**Highlander Silver Corp.**

**Condensed Interim Consolidation Financial Statements**

**June 30, 2023**

**Unaudited – Prepared by Management**

**(Expressed in Canadian Dollars)**

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED

## CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Highlander Silver Corp. (“the Company”) for the nine months ended June 30, 2023 and June 30, 2022, have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Company’s Board of Directors.

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of the condensed consolidated interim financial statements by an entity’s auditor.

## Highlander Silver Corp.
### Condensed Interim Consolidated Statements of Financial Position
### Unaudited – Prepared by Management

**As at June 30, 2023 and September 30, 2022**

| | Note | **June 30, 2023 $** | September 30, 2022 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | 451,420 | 1,968,174 |
| Sales tax receivable | | 6,649 | 42,961 |
| Prepaid expenses | | 19,467 | 22,680 |
| | | **477,536** | 2,033,815 |
| **Non-current assets** | | | |
| Property and equipment | 4 | 13,539 | 20,843 |
| Mineral property interests | 5 | 4,746,739 | 3,649,013 |
| | | **4,760,278** | 3,669,856 |
| **Total assets** | | **5,237,814** | 5,703,671 |
| | | | |
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 7 | 97,323 | 289,220 |
| **Total liabilities** | | **97,323** | 289,220 |
| | | | |
| **Equity** | | | |
| Share capital | 6 | 7,219,766 | 7,195,766 |
| Contributed surplus | 6 | 1,293,485 | 1,250,834 |
| Commitment to issue shares | 6 | 46,319 | 46,319 |
| Foreign currency reserve | | (104,344) | (297,520) |
| Deficit | | (3,314,735) | (2,780,948) |
| **Total equity** | | **5,140,491** | 5,414,451 |
| **Total liabilities and equity** | | **5,237,814** | 5,703,671 |
| | | | |
| **Nature of operations and going concern** | 1 | | |

**Approved on behalf of the Board of Directors on August 28, 2023:**

*"David Fincham"* **Director** *"Fabian Baker"* **Director**

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

## Highlander Silver Corp.

### Condensed Interim Consolidated Statements of Changes in Equity

### Unaudited – Prepared by Management

**For the nine months ended June 30, 2023 and June 30, 2022**

| | Number of common shares # | Share capital $ | Contributed surplus $ | Commitment to issue shares $ | Foreign currency reserve $ | Deficit $ | Attributable to owners $ | Total equity $ |
|---|---|---|---|---|---|---|---|---|
| October 1, 2021 | 60,445,867 | 7,130,216 | 1,063,217 | 46,319 | (279,466) | (2,253,901) | 5,706,385 | 5,706,385 |
| Exercise of stock options | 50,000 | 10,750 | - | - | - | - | 10,750 | 10,750 |
| Fair value reversal on exercise of stock options | - | 5,800 | (5,800) | - | - | - | - | - |
| Fair value reversal on cancellation of stock options | - | - | (112,023) | - | - | 112,023 | - | - |
| Compensation shares issued | 50,000 | 15,000 | - | - | - | - | 15,000 | 15,000 |
| Share-based payments | - | - | 325,417 | - | - | - | 325,417 | 325,417 |
| Loss and comprehensive loss for the period | - | - | - | - | 247,335 | (824,013) | (576,678) | (576,678) |
| June 30, 2022 | 60,545,867 | 7,161,766 | 1,270,811 | 46,319 | (32,131) | (2,965,891) | 5,480,874 | 5,480,874 |
| | | | | | | | | |
| October 1, 2022 | 60,745,867 | 7,195,766 | 1,250,834 | 46,319 | (297,520) | (2,780,948) | 5,414,451 | 5,414,451 |
| Fair value reversal on cancellation of stock options | - | - | (141,844) | - | - | 141,844 | - | - |
| Shares issued for mineral property costs | 75,000 | 12,000 | - | - | - | - | 12,000 | 12,000 |
| Shares issued for services | 100,000 | 12,000 | - | - | - | - | 12,000 | 12,000 |
| Share-based payments | - | - | 184,495 | - | - | - | 184,495 | 184,495 |
| Loss and comprehensive loss for the period | - | - | - | - | 193,176 | (675,631) | (482,455) | (482,455) |
| **June 30, 2023** | **60,920,867** | **7,219,766** | **1,293,485** | **46,319** | **(104,344)** | **(3,314,735)** | **5,140,491** | **5,140,491** |

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

# Highlander Silver Corp.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
## Unaudited – Prepared by Management

### For the three and nine months ended June 30, 2023 and June 30, 2022

| | | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | Note | $ | $ | $ | $ |
| **Expenses** | | | | | |
| Advertising and promotion | | - | 2,962 | 14,638 | 18,193 |
| Consulting fees | | 1,119 | - | 1,119 | 2,942 |
| Depreciation | 4 | 2,752 | 5,072 | 8,079 | 9,934 |
| Foreign exchange | | 61,986 | 3,022 | 108,821 | 87,947 |
| Office expenses | | 24,052 | 21,698 | 56,290 | 33,510 |
| Professional fees | 7 | 101,846 | 77,942 | 306,539 | 300,110 |
| Share-based payments | 6,7 | 50,641 | - | 184,495 | 340,417 |
| Transfer agent and filing fees | | 4,260 | 12,885 | 14,072 | 25,275 |
| **Loss from operating expenses** | | **(246,656)** | **(123,581)** | **(694,053)** | **(818,328)** |
| Interest income | | 10,707 | 4,397 | 18,422 | 6,582 |
| Write-off of mineral property interests | 5 | - | - | - | (12,267) |
| **Net loss for the period** | | **(235,949)** | **(119,184)** | **(675,631)** | **(824,013)** |
| Exchange differences on translating foreign operations | | - | 1,258 | - | 247,335 |
| **Comprehensive loss for the period** | | **(235,949)** | **(117,926)** | **(675,631)** | **(576,678)** |
| | | | | | |
| **Loss and comprehensive loss for the period attributable to:** | | | | | |
| Owners of the Company | | **(235,949)** | **(119,184)** | **(675,631)** | **(824,013)** |
| Owners of the Company - Foreign exchange translation | | **-** | **1,258** | **-** | **247,335** |
| Non-controlling interests | | - | - | - | - |
| | | **(235,949)** | **(117,926)** | **(675,631)** | **(576,678)** |
| | | | | | |
| **Loss per share** | | | | | |
| **Weighted average number of common shares outstanding** | | | | | |
| **- basic #** | | **60,821,143** | **60,545,867** | **60,821,143** | **60,520,867** |
| **- diluted #** | | **60,821,143** | **60,545,867** | **60,821,143** | **60,520,867** |
| | | | | | |
| **Basic loss per share $** | | **(0.00)** | **(0.00)** | **(0.01)** | **(0.01)** |
| **Diluted loss per share $** | | **(0.00)** | **(0.00)** | **(0.01)** | **(0.01)** |

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

## Highlander Silver Corp.

### Condensed Interim Consolidated Statements of Cash Flows

### Unaudited – Prepared by Management

**For the nine months ended June 30, 2023 and June 30, 2022**

| | Note | **2023** | 2022 |
|---|---|---|---|
| | | **$** | $ |
| **Operating activities** | | | |
| Loss for the period | | (675,631) | (824,013) |
| Adjustments for non-cash items: | | | |
| Depreciation | | 8,079 | 9,934 |
| Shares issued for services | | 12,000 | 15,000 |
| Share-based payments | | 184,495 | 325,417 |
| Write-off of mineral property interests | | - | 12,267 |
| Net change in non-cash working capital items | 8 | (84,886) | (20,529) |
| | | **(555,943)** | (481,924) |
| **Financing activities** | | | |
| Proceeds from exercise of stock options | | - | 10,750 |
| | | **-** | 10,750 |
| **Investing activities** | | | |
| Purchases of equipment | 4 | - | (1,815) |
| Deferred exploration and evaluation expenditures | | (1,153,212) | (886,939) |
| | | **(1,153,212)** | (888,754) |
| **Net change in cash** | | (1,709,155) | (1,359,928) |
| **Effects of foreign exchange** | | 192,401 | 235,390 |
| **Cash, beginning of period** | | 1,968,174 | 3,502,840 |
| **Cash, end of period** | | **451,420** | 2,378,302 |
| **Supplemental cash flow information** | 8 | | |

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

## 1. Nature of operations and going concern

Highlander Silver Corp. (the “Company” or “Highlander”) was incorporated under the laws of the Province of British Columbia, Canada. The Company’s head office is located at 605 - 130 Brew Street, Port Moody, British Columbia, Canada, V3H 0E3. Its records office is located at 1200 - 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T8. Its main business activity is the acquisition, exploration and evaluation of mineral properties located in Peru. These condensed interim consolidated financial statements (the “financial statements”) of the Company as at and for the nine months ended June 30, 2023 and June 30, 2022 comprise the Company and its subsidiaries (Note 2(b)). The Company’s common shares trade on the Canadian Securities Exchange (“CSE”).

The Company’s main corporate strategy is to advance its mineral properties to a drill-ready stage and then conduct exploration and evaluation. The Company has not yet determined whether its mineral property interests contain mineral reserves that are economically viable. The Company's continued operations, and the underlying value and recoverability of the amounts shown for mineral property interests, are entirely dependent upon the existence of economically recoverable mineral reserves of the Company and those in which it holds a mineral property or shareholder interest. The continued exploration and development of projects will depend on it receiving future cash flows from its ability to obtain share capital financing.

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have traditional revenue sources, and historically has relied on property option or sale proceeds and share capital financing to cover its property acquisition, exploration and evaluation expenditures and operating expenses.

On August 12, 2021, 1303554 B.C. Ltd. (“Subco”) acquired all of the issued and outstanding common shares of CAPPEX Mineral Ventures Inc. (“CAPPEX”) a private British Columbia exploration and evaluation company incorporated on September 20, 2017. The acquisition was completed by entering into a Business Combination (the “Business Combination”) with CAPPEX and Subco that resulted in a reverse takeover (“RTO”) of the Company by CAPPEX. The Business Combination was structured as a three-cornered amalgamation, whereby CAPPEX and Subco amalgamated, and the securities of the amalgamated company were acquired by the Company in exchange for the issuance of securities of the Company to the former securityholders of CAPPEX. The Transaction was accounted for as an RTO of the Company by CAPPEX for accounting purposes, with CAPPEX being identified as the accounting acquirer, and accordingly, these financial statements are a continuation of CAPPEX. The net assets of the Company at the date of the RTO are deemed to have been acquired by CAPPEX (Note 3). These consolidated financial statements (the “financial statements”) include the results of operations of the Company since August 12, 2021. The comparative figures are those of CAPPEX prior to the RTO. At the time of the transaction the Company continued its financial year end.

As at June 30, 2023, the Company had equity of $5,140,491 (September 30, 2022 - $5,414,451) and working capital of $380,213 (September 30, 2022 - $1,744,595). Management has assessed that its overall working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these financial statements it could be necessary to restate the Company’s assets and liabilities on a liquidation basis.

## 2. Significant accounting policies

### (a) Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited consolidated financial statements for the year ended September 30, 2022, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements.

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts on these financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

### (b) Principles of consolidation

These financial statements include the financial information of the Company and its subsidiaries.

Subsidiaries are entities controlled by the Company and are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

The financial statements include the following entities:

| | | |
|---|---|---|
| Highlander | 100% | Parent company |
| Pacific West Exploration Services Inc. ("Pacific West") | 100% | Exploration Company |
| CAPPEX | 100% | Holding Company |
| Minera CAPPEX S.A.C. | 100% | Exploration company |

Inter-company balances and transactions, and any unrealized income (loss) and expenses arising from inter-company transactions, are eliminated in preparing the financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

When control of a subsidiary is lost, the Company: (a) derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position; (b) recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs; and (c) and recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

### (c) Significant accounting policies

The accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its annual consolidated financial statements for the year ended September 30, 2023. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements.

### (d) New accounting policies

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2023. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

### 3. Reverse acquisition

As described in Note 1, on August 12, 2021, the Company and CAPPEX completed the Transaction which constituted a reverse acquisition.

The Transaction resulted in the shareholders of CAPPEX obtaining control of the combined entity by obtaining control of the voting rights, governance and management decision making processes, and the resulting power to govern the financial and operating policies of the combined entity.

The transaction constitutes an RTO of the Company by CAPPEX and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based payments*. As the Company did not qualify as a business according to the definition in IFRS 3, the RTO does not constitute a business combination; rather it is treated as an issuance of common shares by CAPPEX for the net assets of the Company and the Company's public listing, with CAPPEX as the continuing entity. Accordingly, no goodwill was recorded with respect to the transaction as it does not constitute a business.

For accounting purposes, CAPPEX was treated as an accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these financial statements. As CAPPEX was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying values. The Company's results of operations have been included from August 12, 2021.

| | August 12, 2021 |
|---|---|
| **Net assets (liabilities) acquired:** | **$** |
| Cash | 3,378,808 |
| Receivables | 12,036 |
| Other assets | 237,179 |
| Accounts payable | (19,716) |
| **Net assets acquired** | **3,608,307** |
| | |
| **Consideration paid in RTO:** | **$** |
| Common shares (fair value 23,285,054 common shares at $0.15 per share) | 3,492,758 |
| Replacement options | 140,400 |
| Replacement warrants | 789,800 |
| Commitment to issue shares (Note 6) | 46,319 |
| **Total consideration paid** | **4,469,277** |
| **Listing expense** | **860,970** |

The transaction was measured at the fair value of the shares that CAPPEX would have had to issue to the shareholders of the Company, to give the shareholders of the Company the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of CAPPEX acquiring the Company.

## 4. Property and equipment

| | Vehicles $ | Furniture $ | Computers $ | Total $ |
|---|---|---|---|---|
| Balance, December 31, 2021 | 23,799 | 423 | 2,151 | 26,373 |
| Additions | - | - | 1,721 | 1,721 |
| Depreciation | (7,097) | (52) | (492) | (7,641) |
| Foreign exchange adjustment | 1,900 | 36 | (1,546) | 390 |
| Balance, September 30, 2022 | 18,602 | 407 | 1,834 | 20,843 |
| Depreciation | (7,502) | (55) | (522) | (8,079) |
| Foreign exchange adjustment | 685 | 17 | 73 | 775 |
| **Balance, June 30, 2023** | **11,785** | **369** | **1,385** | **13,539** |

## 5. Mineral property interests

| | Alta Victoria Property $ | Politunche Property $ | Estrella $ | Total $ |
|---|---|---|---|---|
| October 1, 2021 | 2,214,626 | - | - | 2,214,626 |
| Acquisitions/staking/assessments | 190,118 | 32,187 | - | 222,305 |
| Geological and related expenditures | 102,332 | 28,452 | - | 130,784 |
| Dues and fees | 1,958 | - | - | 1,958 |
| Legal expenses | 9,414 | 1,160 | - | 10,574 |
| Field equipment and related expenditures | 39,553 | 13,652 | - | 53,205 |
| Services | 28,866 | 4,693 | - | 33,559 |
| Personnel | 226,603 | 24,286 | - | 250,889 |
| Foreign exchange translation | 180,467 | 3,198 | - | 183,665 |
| Impairments/write downs | (12,267) | | | (12,267) |
| June 30, 2022 | 2,981,670 | 107,628 | - | 3,089,298 |
| **October 1, 2022** | 3,506,341 | 138,971 | - | 3,645,312 |
| Acquisitions/staking/assessments | 87,847 | 30,002 | 48,521 | 166,370 |
| Administrative | 126,446 | - | 100,277 | 226,723 |
| Geological and related expenditures | 360,700 | 8,505 | 1,163 | 370,368 |
| Legal expenses | 16,727 | 3,698 | 4,085 | 24,510 |
| Field equipment and related expenditures | 29,921 | 6,812 | 2,001 | 38,734 |
| Services | 11,071 | 793 | 4,549 | 16,413 |
| Personnel | 276,558 | 7,649 | 7,515 | 291,722 |
| Foreign exchange translation | (30,865) | (1,373) | (1,175) | (33,413) |
| **June 30, 2023** | **4,384,746** | **195,057** | **166,936** | **4,746,739** |

**5. Mineral property interests (continued)**

The Company's wholly-owned projects are comprised of the rights to explore various mineral claims and tenures at various stages of exploration. Unless otherwise noted they are not subject to any option or sale agreements. Certain of the claims are subject to a net smelter returns royalty ("NSR"), as detailed below.

**Alta Victoria Property**

The Company, through Minera CAPPEX, holds title to the Alta Victoria property, located in Peru. The Company staked additional claims, which it owns at 100%, and has an option to acquire additional contiguous claims pursuant to an option agreement entered into with the shareholders of Minera Yantac S.A.C. ("Minera Yantac") (the "Option Agreement"), Minera CAPPEX has the option to acquire Minera Yantac, holder of 10 of the concessions making up the Alta Victoria Project (the "Optioned Property"), by paying a total of US$4,000,000 over six years and four months. Minera Yantac acquired the Optioned Property pursuant to a mining property transfer agreement dated December 18, 2018, as amended July 27, 2020 (the "Transfer Agreement"), and a portion of the payments under the Option Agreement are to be made to the prior owners of the Optioned Property to satisfy the requirements of the Transfer Agreement, with the balance paid to the shareholders of Minera Yantac.

Minera CAPPEX is required to make the following payments pursuant to the Option Agreement:

a) US$60,000 (paid);
b) US$5,000 per month for 32 months from August 2018 to March 2020 and from August 2020 to July 2021 (a total of US$160,000, of which US$125,000 has been paid in cash and US$30,000 was satisfied by the issuance of securities, described below);
c) US$10,000 per month from August 2021 to February 2023 (total US$190,000 – paid);
d) Monthly payments are suspended for up to 18 months from March 2023 to September 2024. They resume at US$5,000 per month from October 2024 until August 2028 (a total of US$235,000); and
e) US$4,355,000 on September 4 2028.

The parties agreed to suspend the payments under the Option Agreement and Transfer Agreement for the months of April, May, June and July 2020 as a result of the COVID-19 pandemic.

<u>Work Commitment and Royalty</u>

Pursuant to the Transfer Agreement, the Optioned Property is subject to a net smelter returns royalty of 1.5% on all metallic metals and 3.00 Peruvian Soles per ton of non-metallic metals produced from the Optioned Property. The net smelter returns royalty was granted by Minera Yantac to Minera Flor de Maria S.A.C., one of the former titleholders of the Optioned Property.

The Company has the right to conduct exploration activities on the Optioned Property pursuant to a mining lease agreement dated June 8, 2018, as amended December 2, 2018, and May 12, 2021 (the "Mining Lease Agreement"). Pursuant to the Mining Lease Agreement, the Company was required to pay US$100 (paid) and to incur US$500,000 in work commitments on the Optioned Property by February 28, 2022 (which requirement has been met). The mining lease agreement expires on December 4, 2023.

<u>Surface Access</u>

The Company also entered into a surface access agreement with The Community of San Francisco de Asis de Yantac in April 2018 for a 2-year term, and a second surface access agreement January 24, 2020, that is valid until January 24, 2022 (the "Surface Access Agreement"). Pursuant to the Surface Access Agreement, the Company may build road and drill platforms, as well as drill on the Alta Victoria Project. The Company made a land use payment for 2020 of 45,000 Peruvian Soles and had agreed to pay 60,000 Peruvian Soles for 2021. The Company is currently in discussions with the community to renew the access agreement.

On April 5, 2023, the Option agreement term extended by up to five (5) years and six (6) months to September 2028. Monthly cash payments of USD$10,000 suspended for up to eighteen (18) months from March 2023 to September 2024. Total acquisition cost for 100% ownership of the project increased from USD$4 million to USD$5 million such cost to include the cumulative monthly payments plus final option payment. The Company may terminate the agreement, in its sole discretion, at any time.

**5. Mineral property interests** (continued)

**La Estrella**

On August 10, 2021, the Company purchase from Compania Minera Ares S.A.C. mining claims known as Estrella located in central Peru in consideration for a cash payment of $3,701 (US$2,700), being payment of the administrative costs and a 2% Net Smelter Return (NSR) royalty. The Company, at its sole discretion and at any time may purchase 50% of the NSR for a consideration of US$200,000 and the remaining 50% for a consideration of US$300,000.

The Estrella 002 concession was acquired via auction with the Peruvian Mining Authority for consideration of USD$31,000 (paid).

In addition, the Company has acquired the La Estrella project data base including diamond drill core, assay results and laboratory certificates from Alianza Minerals Ltd. in consideration for the payment of CAD$ 15,000 (paid) and the issuance of 75,000 common shares (issued)

**Politunche Property**

On January 19, 2022, the Company executed an option agreement to acquire 100% of the Politunche Property ("the Property" or "Politunche") located in central Peru. The Company can earn a 100% ownership interest in the property by:

Making a total of US$2,000,000 in cash payments over 4 years to the individual vendor (the "Vendor") as follows:

a) US$5,000 on the signing of the Letter of Intent and US$5,000 on the execution of the Agreement (both paid);
b) US$5,000 per month during a period of twenty-two (22) months ending November 2023;
c) US$10,000 per month during a period of twenty-four (24) months commencing on December 2023 and ending November 2025;
d) A final US$1,640,000 within forty-eight months of the execution of the Agreement; and drilling a minimum of 2,500 metres.

The Vendor retains a 2% NSR which the Company may buy back for US$500,000 per 1% at its election within six (6) months on declaration of commercial production. The Company, at its election, can exercise the option to acquire the Property at any time within the forty-eight (48) month option period by notifying the Vendor and paying the outstanding balance owing as of the date of notification.

On April 5, 2023, the Option agreement term extended for six (6) months from February 2026 to July 2026. Monthly cash payments of USD$5,000 suspended for six (6) months from March 2023 to September 2023. Monthly cash payments of USD$5,000 to begin September 2023 and end June 2024. Monthly cash payments of USD$10,000 to begin July 2024 and end June 2026. Final option payment of USD$1,735,000 due on July 17, 2026 the Company elects to acquire 100% of the project. Total acquisition cost increased for 100% ownership of the project increased from USD$2 million to USD$2.1 million. The Company may terminate the agreement, in its sole discretion, at any time.

Subsequent to the period ended June 30, 2023, following a strategic review of the Company´s portfolio, and the decision to focus resources on the highest quality projects, the Company terminated its option to acquire a 100% interest in the Politunche project.

**6. Share capital**

The authorized share capital of the Company consists of an unlimited number of common shares without par value, an unlimited number of preferred shares without par value. All issued shares are fully paid. For the nine months ended June 30, 2023, the Company holds 14,672,184 shares in escrow.

**Transactions for the issue of share capital during the nine months ended June 30, 2023:**

**(a)** On February 15, 2023, the Company issued 100,000 common shares of the Company to the CEO In connection with a Management Consulting Agreement. The shares had a fair value of $12,000 ($0.12 per share) on issuance, which has been presented as management fees on the Company's consolidated statement of loss and comprehensive loss.

**(b)** On March 29, 2023, the Company issued 75,000 common shares of the Company to Alianza Minerals Ltd. in consideration for the acquisition of The Estrella 002 concession. The shares had a fair value of $12,000 ($0.16 per share) on issuance, which has been present as acquisition costs.

**6. Share capital** (continued)

**Transactions for the issue of share capital during the nine months ended June 30, 2022:**

**(c)** On December 8, 2021, the Company issued 50,000 common shares of the Company to the CEO In connection with a Management Consulting Agreement. The shares had a fair value of $15,000 ($0.30 per share) on issuance, which has been presented as share-based payments on the Company's consolidated statement of loss and comprehensive loss.

**(d)** On December 8, 2021, the Company issued 50,000 common shares in connection with the exercise of 50,000 stock options with an exercise price of $0.215 for gross proceeds of $10,750. In connection with the exercise, the original fair value of $5,800 was reversed from contributed surplus and credited to share capital.

**Commitment to issue shares**

On November 16, 2020, the Company granted 250,000 common shares pursuant to a consulting agreement with the former CEO. These shares have a fair value, calculated using the market price at grant date of $0.215 totaling $53,750. The shares will vest quarterly over a period of 12 months from issuance. The total share-based payments recorded as for the year ended September 30, 2021 was $46,319 (Note 3). As at June 30, 2023, the shares have not been issued.

**Stock options**

The Company has an incentive stock option plan (the "Plan") which provides for the granting of options. Under the Plan the maximum number of stock options issued cannot exceed 10% of the Company's currently issued and outstanding common shares. Options granted under the Plan may have a maximum term of ten years. A participant, who is not a consultant conducting investor relations activities, who is granted an option that is exercisable at the market price at the date of grant, will have their options vest immediately, unless otherwise determined by the Board of Directors. Options granted at below market prices will vest one-sixth every three months.

A participant who is a consultant conducting investor relations activities who is granted an option under the Plan will become vested with the right to exercise one-quarter of the option upon conclusion of every three months subsequent to the grant date. All options are to be settled by physical delivery of shares.

A summary of the status of the Company's stock options as at June 30, 2023 and September 30, 2022 and changes during the period/year then ended is as follows:

| | **Period ended June 30, 2023** | | Year ended September 30, 2022 | |
|---|---|---|---|---|
| | Options # | Weighted average exercise price $ | Options # | Weighted average exercise price $ |
| Options outstanding, beginning of period/year | 2,125,000 | 0.30 | 1,285,000 | 0 |
| Granted - stock options | 1,700,000 | 0.21 | 2,570,000 | 0.30 |
| Exercised | - | - | (50,000) | 0.215 |
| Cancelled | (575,000) | 0.29 | (1,680,000) | 0.28 |
| Options outstanding, end of period/year | **3,250,000** | **0.25** | 2,125,000 | 0.30 |

As at June 30, 2023, the Company had stock options outstanding and exercisable as follows:

| Options outstanding # | Options exercisable # | Exercise price $ | Expiry date |
|---|---|---|---|
| 30,000 | 30,000 | 0.27 | August 10, 2025 |
| 1,420,000 | 1,065,000 | 0.30 | November 3, 2026 |
| 1,700,000 | 500,000 | 0.21 | March 3, 2028 |
| 100,000 | 50,000 | 0.30 | March 1, 2027 |
| **3,250,000** | **1,645,000** | | |

6. **Share capital** (continued)

**Stock options** (continued)

The following table summarizes information about the stock options outstanding as at June 30, 2023:

| Options<br>\# | Weighted average remaining life<br>(years) | Weighted average exercise price<br>$ |
|---|---|---|
| 30,000 | 2.12 | 0.27 |
| 1,420,000 | 3.35 | 0.30 |
| 1,700,000 | 4.68 | 0.21 |
| 100,000 | 3.67 | 0.30 |
| **3,250,000** | **4.04** | **0.25** |

During the year ended September 30, 2022, the Company granted 2,570,000 stock options to Directors, Officers and related company employees. The stock options are exercisable at $0.30 for a period of five years and 25% vest immediately, with a further 25% vesting every six months thereafter.

The stock options were valued using the Black-Scholes option pricing mode with the following assumptions:

2,470,000 options with expected life of the options - 5 years, expected stock price volatility – 125%, no dividend yield, and a risk-free interest rate yield of 1.36%. Using the above assumptions, the fair value of replacement options granted during the year ended September 30, 2022 was approximately $0.19 per option for a total of $466,499.

100,000 options with expected life of the options - 5 years, expected stock price volatility – 125%, no dividend yield, and a risk-free interest rate yield of 1.46%. Using the above assumptions, the fair value of options granted during the year ended September 30, 2022 was approximately $0.20 per option for a total of 19,808.

1,700,000 options with expected life of the options - 5 years, expected stock price volatility – 125%, no dividend yield, and a risk-free interest rate yield of 3.55%. Using the above assumptions, the fair value of options granted during the period ended June 30, 2023 was approximately $0.21 per option for a total of $65,823.

The total share-based payment expense (associated with stock options) for the nine months ended June 30, 2023 was $184,495 (2022 - $325,417), which is presented as an operating expense, and includes options that vested during the period.

During the year ended September 30, 2022, a total of 1,680,000 stock options were cancelled as a result of the resignation or termination of certain individuals. On cancellation, the original fair value of $191,576 was reversed from contributed surplus and credited to deficit.

During the nine months ended June 30, 2023, a total of 575,000 stock option cancelled as a result of the resignation or termination of certain individuals. On cancellation, the original fair value of $141,844 was reversed from contributed surplus and credited to deficit.

**6. Share capital** (continued)

**Warrants**

As an incentive to complete a private placement the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to private placement units. Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the status of the Company's warrants as at June 30, 2023 and September 30, 2022 and changes during the period/year then ended is as follows:

| | **Period ended June 30, 2023** | | Year ended September 30, 2022 | |
|---|---|---|---|---|
| | Warrants # | Weighted average exercise price $ | Warrants # | Weighted average exercise price $ |
| Warrants outstanding, beginning of period/year | 18,200,003 | 0.25 | 19,270,004 | 0.25 |
| Expired | - | - | (1,070,001) | 0.32 |
| Warrants outstanding, end of period/year | **18,200,003** | **0.25** | 18,200,003 | 0.25 |

As at June 30, 2023, the Company had warrants outstanding and exercisable as follows:

| Warrants outstanding # | Warrants exercisable # | Exercise price $ | Expiry date |
|---|---|---|---|
| 7,866,670 | 7,866,670 | 0.25 | August 5, 2023 * |
| 333,333 | 333,333 | 0.25 | August 5, 2023 * |
| 10,000,000 | 10,000,000 | 0.25 | August 12, 2023 * |
| **18,200,003** | **18,200,003** | **0.25** | |

* Subsequent to the period ended June 30, 2023, all warrants expired unexercised

**7. Related party payables and transactions**

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the nine months ended June 30, 2023 and June 30, 2022.

Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no contracts with them that cannot be terminated without penalty on thirty to ninety days advance notice. Key management personnel and Directors participate in the Company's stock option plan.

During the nine months ended June 30, 2023, key management of the Company were granted 1,700,000 stock options exercisable at $0.21 for a period of five years, with a fair value of $65,823.

During the nine months ended June 30, 2022, key management of the Company were granted 2,020,000 stock options exercisable at $0.30 for a period of five years, with a fair value of $510,970.

The following related parties transacted with the Company or Company controlled entities during the period:

**(a)** Stephen Brohman is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA"), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services (included within professional fees).

**(b)** Philip Anderson is the Company's Director, former interim CEO and General Manager of Minera CAPPEX S.A.C. He provided the Company with geological, management and administrative services.

**(c)** David Fincham was appointed as the Company's CEO effective October 2022.

**(d)** Graeme Lyall is the Company's Director. He has significant influence of Lyall Consult SPA. ("Lyall"). Lyall provides the Company with geological services.

**(e)** Dr. Leandro Echavarria is the Company's VP of Exploration. He has significant influence of LE Geological Services USA. ("LE Geo"). Lyall provides the Company with geological services.

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

| | **Transactions Nine months ended June 30, 2023** | Transactions Nine months ended June 30, 2022 | **Balances outstanding June 30, 2023** | Balances outstanding September 30, 2022 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| DBM CPA | 55,738 | 77,770 | 5,250 | 5,250 |
| Philip Anderson | 42,639 | 47,805 | - | 43,278 |
| Lyall | 93,720 | - | 8,162 | - |
| LE Geo | 29,862 | - | - | - |
| David Fincham | 147,664 | - | 5,155 | 18,333 |
| | **369,623** | 125,575 | **18,567** | 66,861 |

All related party balances are unsecured and are due within thirty days without interest.

## 8. Supplemental cash flow information

Changes in non-cash operating working capital during the nine months ended June 30, 2023 and June 30, 2022 were comprised of the following:

| | **June 30, 2023 $** | June 30, 2022 $ |
|---|---|---|
| Sales tax receivable | 36,312 | (21,002) |
| Prepaid expenses | 3,213 | (6,709) |
| Accounts payable and accrued liabilities | (124,411) | 7,182 |
| **Net change** | **(84,886)** | (20,529) |

The Company incurred non-cash investing activities during the nine months ended June 30, 2023 and June 30, 2022 as follows:

| | **June 30, 2023 $** | June 30, 2022 $ |
|---|---|---|
| Non-cash investing activities | | |
| Shares issued for acquisition of mineral properties | 12,000 | - |
| Deferred exploration expenditures included in accounts and accrued liabilities | 60,837 | - |
| | **72,837** | - |

There were no non-cash financing activities during the nine months ended June 30, 2023 and June 30, 2022.

Further, there were no amounts paid for income taxes or interest during the nine months ended June 30, 2023 and June 30, 2022.

## 9. Financial risk management

### Capital management

The Company is a junior resource exploration company and considers items included in equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at June 30, 2023 is comprised of equity of $5,140,491 (September 30, 2022 - $5,414,451).

The Company has no traditional revenue sources. In order to fund future projects and pay for administrative costs the Company will spend its existing working capital. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business, rather than through a process of forced liquidation, is primarily dependent upon its continued ability to find and develop mineral properties, and there being a favorable market in which to sell or option the properties; and or its ability to borrow or raise additional funds from equity markets.

### Financial instruments - fair value

The Company's financial instruments consist of cash, and accounts payable and accrued liabilities.

The carrying value of accounts payable and accrued liabilities approximates its fair value because of the short-term nature of the instrument.

**9. Financial risk management** (continued)

**Financial instruments - fair value** (continued)

Financial instruments measured at fair value on the consolidated statements of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **June 30, 2023** | | | | |
| Cash | 451,420 | - | - | 451,420 |
| | **451,420** | **-** | **-** | **451,420** |
| September 30, 2022 | | | | |
| Cash | 1,968,174 | - | - | 1,968,174 |
| | 1,968,174 | - | - | 1,968,174 |

**Financial instruments - risk**

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

**(a) Credit risk**

The Company is exposed to credit risk by holding cash. This risk is minimized by holding the majority of funds in Canadian banks and credit unions or with Canadian governments. The Company has minimal receivables exposure, and its various refundable credits are due from Canadian governments.

**(b) Interest rate risk**

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations. For the nine months ended June 30, 2023 and June 30, 2022, every 1% fluctuation in interest rates up or down would have had an insignificant impact on profit or loss.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

**(d) Currency risk**

As at June 30, 2023 all of the Company's cash was held either in Canadian dollars, US dollars or Peruvian Soles. The Company incurs expenditures in Canada and Peru, and as such is exposed to currency risk associated with these costs.

A change in the value of the Peruvian Soles by 10% relative to the Canadian dollar would not have a significant impact on the Company's working capital and net loss for the nine months ended June 30, 2023 and June 30, 2022.

**10. Events after the reporting period**

a) On July 17, 2023, the Company announced that following a strategic review process, in order to focus the company's resources on the highest-quality assets, the Company has terminated its option to acquire a 100-per-cent interest in the Polituncha project. In accordance with the option agreement, the company has given notice for termination of the option agreement, which will be effective immediately. The terms of the option agreement were announced in the company's news release dated Jan. 19, 2022.

b) On July 17, 2023, the Company has terminated the investor relations agreement with Harbor Access Inc. Under the terms of the agreement, Harbor Access was to be engaged for 12 months, commencing on May 15, 2023, and would be paid a monthly retainer of $7,000 (U.S.) and would provide support to build an investor relations strategy, and assist with incoming and outgoing communications.