

**Highlander Silver Corp.**  
**Consolidated Financial Statements**  
**September 30, 2023**  
**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Highlander Silver Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Highlander Silver Corp. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2023 and 2022, and the consolidated statements of changes in equity, loss and comprehensive loss, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *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 year ended. 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.

### *Assessment of Impairment Indicators of Mineral Property Interests ("Mineral Properties")*

As described in Note 4 to the consolidated financial statements, the carrying amount of the Company's Mineral Properties was \$254,571 as of September 30, 2023, after incurring impairments of \$4,608,659 during the year. As more fully described in Note 2 to the consolidated financial statements, management assesses Mineral Properties for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the Mineral Properties is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the Mineral Properties, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the Mineral Properties.



Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the key controls associated with evaluating the Mineral Properties for indicators of impairment.
- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the Mineral Properties through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments on a test basis.
- Obtaining, on a test basis, confirmation of title to ensure mineral rights underlying the Mineral Properties are in good standing.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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:

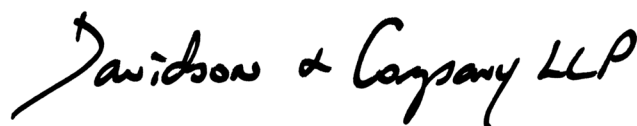
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 year ended 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 Glenn Parchomchuk.

A handwritten signature in black ink that reads "Davidson & Caryan LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

January 25, 2024

**Highlander Silver Corp.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	Note	September 30, 2023 \$	September 30, 2022 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		229,702	1,968,174
Sales tax receivable		8,904	42,961
Prepaid expenses		14,268	22,680
		<b>252,874</b>	<b>2,033,815</b>
<b>Non-current assets</b>			
Property and equipment	3	11,096	20,843
Mineral property interests	4	254,571	3,649,013
		<b>265,667</b>	<b>3,669,856</b>
<b>Total assets</b>		<b>518,541</b>	<b>5,703,671</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	234,986	289,220
<b>Total liabilities</b>		<b>234,986</b>	<b>289,220</b>
<b>Equity</b>			
Share capital	5	7,219,766	7,195,766
Contributed surplus	5	1,385,293	1,250,834
Commitment to issue shares	5	46,319	46,319
Foreign currency reserve		(63,983)	(297,520)
Deficit		(8,303,840)	(2,780,948)
<b>Total equity</b>		<b>283,555</b>	<b>5,414,451</b>
<b>Total liabilities and equity</b>		<b>518,541</b>	<b>5,703,671</b>
Nature of operations and going concern	1		
Events after the reporting period	10		

Approved on behalf of the Board of Directors on January 25, 2024:

*"David Fincham"*

Director

*"Fabian Baker"*

Director

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

**Highlander Silver Corp.****Consolidated Statements of Changes in Equity  
(Expressed in Canadian Dollars)****For the years ended September 30, 2023 and September 30, 2022**

	Number of common shares #	Share capital \$	Contributed surplus \$	Commitment to issue shares \$	Foreign currency reserve \$	Deficit \$	Total equity \$
October 1, 2021	30,222,934	7,130,216	1,063,217	46,319	(279,466)	(2,253,901)	5,706,385
Exercise of stock options	25,000	10,750	-	-	-	-	10,750
Fair value reversal on exercise of stock options	-	5,800	(5,800)	-	-	-	-
Fair value reversal on cancellation of stock options	-	-	(191,576)	-	-	191,576	-
Compensation shares issued	25,000	15,000	-	-	-	-	15,000
Shares issued for mineral property costs	100,000	34,000	-	-	-	-	34,000
Share-based payments	-	-	384,993	-	-	-	384,993
Loss and comprehensive loss for the year	-	-	-	-	(18,054)	(718,623)	(736,677)
<b>September 30, 2022</b>	<b>30,372,934</b>	<b>7,195,766</b>	<b>1,250,834</b>	<b>46,319</b>	<b>(297,520)</b>	<b>(2,780,948)</b>	<b>5,414,451</b>
October 1, 2022	30,372,934	7,195,766	1,250,834	46,319	(297,520)	(2,780,948)	5,414,451
Prior foreign currency translation adjustment	-	-	-	-	-	(64,222)	(64,222)
Fair value reversal on cancellation of stock options	-	-	(90,855)	-	-	90,855	-
Shares issued for mineral property costs	37,500	12,000	-	-	-	-	12,000
Shares issued for services	50,000	12,000	-	-	-	-	12,000
Share-based payments	-	-	225,314	-	-	-	225,314
Loss and comprehensive loss for the year	-	-	-	-	233,537	(5,549,525)	(5,315,988)
<b>September 30, 2023</b>	<b>30,460,434</b>	<b>7,219,766</b>	<b>1,385,293</b>	<b>46,319</b>	<b>(63,983)</b>	<b>(8,303,840)</b>	<b>283,555</b>

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

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**Highlander Silver Corp.****Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)**

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**For the years ended September 30, 2023 and September 30, 2022**

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	Note	2023 \$	2022 \$
<b>Expenses</b>			
Advertising and promotion		15,238	45,994
Consulting fees		1,119	58,250
Depreciation	3	10,413	9,980
Foreign exchange		63,738	(242,118)
Office expenses		86,679	37,406
Professional fees	6	503,259	404,029
Share-based payments	5,6	225,314	399,993
Transfer agent and filing fees		19,832	20,365
<b>Loss from operating expenses</b>		<b>(925,592)</b>	<b>(733,899)</b>
Interest income		19,353	15,276
Recovery of accounts payable		42,167	-
Write off of receivable		(76,794)	-
Write-off of mineral property interests	4	(4,608,659)	-
<b>Net loss for the year</b>		<b>(5,549,525)</b>	<b>(718,623)</b>
Exchange differences on translating foreign operations		233,537	(18,054)
<b>Comprehensive loss for the year</b>		<b>(5,315,988)</b>	<b>(736,677)</b>
<b>Loss and comprehensive loss for the year attributable to:</b>			
Owners of the Company		(5,549,525)	(718,623)
Owners of the Company - Foreign exchange translation		233,537	(18,054)
		<b>(5,315,988)</b>	<b>(736,677)</b>
<b>Loss per share</b>			
<b>Weighted average number of common shares outstanding</b>			
- basic #		30,423,174	30,278,734
- diluted #		30,423,174	30,278,734
<b>Basic loss per share \$</b>		<b>(0.17)</b>	<b>(0.02)</b>
<b>Diluted loss per share \$</b>		<b>(0.17)</b>	<b>(0.02)</b>

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

**Highlander Silver Corp.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

**For the years ended September 30, 2023 and September 30, 2022**

	Note	2023 \$	2022 \$
<b>Operating activities</b>			
Loss for the year		(5,549,525)	(718,623)
Adjustments for non-cash items:			
Depreciation		10,413	9,980
Shares issued for services		12,000	-
Share-based payments		225,314	384,993
Compensation shares issued		-	15,000
Write-off of mineral property interests		4,608,659	-
Write-off of accounts receivable		76,794	-
Recovery of accounts payable		(42,167)	-
Net change in non-cash working capital items	8	40,746	65,203
		<b>(617,766)</b>	<b>(243,447)</b>
<b>Financing activities</b>			
Proceeds from exercise of stock options		-	10,750
		-	10,750
<b>Investing activities</b>			
Purchases of equipment	3	-	(1,876)
Deferred exploration and evaluation expenditures	4	(1,285,257)	(1,039,961)
		<b>(1,285,257)</b>	<b>(1,041,837)</b>
<b>Net change in cash</b>		<b>(1,903,023)</b>	<b>(1,274,534)</b>
<b>Effects of foreign exchange</b>		<b>164,551</b>	<b>(260,132)</b>
<b>Cash, beginning of year</b>		<b>1,968,174</b>	<b>3,502,840</b>
<b>Cash, end of year</b>		<b>229,702</b>	<b>1,968,174</b>
<b>Supplemental cash flow information</b>	8		

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



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# Highlander Silver Corp.

## Notes to the Consolidated Financial Statements

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For the years ended September 30, 2023 and September 30, 2022

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### 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 consolidated financial statements (the “financial statements”) of the Company as at and for the years ended September 30, 2023 and September 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.

As at September 30, 2023, the Company had equity of \$283,555 (September 30, 2022 - \$5,414,451) and working capital of \$17,888 (September 30, 2022 - \$1,744,595). Given the closed unit offering subsequent to the year-end (Note 10), 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.

On October 17, 2023, the Company consolidated its issued share capital on a ratio of two (2) old common shares for every one (1) new post-consolidated common share (the “Share Consolidation”). The current and comparative references to the common shares, weighted average number of common shares, loss per share, acquisitions, stock options and warrants have been restated to give effect to this Share Consolidation.

### 2. Significant accounting policies

#### (a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, “IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) and have been applied consistently by the Company and its subsidiaries.

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 with the exception of CAPPEX S.A.C. which has a functional currency of Peruvian Soles.

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# Highlander Silver Corp.

## Notes to the Consolidated Financial Statements

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For the years ended September 30, 2023 and September 30, 2022

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### 2. Significant accounting policies (continued)

#### (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) 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, 2024. 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.

#### (d) Financial instruments

The Company classifies its financial instruments in the following categories: as FVTPL, financial assets at amortized cost and other financial liabilities at amortized cost. The classification depends on the purpose for which the financial assets or liabilities were acquired or incurred. Management determines the classification of financial assets and liabilities at initial recognition.

##### (i) Non-derivative financial assets and liabilities

###### Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

###### Classification

The Company classifies its financial assets and financial liabilities using the following measurement categories:

- (a) Those to be measured subsequently at fair value (either through other comprehensive income (loss) or through profit or loss); and
- (b) Those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss).

**2. Significant accounting policies** (continued)**(d) Financial instruments** (continued)

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Other receivables are classified as financial assets at amortized cost.

**(ii) Financial liabilities**

The Company has the following financial liabilities: accounts payable and accrued liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recorded to profit or loss.

**(e) Mineral property interests**

The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Mineral property interests that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements.

**(f) Mineral property interests**

Proceeds received from a partial sale or option of any interest in a property are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the year the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the year the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Management reviews its mineral property interests at each reporting period for signs of impairment and annually after each exploration season to consider if there is impairment in value taking into consideration current year exploration results, or likely gains from the disposition or option of the property. If a property is abandoned or inactive for a prolonged period, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Once an economically viable resource has been determined for an area and the decision to proceed with development has been approved, mineral property interests attributable to that area are first tested for impairment and then reclassified to property and equipment. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds its estimated net realizable value or value in use, an impairment provision is recorded.

When entitled, the Company records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Company is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

**2. Significant accounting policies (continued)****(g) Impairment****(i) Financial assets**

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

**(ii) Non-financial assets**

Non-financial assets are reviewed quarterly by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company's mineral property interest impairment policy is more specifically discussed in Note 2(f) above.

**(h) 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, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from contributed surplus.

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 unit private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded as contributed surplus.

**(i) Share-based payment transactions**

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related Company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest.

Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital.

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# Highlander Silver Corp.

## Notes to the Consolidated Financial Statements

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For the years ended September 30, 2023 and September 30, 2022

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### 2. Significant accounting policies (continued)

#### (i) Share-based payment transactions (continued)

When an option is cancelled, or expires, the initial recorded value is reversed from contributed surplus and credited to retained earnings (deficit).

#### (j) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation using either the unit-of-production or the straight-line method. The related liability is adjusted at each reporting date for the unwinding of the discount rate, for changes to the current market-based discount rate, and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged to profit or loss as extraction progresses. The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interests.

#### (k) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

#### (l) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the years presented, except if their inclusion proves to be anti-dilutive.

**2. Significant accounting policies** (continued)**(m) Foreign currency translation**

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction (historical rate). Assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates and any revenue and expenses are translated at the average exchange rate for the period. The resulting exchange differences are recognized in foreign currency reserves.

**(n) Use of estimates and critical judgments**

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

**Estimates**

- (i) The determination of the fair value of stock options or compensatory warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

**(n) Use of estimates and critical judgments** (continued)**Judgments**

- (i) Recorded costs of mineral property interests and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting date, to review its mineral property interests for signs of impairment. This is a highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgments based on information available, but there is no certainty that a property is or is not impaired.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

- (ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

# Highlander Silver Corp.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2023 and September 30, 2022

### 3. Property and equipment

	Vehicles \$	Furniture \$	Computers \$	Total \$
Balance, September 30, 2021	25,423	429	537	26,389
Additions	-	-	1,876	1,876
Depreciation	(9,302)	(68)	(610)	(9,980)
Foreign exchange adjustment	2,481	46	31	2,558
Balance, September 30, 2022	18,602	407	1,834	20,843
Depreciation	(9,639)	(74)	(700)	(10,413)
Foreign exchange adjustment	572	22	72	666
<b>Balance, September 30, 2023</b>	<b>9,535</b>	<b>355</b>	<b>1,206</b>	<b>11,096</b>

### 4. Mineral property interests

	Alta Victoria Property \$	Politunche Property \$	Estrella \$	Total \$
October 1, 2021		2,214,626	3,701	2,218,327
Acquisitions/staking/assessments	202,707	53,276	-	255,983
Administration	60,238	-	-	60,238
Geological and related expenditures	291,029	32,471	-	323,500
Dues & fees	62,270	-	-	62,270
Legal expenses	19,042	2,399	-	21,441
Field equipment and related expenditures	56,130	14,076	-	70,206
Services	34,905	4,997	-	39,902
Personnel	341,842	21,909	-	363,751
Foreign exchange translation	223,552	9,843	-	233,395
September 30, 2022	3,506,341	138,971	3,701	3,649,013
<b>October 1, 2022</b>	3,506,341	138,971	3,701	3,649,013
Acquisitions/staking/assessments	86,385	29,503	44,013	159,901
Administration	86,916	-	160,364	247,280
Geological and related expenditures	279,553	8,364	4,362	292,279
Dues & fees	70,917	-	-	70,917
Legal expenses	3,716	4,693	612	9,021
Field equipment and related expenditures	31,719	6,699	5,774	44,192
Services	13,268	780	12,976	27,024
Personnel	337,285	7,563	22,853	367,701
Foreign exchange translation	(3,840)	(174)	(84)	(4,098)
Impairments/write-downs	(4,412,260)	(196,399)	-	(4,608,659)
<b>September 30, 2023</b>	<b>-</b>	<b>-</b>	<b>254,571</b>	<b>254,571</b>

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## Highlander Silver Corp.

### Notes to the Consolidated Financial Statements

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For the years ended September 30, 2023 and September 30, 2022

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#### 4. 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.

On January 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 August 2024. Total acquisition cost for 100% ownership of the project increased from US\$4,000,000 to US\$5,000,000 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.

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 August 2024. They resume at US\$5,000 per month from September 2024 until July 2028 (a total of US\$235,000); and
- e) US\$4,355,000 on August 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.

##### Work Commitment and Royalty

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, (expired subsequent to year end) .

##### Surface Access

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.



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# Highlander Silver Corp.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2023 and September 30, 2022

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### 4. Mineral property interests (continued)

#### Alta Victoria Property (continued)

##### Write-off of property

The Company wrote-off the carrying value of the Alta Victoria Property to \$nil, subsequent to the year ended September 30, 2023.

#### La Estrella

On August 10, 2021, the Company purchase from Compania Minera Ares S.A.C. mining claims known as the Estrella claims 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 US\$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 37,500 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 February 25, 2023, the Option agreement term extended for six (6) months from February 2026 to July 2026. Monthly cash payments of USD\$5,000 were suspended for six (6) months from March 2023 to August 2023. Monthly cash payments of USD\$5,000 are to begin September 2023 and end June 2024. Monthly cash payments of USD\$10,000 are to begin July 2024 and end June 2026. There is a final option payment of USD\$1,735,000 due on July 17, 2026 if the Company elects to acquire 100% of the project. Total acquisition costs for 100% ownership of the project increased from USD\$2,000,000 to USD\$2,100,000. The Company may terminate the agreement, in its sole discretion, at any time.

##### Write-off of property

During the year ended September 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.

The Company wrote-off the carrying value of the Politunche Property to \$nil.

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# Highlander Silver Corp.

## Notes to the Consolidated Financial Statements

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For the years ended September 30, 2023 and September 30, 2022

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### 5. 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 year ended September 30, 2023, the Company holds 9,765,456 shares in escrow.

#### Transactions for the issue of share capital during the year ended September 30, 2023:

- (a) On February 15, 2023, 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 \$12,000 (\$0.24 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 37,500 common shares of the Company to Alianza Minerals Ltd. in consideration for mineral property data on the La Estrella property. The shares had a fair value of \$12,000 (\$0.32 per share) on issuance, which has been present as acquisition costs.

#### Transactions for the issue of share capital during the year ended September 30, 2022:

- (c) On December 8, 2021, the Company issued 25,000 common shares of the Company to the CEO in connection with a Management Consulting Agreement. The shares had a fair value of \$15,000 (\$0.60 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 25,000 common shares in connection with the exercise of 25,000 stock options with an exercise price of \$0.43 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.
- (e) On August 9, 2022, the Company announced that it has purchased the entire data package (the "Data") in the possession of Solitario Zinc Corp ("Solitario") relating to work performed up to the end of 2011 on and around the 600 hectares making up the Politunche property (Note 4). The Company paid US\$20,000 and issued 100,000 common shares valued at \$34,000 to Solitario for this information.

#### Commitment to issue shares

On November 16, 2020, the Company granted 125,000 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 \$0.43 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. As at September 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 September 30, 2023 and September 30, 2022 and changes during the year then ended is as follows:

	Year ended September 30, 2023		Year ended September 30, 2022	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of year	1,062,500	0.60	642,500	0.54
Granted - stock options	850,000	0.42	1,285,000	0.60
Exercised	-	-	(25,000)	0.43
Cancelled	(287,500)	0.59	(840,000)	0.56
Options outstanding, end of year	<b>1,625,000</b>	<b>0.51</b>	1,062,500	0.60

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**Highlander Silver Corp.****Notes to the Consolidated Financial Statements**

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**For the years ended September 30, 2023 and September 30, 2022**

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**5. Share capital (continued)****Stock options (continued)**

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

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
15,000	15,000	0.54	August 10, 2025
710,000	710,000	0.60	November 3, 2026
850,000	450,000	0.42	March 3, 2028
50,000	50,000	0.60	March 1, 2027
<b>1,625,000</b>	<b>1,225,000</b>		

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

Options #	Weighted average remaining life (years)	Weighted average exercise price \$
15,000	1.86	0.54
710,000	3.10	0.60
850,000	4.43	0.42
50,000	3.42	0.60
<b>1,625,000</b>	<b>3.79</b>	<b>0.51</b>

During the year ended September 30, 2023, the Company granted 850,000 (1,285,000 – 2022) stock options to Directors, Officers and related Company employees. The stock options are exercisable at \$0.42 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:

1,235,000 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 \$0.38 per option for a total of \$466,499.

50,000 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 \$0.40 per option for a total of \$19,808.

850,000 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 year ended September 30, 2023 was approximately \$0.18 per option for a total of \$156,534.

The total share-based payment expense for the year ended September 30, 2023 was \$225,314 (2022 - \$399,993), which is presented as an operating expense, and includes options that vested during the year.

During the year ended September 30, 2023, a total of 287,500 stock options were cancelled as a result of the resignation or termination of certain individuals. On cancellation, the original fair value of \$90,855 was reversed from contributed surplus and credited to deficit.

During the year ended September 30, 2022, a total of 840,000 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.

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## Highlander Silver Corp.

### Notes to the Consolidated Financial Statements

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For the years ended September 30, 2023 and September 30, 2022

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#### 5. 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 September 30, 2023 and September 30, 2022 and changes during the year then ended is as follows:

	Year ended September 30, 2023		Year ended September 30, 2022	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of year	9,100,002	0.50	9,635,002	0.50
Expired	(9,100,002)	0.50	(535,000)	0.64
Warrants outstanding, end of year	-	-	9,100,002	0.50

#### 6. 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 years ended September 30, 2023 and September 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 year ended September 30, 2023, key management of the Company were granted 850,000 stock options exercisable at \$0.42 for a period of five years, with a fair value of \$156,534.

During the year ended September 30, 2022, key management of the Company were granted 1,010,000 stock options exercisable at \$0.60 for a period of five years, with a fair value of \$510,970.

Pursuant to a Management Consulting Agreement (the "MC Agreement") with the Company's CEO, the Company issued 50,000 common shares with a fair value of \$12,000 (\$0.24 per share) during the year ended September 30, 2023 (Note 5).

Pursuant to the prior Management Consulting Agreement (the "MC Agreement") with the Company's former CEO, the Company issued 25,000 common shares with a fair value of \$15,000 (\$0.60 per share) during the year ended September 30, 2022 (Note 5).

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

- 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).
- 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.
- David Fincham was appointed as the Company's CEO effective October 2022.
- Graeme Lyall is the Company's Director. He has significant influence of Lyall Consult SPA. ("Lyall"). Lyall provides the Company with geological services.
- 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.

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**Highlander Silver Corp.****Notes to the Consolidated Financial Statements**

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**For the years ended September 30, 2023 and September 30, 2022**

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**6. Related party payables and transactions (continued)**

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 year ended September 30, 2023 \$	Transactions year ended September 30, 2022 \$	Balances outstanding September 30, 2023 \$	Balances outstanding September 30, 2022 \$
AuCu Consulting	-	89,500	-	-
DBM CPA	70,738	92,770	5,250	5,250
Philip Anderson	80,903	95,717	-	43,278
Lyll Consult SPA	45,241	-	15,379	-
LE Geological Services	158,569	-	16,200	-
David Fincham	239,329	18,333	78,487	18,333
	<b>594,780</b>	<b>296,320</b>	<b>115,316</b>	<b>66,861</b>

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

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## Highlander Silver Corp.

### Notes to the Consolidated Financial Statements

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For the years ended September 30, 2023 and September 30, 2022

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#### 7. Income Taxes

Income tax (expense) recovery for the year ended September 30, 2023 and September 30, 2022 varies from the amount that would be computed from applying the combined federal and provincial income tax rate to income (loss) before income taxes as follows:

	September 30, 2023	September 30, 2022
	\$	\$
Income (loss) before income taxes	(5,549,525)	(718,623)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated income tax recovery	(1,498,000)	(194,000)
Change in tax resulting from:		
Change in statutory, foreign tax, foreign exchange rates and other	(168,000)	(10,000)
Permanent differences	76,000	43,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	71,000	246,000
Share issue costs	-	-
Change in unrecognized deductible temporary differences	1,519,000	(85,000)
<b>Net deferred income tax (expense) recovery</b>	<b>-</b>	<b>-</b>

The significant components of the Company's deferred income tax assets (liability) are as follows:

	2023	2022
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 1,348,000	\$ (6,000)
Property and equipment	74,000	69,000
Share issue costs	1,000	1,000
Non-capital losses available for future period	666,000	506,000
	2,089,000	570,000
Unrecognized deferred tax assets	(2,089,000)	(570,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

As at September 30, 2023, the Company has non-capital loss carry forwards of approximately \$2,432,000 which expire between 2027 and 2042.

As at September 30, 2023, the Company has unclaimed resource and other deductions in the amount of approximately \$nil, which may be deducted against future taxable income.

As at September 30, 2023, the Company has share issue costs totaling approximately \$2,000 (September 30, 2022 - \$5,000), which have not been claimed for income tax purposes.

Income tax attributes are subject to review and potential adjustments by tax authorities.

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## Highlander Silver Corp.

### Notes to the Consolidated Financial Statements

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For the years ended September 30, 2023 and September 30, 2022

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#### 8. Supplemental cash flow information

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

	September 30 2023	September 30, 2022
	\$	\$
Sales tax receivable	(42,737)	(24,183)
Prepaid expenses	8,412	(8,020)
Accounts payable and accrued liabilities	75,071	97,406
<b>Net change</b>	<b>40,746</b>	<b>65,203</b>

The Company incurred non-cash investing activities during the year ended September 30, 2023 and September 30, 2022 as follows:

	September 30, 2023	September 30, 2022
	\$	\$
Non-cash financing activities		
Fair value reversal for cancellation of stock options	(90,855)	(191,576)
	<b>(90,855)</b>	<b>(191,576)</b>
Non-cash investing activities		
Deferred exploration expenditures included in accounts and accrued liabilities	(41,185)	(128,323)
Deferred exploration expenditures paid by issue of common shares	(12,000)	(34,000)
	<b>(53,185)</b>	<b>(162,323)</b>

There were no non-cash financing activities during the years ended September 30, 2023 and September 30, 2022.

Further, there were no amounts paid for income taxes or interest during the years ended September 30, 2023 and September 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 September 30, 2023 is comprised of equity of \$283,555 (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.

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# Highlander Silver Corp.

## Notes to the Consolidated Financial Statements

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For the years ended September 30, 2023 and September 30, 2022

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### 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
	\$	\$	\$
<b>September 30, 2023</b>			
Cash	229,702	-	-
	<b>229,702</b>	-	-
<b>September 30, 2022</b>			
Cash	1,968,174	-	-
	<b>1,968,174</b>	-	-

#### 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 government.

##### (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 year ended September 30, 2023 and September 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 September 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 years ended September 30, 2023 and September 30, 2022.



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**Highlander Silver Corp.****Notes to the Consolidated Financial Statements**

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**For the years ended September 30, 2023 and September 30, 2022**

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**10. Events after the reporting period**

On October 17, 2023, the Company consolidated its issued share capital on a ratio of two (2) old common shares for every one (1) new post-consolidated common share (the "Share Consolidation"). The current and comparative references to the common shares, weighted average number of common shares, loss per share, acquisitions, stock options and warrants have been restated to give effect to this Share Consolidation.

On October 19, 2023, the Company completed a \$3,000,000 offering of 30,000,000 units of the company. Each Unit is comprised of one common share (a " Share ") and one warrant exercisable for one additional Share at a price of \$0.15 per Share for a period of 3 years from the date of issuance.

On December 4, 2023, the Company terminated the Alta Victoria option agreement and wrote-off the carrying value of the property to \$nil.