursuant to the property option agreement (see note 5(g)).

#### c. Escrowed shares

2,968,212 common shares were placed in escrow in accordance with the escrow agreement dated April 3, 2019, where 10% of the escrowed common shares were released on June 10, 2019 and 15% every six months thereafter. The final 445,232 escrow shares were released on June 10, 2022.

12,076,501 common shares were placed in escrow in accordance with the escrow agreement dated June 3, 2020, where 10% of the escrowed common shares were released on June 4, 2020 and 15% every six months thereafter. The final 1,811,476 escrow shares were released on June 4, 2023.

**REYNA SILVER CORP.**

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

**8. SHARE CAPITAL, (Continued)****d. Stock options**

Stock option transactions and the number of stock options, including the compensation options and advisor options, for the year ended December 31, 2023 are summarized as follows:

Expiry date	Exercise price	December 31, 2022	Granted	Exercised	Expired / Cancelled	December 31, 2023
March 30, 2024 *	\$ 1.00	130,000	-	-	-	130,000
October 13, 2025	\$ 1.13	1,600,000	-	-	-	1,600,000
January 12, 2026	\$ 1.03	497,400	-	-	-	497,400
December 16, 2026	\$ 0.71	1,600,000	-	-	-	1,600,000
September 13, 2029	\$ 0.57	187,500	-	-	-	187,500
September 8, 2025	\$ 0.30	-	950,000	-	-	950,000
Options outstanding		4,014,900	950,000	-	-	4,964,900
Options exercisable		4,014,900	950,000	-	-	4,964,900
Weighted average exercise price	\$	0.92	\$ 0.30	\$ -	\$ -	\$ 0.80

\*Subsequent to December 31, 2023, 130,000 options expired unexercised.

Stock option transactions and the number of stock options for the year ended December 31, 2022 are summarized as follows:

Expiry date	Exercise price	December 31, 2021	Granted	Exercised	Expired / Cancelled	December 31, 2022
June 3, 2022	\$ 0.20	375,000	-	(375,000)	-	-
June 3, 2022	\$ 0.45	89,685	-	-	(89,685)	-
March 30, 2024	\$ 1.00	130,000	-	-	-	130,000
October 13, 2025	\$ 1.13	1,600,000	-	-	-	1,600,000
January 12, 2026	\$ 1.03	502,400	-	-	(5,000)	497,400
December 16, 2026	\$ 0.71	1,600,000	-	-	-	1,600,000
September 13, 2029	\$ 0.57	187,500	-	-	-	187,500
Options outstanding		4,484,585	-	(375,000)	(94,685)	4,014,900
Options exercisable		4,409,585	-	-	-	4,014,900
Weighted average exercise price	\$	0.85	\$ -	\$ 0.20	\$ 0.48	\$ 0.92

As at December 31, 2023, the weighted average contractual remaining life of options is 2.28 years (December 31, 2022 – 3.42 years). The fair value of the stock options granted during the year ended December 31, 2023 was \$44,365 (2022 - \$Nil). The Company also recognized \$Nil (2022 - \$1,739) share-based payment for options granted in earlier period but vested during the current period. The weighted average fair value of stock options granted during the year ended December 31, 2023 was \$0.05 (December 31, 2022 - \$Nil).

**REYNA SILVER CORP.**

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

**8. SHARE CAPITAL, (Continued)****d. Stock options (Continued)**

The weighted average assumptions used to estimate the fair value of options for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Expected dividend yield	0.00%	n/a
Expected stock price volatility	74.74%	n/a
Risk-free interest rate	3.01%	n/a
Forfeiture rate	0.00%	n/a
Expected life of options	2 years	n/a

**e. Warrants**

The continuity of warrants for the year ended December 31, 2023 is as follows:

Expiry date	Exercise price	December 31, 2022	Issued	Exercised	Expired	December 31, 2023		
January 1, 2023 (a)	\$ 1.25	4,000,000	-	-	(4,000,000)	-		
June 22, 2023	\$ 1.25	3,649,067	-	-	(3,649,067)	-		
June 24, 2024	\$ 0.50	6,944,443	-	-	-	6,944,443		
February 13, 2026	\$ 0.40	-	16,666,000	-	-	16,666,000		
February 23, 2026	\$ 0.40	-	10,039,720	-	-	10,039,720		
Warrants outstanding		14,593,510	26,705,720	-	(7,649,067)	33,650,163		
Weighted average exercise price	\$	0.89	\$	0.40	\$	1.25	\$	0.42

The continuity of warrants for the year ended December 31, 2022 is as follows:

Expiry date	Exercise price	December 31, 2021	Issued	Exercised	Expired	December 31, 2022				
June 3, 2022	\$ 0.45	9,931,753	-	(923,000)	(9,008,753)	-				
January 1, 2022 (a)	\$ 0.75	2,755,000	-	-	(2,755,000)	-				
July 1, 2022 (a)	\$ 1.00	3,500,000	-	-	(3,500,000)	-				
August 19, 2022	\$ 0.90	5,562,500	-	-	(5,562,500)	-				
June 22, 2023	\$ 1.25	3,649,067	-	-	-	3,649,067				
January 1, 2023 (a)	\$ 1.25	-	4,000,000	-	-	4,000,000				
June 24, 2024	\$ 0.50	-	6,944,443	-	-	6,944,443				
Warrants outstanding		25,398,320	10,944,443	(923,000)	(20,826,253)	14,593,510				
Weighted average exercise price	\$	0.77	\$	0.77	\$	0.45	\$	0.70	\$	0.89

(a) These warrants were granted pursuant to the mineral property option agreement (see note 5(b)).

As at December 31, 2023, the weighted average contractual remaining life of warrants is 1.79 years (December 31, 2022 – 0.82 years).

**REYNA SILVER CORP.**

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

**8. SHARE CAPITAL, (Continued)****e. Warrants (Continued)**

The assumptions used to estimate the fair value of warrants issued pursuant to the mineral property option agreement for the years ended December 31, 2022 were as follows:

	2022
Expected dividend yield	0.00%
Expected stock price volatility	67.24%
Risk-free interest rate	0.46%
Forfeiture rate	0.00%
Expected life of warrants	1 year

**f. Finder's Warrants**

The continuity of finder's warrants for the year ended December 31, 2023 is as follows:

Expiry date	Exercise price	December 31, 2022	Issued	Exercised	Expired	December 31, 2023		
June 22, 2023	(a) \$ 0.83	446,978	-	-	(446,978)	-		
June 24, 2024	(b) \$ 0.36	624,999	-	-	-	624,999		
June 24, 2024	\$ 0.50	284,105	-	-	-	284,105		
February 13, 2025	(c) \$ 0.30	-	1,166,620	-	-	1,166,620		
February 23, 2025	(c) \$ 0.30	-	686,572	-	-	686,572		
Finders warrants outstanding		1,356,082	1,853,192	-	(446,978)	2,762,296		
Weighted average exercise price	\$	0.54	\$	0.30	\$	0.83	\$	0.33

The continuity of finder's warrants for the year ended December 31, 2022 is as follows:

Expiry date	Exercise price	December 31, 2021	Issued	Exercised	Expired	December 31, 2022		
June 3, 2022	\$ 0.45	854,145	-	-	(854,145)	-		
August 19, 2022	\$ 0.62	734,204	-	-	(734,204)	-		
June 22, 2023	(a) \$ 0.83	446,978	-	-	-	446,978		
June 24, 2024	(b) \$ 0.36	-	624,999	-	-	624,999		
June 24, 2024	\$ 0.50	-	284,105	-	-	284,105		
Finders warrants outstanding		2,035,327	909,104	-	(1,588,349)	1,356,082		
Weighted average exercise price	\$	0.59	\$	0.40	\$	0.53	\$	0.54

- (a) Each compensation warrant is exercised into one common share and one-half of a warrant, where each full warrant is then exercisable into one common share at \$1.25 for a period of 2 years.
- (b) Each compensation warrant is exercised into one common share and one-half of a warrant, where each full warrant is then exercisable into one common share at \$0.50 for a period of 2 years.
- (c) Each compensation warrant is exercised into one common share and one warrant, where each full warrant is then exercisable into one common share at \$0.40 for a period of 3 years.

As at to December 31, 2023, the weighted average contractual remaining life of finder's warrants is 0.92 years (December 31, 2022 – 1.15 years).

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

### 8. SHARE CAPITAL, (Continued)

#### f. Finder's Warrants (Continued)

The weighted average assumptions used to estimate the fair value of finder's warrants for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	73.53% - 74.01%	74.65%
Risk-free interest rate	3.99% - 4.09%	0.81%
Forfeiture rate	0.00%	0.00%
Expected life of finder's warrants	2 years	2 years

### 9. LOSS PER SHARE

#### Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2023 was based on the loss attributable to common shareholders of \$9,036,884 (December 31, 2022 – \$8,569,146) and a weighted average number of common shares outstanding of 146,623,111 (December 31, 2022 – 110,112,507).

Diluted loss per share did not include the effect of 33,650,163 warrants, 4,964,900 stock options and advisor options and 2,762,296 finders' warrants (December 31, 2022 – 14,593,510 warrants, 4,014,900 stock options and advisor options and 1,356,082 finders' warrants) since they were anti-dilutive.

### 10. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the year ended December 31, 2023

	Cash payments <sup>(1)</sup>	Shares issued <sup>(1)</sup>	Share-based payments <sup>(2)</sup>	Total
Jorge Ramiro Monroy <sup>(3)</sup> Chief Executive Officer, Director	\$ 300,000	\$ -	\$ -	\$ 300,000
Michael Wood <sup>(4)</sup> Chief Financial Officer, Director	\$ 120,000	\$ -	\$ -	\$ 120,000
Peter Jones <sup>(5)</sup> Director	\$ 25,000	\$ -	\$ -	\$ 25,000
Alex Langer <sup>(6)</sup> Director	\$ 20,000	\$ -	\$ -	\$ 20,000
Evaristo Trevino <sup>(7)</sup> Director	\$ 15,000	\$ -	\$ -	\$ 15,000
Carmen Amezcuita <sup>(8)</sup>	\$ 15,000	\$ -	\$ -	\$ 15,000
Ariel Navarro - Vice President of Exploration of the Company <sup>(9)</sup>	\$ -	\$ -	\$ 2,335	\$ 2,335
TOTAL:	\$ 495,000	\$ -	\$ 2,335	\$ 497,335

**REYNA SILVER CORP.**

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

**10. RELATED PARTY TRANSACTIONS, (Continued)**

For the year ended December 31, 2022

	Cash payments <sup>(1)</sup>	Shares issued <sup>(1)</sup>	Share-based payments <sup>(2)</sup>	Total
Jorge Ramiro Monroy <sup>(3)</sup> Chief Executive Officer, Director	\$ 415,000	\$ 10,500	\$ -	\$ 425,500
Michael Wood <sup>(4)</sup> Chief Financial Officer, Director	\$ 186,000	\$ 10,499	\$ -	\$ 196,499
Peter Jones <sup>(5)</sup> Director	\$ 25,000	\$ 33,000	\$ -	\$ 58,000
Alex Langer <sup>(6)</sup> Director	\$ 20,000	\$ 33,000	\$ -	\$ 53,000
Evaristo Trevino <sup>(7)</sup> Director	\$ 15,000	\$ 33,000	\$ -	\$ 48,000
<b>TOTAL:</b>	<b>\$ 661,000</b>	<b>\$ 119,999</b>	<b>\$ -</b>	<b>\$ 780,999</b>

(1) Included in the Management and director fees in the consolidated statements of loss and comprehensive loss.

(2) Amount represents the Black-Scholes calculation of the stock options granted to the individual during the period and is included in the Share-based compensation in the consolidated statements of loss and comprehensive loss.

(3) Jorge Ramiro Monroy's cash payments as the Chief Executive Officer were paid through Emerging Markets Capital Limited while the shares were issued to Mr. Monroy himself.

(4) Michael Wood became a director of the Company effective June 3, 2020 and the Chief Financial Officer effective July 6, 2020. Mr. Wood's cash payments as the Chief Financial Officer were paid through Athena Jade Limited while the shares were issued to Mr. Wood himself.

(5) Peter Jones became a director of the Company effective June 3, 2020.

(6) Alex Langer's director fee was paid through Andros Capital Corp.

(7) Evaristo Trevino became a director of the Company effective September 21, 2020.

(8) Carmen Amezcuita became a director of the Company effective December 30, 2022. Carmen Amezcuita's director fee was paid through Amezcuita Management Inc.

(9) Ariel Navarro became the Vice President of Exploration of the Company effective June 3, 2020.

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

### 10. RELATED PARTY TRANSACTIONS, (Continued)

Related party transactions and balances:

	Services for:	For the		Amounts in due to related parties	
		Years ended December 31		As at	As at
		2023	2022	December 31,	December 31,
Emerging Capital Markets <sup>(1)</sup>	Management fee and reimbursements	\$431,836 <sup>(6)</sup>	\$ 445,153 <sup>(7)</sup>	\$ 66,954	\$ 8,835
Athena Jade Limited <sup>(2)</sup>	Management fee	120,000	186,000	20,000	-
Andros Capital Corp. <sup>(3)</sup>	Director fee and consulting fee	20,000	20,000	5,250	-
Peter Jones	Director fee	25,000	-	6,250	-
Evaristo Trevino	Director fee	15,000	-	3,750	-
Cassiar Gold Corp. <sup>(4)</sup>	Rent	18,252	10,647	3,042	-
Amezquita Management Inc. <sup>(5)</sup>	Director fee	15,000	-	6,300	-
<b>Total</b>		<b>\$ 645,088</b>	<b>\$ 661,800</b>	<b>\$ 111,546</b>	<b>\$ 8,835</b>

(1) Jorge Ramiro Monroy is the managing director of this private company.

(2) Michael Wood is the sole director of this private company.

(3) Alex Langer is the owner of this private company.

(4) Michael Wood is a director of this company.

(5) Carmen Amezquita is the owner of this private company.

(6) Included in this amount is \$131,836 related to expense reimbursements.

(7) Included in this amount is \$30,153 related to expense reimbursements.

### 11. COMMITMENTS

- a. The Company is committed to issue a total of 1,188,681 common shares to its directors, officers and consultants for consulting and geological consulting services.
- b. On December 16, 2022, the Company entered into a Collaborative Research Agreement with the University of British Columbia pursuant to which the Company is required to make the payments as follows:
  - \$31,000 on the Effective date of the agreement (paid);
  - \$31,000 on the first anniversary of the Effective date; and
  - \$31,000 on the second anniversary of the Effective date.

### 12. FINANCIAL INSTRUMENTS

The fair value of the Company's cash and cash equivalents, receivables (excluding sales tax), exploration deposit, trade and other payables and due to related parties approximate their carrying values.

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.

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

---

### 12. FINANCIAL INSTRUMENTS, (Continued)

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

The Company does not have any financial assets or liabilities measured at fair value.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest risk, currency and industry risk.

#### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian and Mexican financial institutions. Management believes that credit risk related to these amounts is low.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash and cash equivalents, primarily through private placements. The Company access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

#### (c) Interest rate risk

Interest rate risk is the risk that any investment income or investment value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk is minimal.

#### (d) Currency risk

The Company's property interests in Mexico and the USA make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and the Mexican pesos as well as between the Canadian dollar and the US dollar. The Company does not invest in foreign currency contracts to mitigate the risks. The Company has net monetary assets of approximately 32,077,000 Mexican pesos and net monetary liabilities of approximately 200,000 US dollars. A 1% change in the absolute rate of exchange in Mexican pesos and US dollar would affect its net loss by approximately \$64,000.

#### (e) Management of industry risk

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.



## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

### 13. CAPITAL MANAGEMENT

The Company manages its cash and cash equivalents, common shares, warrants, finder's warrants and share purchase options as capital (see note 8). The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry out its exploration or operations in the near term.

### 14. INCOME TAXES

No provision has been made for current income taxes as the Company has no taxable income. A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2023	2022
Loss before income taxes	\$ 9,036,884	\$ 8,569,146
Effective statutory rate	24.83%	26.15%
Expected income tax recovery	2,245,300	2,240,600
Net adjustment for amortization and non-deductible amounts	75,800	97,000
True-up of prior year amounts	(48,100)	(244,600)
Impact of change in tax rate	-	(31,000)
Change in unrecognized benefit of tax pool assets	(2,273,000)	(2,062,000)
Total deferred income tax recovery	\$ -	\$ -

The components of the Company's deferred income tax assets and liabilities are estimated as follows:

	2023	2022
<b>Deferred income tax assets</b>		
Exploration and evaluation assets	\$ 293,000	\$ 169,000
Non-capital loss carryforwards	8,680,000	6,512,000
Capital loss carryforwards	90,000	179,000
Investment	-	-
Share issue costs	376,000	306,000
	9,439,000	7,166,000
Valuation allowance	(9,439,000)	(7,166,000)
Net deferred income tax assets	\$ -	\$ -

## REYNA SILVER CORP.

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022

(Expressed in Canadian dollars)

### 14. INCOME TAXES, (Continued)

The Company's Canadian non-capital loss carry-forwards of approximately \$11,413,000 expire between 2039 and 2043. The Company also has loss carry-forwards in Mexico and the USA of approximately \$13,263,000 and \$7,711,000, respectively.

### 15. SEGMENTED FINANCIAL INFORMATION

The Company operates in one industry segment, being the acquisition and exploration of mineral properties. Geographic information is as follows:

	December 31, 2023	December 31, 2022
Non-current assets		
Mexico	\$ 11,550,729	\$ 11,183,215
USA	3,026,202	2,480,087
	<u>\$ 14,576,931</u>	<u>\$ 13,663,302</u>
	<b>For the</b>	
	<b>Years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Mineral exploration expenses		
Mexico	\$ 1,611,658	\$ 2,941,807
USA	4,619,273	2,793,718
	<u>\$ 6,230,931</u>	<u>\$ 5,735,525</u>

### 16. EVENTS AFTER THE REPORTING PERIOD

(a) On February 26, 2024, the Company completed the first tranche of a non-brokered private placement by issuing 13,934,367 units ("Unit") at a price of \$0.12 per Unit for gross proceeds of \$1,672,124, on March 6, 2024, the Company completed the second tranche of a brokered private placement by issuing 20,642,276 units at a price of \$0.12 per Unit for gross proceeds of \$2,477,073, and on March 13, 2024, the Company completed the third tranche of a brokered private placement by issuing 3,756,691 units at a price of \$0.12 per Unit for gross proceeds of \$450,803. Each Unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.20 until February 26, 2027 for the first tranche, until March 6, 2027 for the second tranche, and until March 13, 2027 for the third tranche.

In connection with the private placement, the Company paid a total of \$269,464 cash finder's fee, issued 926,336 compensation warrants, each of which is exercisable into one common share at a price of \$0.12 until February 26, 2027, issued 1,080,490 compensation warrants, each of which is exercisable into one common share at a price of \$0.12 until March 6, 2027, and issued 238,712 compensation warrants, each of which is exercisable into one common share at a price of \$0.12 until March 13, 2027.

(b) Subsequent to December 31, 2023, 45,000 finder's warrants were exercised at the price of \$0.12.