REGENCY SILVER CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(Unaudited - expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW

OF

INTERIM FINANCIAL STATEMENTS

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 the financial statements have not been reviewed by an auditor.

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

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

(Unaudited - expressed in Canadian dollars)

	Note		September 30, 2023	December 31, 2022
ASSETS				
Current Assets				
Cash		$	396,545 $	1,110,463
Amounts receivable			248,675	175,361
Prepaid expenses			177,820	351,847
			823,040	1,637,671
Non-current Assets				
Deposit			27,250	10,000
Exploration and evaluation assets	4,7		6,202,268	2,565,290
TOTAL ASSETS		**$**	**7,052,558 $**	**4,212,961**
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	7	$	563,739 $	375,881
Note payable	6		100,000	-
			663,739	375,881
SHAREHOLDERS' EQUITY				
Share capital	5		14,031,152	9,780,720
Share subscription liability	5		-	150,000
Reserves	5		1,701,674	1,201,261
Accumulated deficit			(9,344,007)	(7,294,901)
Total shareholders' equity			6,388,819	3,837,080
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**7,052,558 $**	**4,212,961**

Nature of operations – Note 1
Going concern – Note 2
Loss on settlement – Note 11
Commitments – Note 12

Approved on behalf of the Board of Directors:

"Gijsbert Groenewegen", Director　　　　*"Bruce Bragagnolo",* Director

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

Regency Silver Corp.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - expressed in Canadian dollars)

		Three months ended		Nine months ended	
	Note	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
EXPENSES					
Consulting	7	$ 181,860	$ 7,500	$ 387,510	$ 37,500
Exchange and filing fees		14,887	66,541	34,894	107,278
Management fees	7	72,197	84,500	229,388	240,000
Marketing		56,714	63,764	413,984	438,689
Office		51,795	3,571	185,225	66,980
Professional fees		7,417	42,082	71,473	186,555
Property investigation costs	5	-	-	280,000	-
Rent		5,231	7,463	16,426	20,524
Share-based payments	5	-	140,469	565,891	739,665
		(390,101)	(415,890)	(2,184,791)	(1,837,191)
OTHER ITEMS					
Recovery of accounts payable		-	-	39,102	-
Interest expense		-	-	-	(7,000)
Foreign exchange		13,701	3,172	106,583	(8,069)
Loss on settlement		(10,000)	(125,100)	(10,000)	(125,100)
LOSS AND COMPREHENSIVE LOSS		$ (376,400)	$ (537,818)	(2,049,106)	$ (1,977,360)
Loss per share, basic and diluted		$ (0.00)	$ (0.01)	(0.03)	$ (0.04)
Weighted average number of common shares outstanding		**83,966,233**	**62,716,504**	**79,641,084**	**55,297,286**

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

Regency Silver Corp.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited - expressed in Canadian dollars)

		Share Capital					
	Note	**Number**	**Amount**	**Share subscription received**	**Reserves**	**Deficit**	**Total**
			$	**$**	**$**	**$**	**$**
Balance, December 31, 2021		**49,653,368**	**4,718,756**	**-**	**7,379**	**(4,143,189)**	**582,946**
Shares issued in initial public offering	**5**	13,019,300	3,254,824	-	-	-	3,254,824
Shares issued on exercise of stock options	**5**	500,000	35,000	-	-	-	35,000
Share issuance costs	**5**	-	(495,160)	-	135,894	-	(359,266)
Share-based payments	**5**	-	-	-	739,665	-	739,665
Net loss		-	-	-	-	(1,977,360)	(1,977,360)
Balance, September 30, 2022		**63,172,668**	**7,513,420**	**-**	**882,938**	**(6,120,549)**	**2,275,809**
Balance, December 31, 2022		**74,167,668**	**9,780,720**	**150,000**	**1,201,261**	**(7,294,901)**	**3,837,080**
Shares issued for private placement	**5**	11,853,500	3,618,700	-	-	-	3,618,700
Share issuance costs	**5**	-	(114,875)	-	9,522	-	(105,353)
Shares issued for warrant exercise	**5**	1,962,427	264,107	(150,000)	-	-	114,107
Shares issued for property investigation	**5**	1,000,000	280,000	-	-	-	280,000
Shares issued for mineral property payment	**5**	300,000	127,500	-	-	-	127,500
Shares issued for services	**5**	250,000	75,000	-	-	-	75,000
Share-based payments	**5**	-	-	-	490,891	-	490,891
Net loss		-	-	-	-	(2,049,106)	(2,049,106)
Balance, September 30, 2023		**89,533,595**	**14,031,152**	**-**	**1,701,674**	**(9,344,007)**	**6,388,819**

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

Regency Silver Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - expressed in Canadian dollars)

	Nine months ended	
	September 30, 2023	**September 30, 2022**
OPERATING ACTIVITIES:		
Net loss	$ (2,049,106)	$ (1,977,360)
Items not affecting cash:		
Share-based payments	565,891	739,665
Property investigation costs	280,000	-
Recovery of accounts payable	(39,102)	-
Net changes in non-cash working capital items:		
Amounts receivable	(73,314)	(166,364)
Prepaid expenses	174,027	(18,693)
Accounts payable and accrued liabilities	226,960	(111,576)
Cash used in operating activities	(914,644)	(1,534,328)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(3,509,478)	(1,220,099)
Deposit	(17,250)	-
Cash used in investing activities	(3,526,728)	(1,220,099)
FINANCING ACTIVITIES		
Proceeds received from (repayment of) issuance of note	100,000	(53,750)
Proceeds from exercise of stock options	-	35,000
Proceeds from private placement	3,513,347	2,895,558
Proceeds from warrant exercise	114,107	-
Cash provided by financing activities	3,727,454	2,876,808
Change in cash	(713,918)	122,381
Cash, beginning of period	1,110,463	1,478
Cash, end of period	**$ 396,545**	**$ 123,859**

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

1. NATURE OF OPERATIONS

Regency Silver Corp. (the "Company") was incorporated on March 23, 2017, under the laws of the Province of British Columbia, Canada, and its principal activity is the identification, evaluation, acquisition and exploration of mineral properties in Mexico and Peru. The corporate head office, principal address and registered and records offices of the Company are located at Suite 1100, 570 Granville Street, Vancouver, British Columbia, V6C 3P1, Canada.

The recoverability of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these condensed consolidated interim financial statements.

2. GOING CONCERN

These condensed consolidated interim financial statements are presented on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. There are conditions and events that cast significant doubt on the validity of this assumption. The Company incurred a loss of $2,049,106 for the nine months ended September 30, 2023 (September 30, 2022 - $1,977,360) and had an accumulated deficit of $9,344,007 (December 31, 2022 - $7,135,702). The Company has no source of revenue and does not have sufficient cash resources to meet its administrative overhead. The Company does not generate cash flows from operations and has therefore relied principally on the issuance of equity securities to finance its operation activities to the extent that such instruments are issuable under terms acceptable to the Company. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. The condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities.

3. BASIS OF PRESENTATION

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company's audited consolidated financial statements for the year ended December 31, 2022. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued as of the date the Board of Directors approved the financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2022.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 20, 2023.

3.1. Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Regency Silver S.A. de C.V., incorporated and located in Mexico ("Regency Mexico") and Regency Mining SAC, incorporated and located in Peru ("Regency Peru"). All significant intercompany transactions and balances have been eliminated on consolidation.

3.2. Significant judgments, estimates and assumptions

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Functional currency
Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Going concern
The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment. The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Impairment of exploration and evaluation assets
The Company is required to make significant judgments regarding the capitalization of the costs incurred in respect to its exploration and evaluation assets. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the development of a specific area is unlikely, and exploration and evaluation assets should be impaired.

Income Taxes
The determination of income tax is inherently complex and requires making certain judgments and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Rehabilitation Provisions
Rehabilitation provisions have been determined to be $Nil based on the Company's judgment. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These assumptions take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period**.**

Critical Accounting Estimates

Valuation of share-based compensation
The Company uses the Black-Scholes option pricing model for valuation of share-based. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves. Common shares issued for compensation are valued based on the most recent third-party financing values.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

A continuity of the Company's exploration and evaluation assets is as follows:

	Dios Padre	El Tule	La Libertad	Total Expenditures
	$	$	$	$
Balance, December 31, 2021	**1,005,685**	**197**	**-**	**1,005,882**
Acquisition cost	35,945	-	15,385	51,330
Assaying	104,133	-	-	104,133
Camp costs	85,151	-	-	85,151
Consulting and professional fees	396,653	-	-	396,653
Drilling	448,321	-	-	448,321
Equipment	26,487	-	-	26,487
Geologist fees	159,228	-	-	159,228
Property taxes and payments	85,378	-	-	85,378
Wages and salaries	166,186	-	-	166,186
Other payments	36,738	-	-	36,738
Impairment of exploration and evaluation assets	-	(197)	-	(197)
Balance, December 31, 2022	**2,549,905**	**-**	**15,385**	**2,565,290**
Acquisition cost	127,500	-	-	127,500
Assaying	270,881	-	-	270,881
Camp costs	255,955	-	-	255,955
Consulting and professional fees	863,533	-	-	863,533
Drilling	1,430,248	-	-	1,430,248
Equipment	92,838	-	-	92,838
Geologist fees	180,419	-	-	180,419
Property taxes and payments	166,241	-	-	166,241
Travel and transportation	3,351	-	-	3,351
Wages and salaries	191,052	-	-	191,052
Other payments	54,960	-	-	54,960
Balance, September 30, 2023	**6,186,883**	**-**	**15,385**	**6,202,268**

Dios Padre Property, Mexico

The Company's subsidiary, Regency Mexico, has exercised the option to Purchase the Dios Padre mineral property. Regency Mexico entered into an Option to Purchase and Promise to Assignment Agreement dated November 27, 2017 ("Option Agreement"), subsequently amended, with Minera Pena Blanca, S.A. de C.V. ("Minera Pena"), pursuant to which Regency Mexico was granted an option to purchase 100% title to the mineral concessions comprising the Dios Padre mineral property located in Yecora, Sonora, Mexico in consideration of:

1. the payment of US$145,000 plus Value-Added Tax (“VAT”) as follows:
   - US$25,000 on the date of signing (paid);
   - US$30,000 on or before November 27, 2018 (paid);
   - US$30,000 on or before November 27, 2019 (paid);
   - US$30,000 on or before November 27, 2020 (paid); and
   - US$30,000 on or before November 27, 2021 (paid).
2. incurring aggregate exploration expenditures of not less than US$1,000,000 as follows:
   - US$250,000 on or before November 27, 2018; (incurred)
   - US$500,000 on or before November 27, 2021 (incurred – see disclosure below);
   - US$250,000 on or before April 30, 2022 (waived – see disclosure below).

Pursuant to the Option Agreement, Minera Pena will retain a 3% net smelter return royalty, 2% of which can be purchased by the Company for US$1.5 million. Minera Pena may be obligated to pay an underlying 2.5% net smelter return royalty in favour of a third party. In the event the underlying royalty is valid, Regency may not be able to reduce the NSR to 1%. The Dios Padre Property may be subject to advance minimum royalty payments of US$100,000 due January 1st of each year, payable by Minera Pena to third parties.

On October 7, 2022, the Company entered into an option exercise agreement pursuant to which Minera Pena agreed to waive the last exploration expenditure of US$250,000 required to exercise the option for a 100% interest in the Dios Padre property. Consideration for the early exercise was the issuance of 300,000 common shares in the capital of the Company (the “Common Shares”) at a deemed price of $0.22 per share (Note 5). The Common Shares were subject to a four month hold period from the date of issue in accordance with applicable securities legislation.

Ejido La Trinidad Agreement

To acquire necessary surface access and use, Regency Mexico executed a four-year agreement with the Ejido “La Trinidad” on November 29, 2017, requiring the Company to make annual payments of US$6,000 and minor improvement costs. During the year ended December 31, 2021, the Ejido La Trinidad Agreement expired, and no further amendments were made. A payment of US$7,500 was made during the year ended December 31, 2022 to the Ejido La Trinidad for annual surface access and use for 2022. On June 18, 2022, the agreement was amended such that the Company is required to make annual payments of US$7,500 per year for three years.

El Tule Property, Mexico

Regency Mexico entered into a Promissory Assignment of Exploration and Exploitation Rights and Option Agreement with Mr. Alberto Marcos Carrillo Armenta dated February 22, 2018 (the “Armenta Agreement”) to acquire a 100% interest in the El Tule property located in Northern Nayarit, Mexico. As consideration, the Company will pay a total of US$600,000 whereby US$100,000 will be paid within the first four months, US$400,000 will be paid over 4 years (in 6-month increments) and US$100,000 will be paid upon execution and formalization of the El Tule Assignment Agreement.

On December 14, 2020, August 14, 2020, and April 5, 2021, the Armenta Agreement was amended, and the payments were changed to US$604,000 as follows:

- US$20,000 paid to date;
- US$6,000 per month for the months of December 2020 to June 2021 (paid);
- US$42,000 by July 14, 2021; and
- US$50,000 by October 14, 2021 and every 6 months thereafter until a total of US$400,000 has been paid and a final payment of US$100,000 upon execution and formalization of the El Tule Assignment Agreement.

Due to a lack of access to the El Tule Property due to COVID, on August 18, 2021, the Company gave notice of force majeure under the Armenta Agreement. Mr. Carrillo Armenta has disputed force majeure. The Company has given notice that it has suspended force majeure and intends to resume payments commencing with the payment of US$42,000 which was due by July 14, 2021. In the event Mr. Carrillo Armenta commences legal action to have the Armenta Agreement cancelled, the Company will defend such action.

The El Tule Property is comprised of certain concessions in the State of Nayarit, Mexico.

During the period ended September 30, 2023, the Company recorded an impairment of $Nil (December 31, 2022 - $197) on the El Tule Property.

El Tablon, Mexico

The Company entered into an option agreement dated September 22, 2022 (the "Option Agreement") to option a 100% undivided interest in the El Tablon Claims located in the State of Durango, Mexico. The El Tablon Claims cover an area of approximately 7,200 hectares.

In order to exercise the option, the Company must pay US$50,000 on receipt of Exchange acceptance (paid), issue a total of 1,000,000 common shares (Note 5) and pay back taxes and mining filings on or before March 31, 2024. The Company must also pay a US$1,000,000 bonus upon a NI 43-101 resource being published, which estimates the El Tablon Claims contain a minimum of 70 million silver equivalent ounces or 1 million gold ounces in the measured or indicated categories. The shares are subject to a four month hold period.

La Libertad Project, Peru

The Company, through Regency Peru, holds title to certain claims located in the La Libertad Mining District in north-central Peru in proximity to the Lagunas Norte and La Arena mines. The Company does not intend to spend any further amounts on the La Libertad project and the claims are subject to expiration.

5. SHARE CAPITAL

Authorized Capital

The authorized capital of the Company consists of an unlimited number of common shares without par value.

Issued Share Capital

During the nine months ended September 30, 2023, the Company issued a total of 15,365,927 common shares as follows:

- On January 5, 2023, issued 1,000,000 common shares at a value of $0.28 per common share for the El Tablon property. An amount of $280,000 has been recorded as property investigation costs in the condensed consolidated interim statements of loss and comprehensive loss.

- On January 6, 2023, issued 1,500,000 common shares upon the exercise of 1,500,000 warrants for gross proceeds of $150,000.

- On January 6, 2023, issued 250,000 common shares at a value of $0.30 per common share for consulting services. An amount of $75,000 has been recorded as share-based payments in the condensed consolidated interim statements of loss and comprehensive loss.

- On February 28, 2023, issued 10,000 common shares upon the exercise of 10,000 warrants for gross proceeds of $1,000.

- On March 1, 2023, issued 26,940 common shares upon the exercise of 26,940 warrants for gross proceeds of $6,735.

- On March 15, 2023, issued 300,000 common shares at a value of $0.425 per common share for its Dios Padre property.

- On March 15, 2023, issued 98,700 common shares upon the exercise of 98,700 warrants for gross proceeds of $24,675.

- On April 6, 2023, the Company closed a private placement through the issuance of 6,240,000 common shares at $0.40 per common share for total proceeds of $2,446,000. The Company paid finder's fees of $86,140 in connection with the financing.

- On April 6, 2023, issued 41,000 common shares upon the exercise of 41,000 warrants for gross proceeds of $10,250.

- On April 13, 2023, issued 106,787 common shares upon the exercise of 106,787 warrants for gross proceeds of $26,697.

- On April 17, 2023, issued 120,000 common shares upon the exercise of 120,000 warrants for gross proceeds of $30,000.

- On April 19, 2023, issued 59,000 common shares upon the exercise of 59,000 warrants for gross proceeds of $14,750.

- On September 27, 2023, the Company closed a private placement through the issuance of 5,613,500 units at $0.20 per unit for total proceeds of $1,122,700. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant has an exercise price of $0.30 and is exercisable until September 27, 2025. The Company paid finder's fees of $19,212 in connection with the financing and issued 106,560 finder's warrants. Each finder's warrant has an exercise price of $0.30 and is exercisable until September 27, 2025. The warrants were valued at $9,523 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 5.00%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 2.

During the year ended December 31, 2022, the Company issued a total of 24,964,300 common shares as follows:

- On April 26, 2022, the Company closed its IPO of 13,019,300 common shares, of which 1,019,300 shares were sold pursuant to an over-allotment option, at a price of $0.25 per common share for gross proceeds of $3,254,825. The Company began trading on the Exchange under the ticker symbol "RSMX".

  As part of the IPO, the Company had entered into an engagement letter with a national brokerage house (the "Agent"). On the closing of the IPO, the Company:
    - issued 1,041,544 Agent's Warrants equal in number to 8% of the number of shares sold under the IPO, including any Shares sold upon exercise of the over-allotment option. Each Agent's Warrant entitles the Agent to purchase one Agent's Warrant Share at an exercise price equal to $0.25 per Agent's Warrant Share. The Agent's Warrants may be exercised during a term of 24 months commencing on the Closing Date. The Agent Warrants were valued at $153,658 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility – 114%, expected life of the warrants – 2 years, expected dividend yield – 0%, and risk-free interest rate – 2.6%;
    - paid a cash commission equal to 8% of the gross proceeds raised which amounted to $260,386 allocated to share issuance costs and recorded in equity;
    - paid the agent a corporate finance fee of $30,000 (plus GST) in cash which was expensed, $15,000 of which has been paid and $15,000 was paid on the closing date of the IPO;
    - paid $88,696 in Agent expenses relating to the IPO of which $18,425 was allocated to share issuance costs and recorded in equity, and $70,270 was expensed.

- On August 23, 2022, issued 500,000 common shares upon the exercise of 500,000 stock options for gross proceeds of $35,000.

- On September 29, 2022, issued 200,000 common shares in connection to property investigation costs for a property located in Mexico.

- On December 22, 2022, the Company completed a non-brokered private placement through the issuance of 10,795,000 common shares at $0.20 per common share for gross proceeds of

(Expressed in Canadian dollars)

$2,159,000. Finder's fees of $16,000 cash were paid in connection with the private placement.

- On December 22, 2022, the Company issued 450,000 common shares at a value of $0.20 per common share to settle loans in the amount of $90,000.

Warrants

A summary of the changes in warrants is presented below:

	Share Purchase Warrants		
	Number		Weighted average exercise price
Outstanding, December 31, 2021	3,140,000	$	0.27
Granted	1,041,544		0.25
Outstanding, December 31, 2022	4,181,544		0.21
Granted	2,913,310		0.30
Exercised	(1,962,427)		0.11
Outstanding, September 30, 2023	5,132,427		0.30
Exercisable, September 30, 2023	5,132,427	$	0.30

The following warrants were outstanding as at September 30, 2023:

Number		Exercise price	Expiry Term
130,000	$	0.10	April 26, 2024
589,117	$	0.25	April 26, 2024
1,500,000	$	0.30	April 26, 2024
2,913,310	$	0.20	September 27, 2025
5,132,427			

(Expressed in Canadian dollars)

Stock Option Plan

The Company adopted a Stock Option Plan where directors, officers, employees, consultants and related persons of the Issuer, or persons engaged in investor relations activities on behalf of the Issuer are eligible to receive grants of options under the Stock Option Plan. The maximum number of common shares reserved for issuance upon exercise of options granted pursuant to the provisions of the Stock Option Plan at any time shall not exceed 10% of the issued and outstanding common shares of the Issuer at the relevant time less any common shares required to be reserved with respect to any other options granted prior to the adoption and implementation of the Stock Option Plan. The exercise price of any options granted is determined by the Board of Directors in its sole discretion as of the date the Board of Directors grants the options, and shall not be less than the discounted Market Price as calculated and defined in accordance with the policies of the Exchange. Vesting terms are also determined by the Board of Directors.

A summary of the changes in stock options is presented below:

	Stock Options	
	Number	Weighted average exercise price
Outstanding, December 31, 2021	4,850,000	$ 0.25
Granted	1,900,000	0.07
Exercised	(500,000)	0.07
Cancelled	(750,000)	0.25
Outstanding, December 31, 2022	5,500,000	0.20
Granted	2,190,000	0.30
Outstanding, September 30, 2023	7,690,000	0.20
Exercisable, September 30, 2023	7,390,000	$ 0.30

On August 11, 2020, the Company granted 1,000,000 stock options to officers, directors, and consultants of the Company. The stock options will be vested 30% on the 6 and 12 month anniversaries, and 40% on the 18-month anniversary of the IPO. The stock options were valued at $212,265 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 2.6%; volatility – 125%; expected dividend yield – 0.0%; expected option life in years – 5. Of the total value, $66,564 has been recognized in the consolidated statements of loss and comprehensive loss.

On January 16, 2023, the Company granted 2,190,000 stock options to officers, directors, and consultants of the Company. The stock options vest immediately. The stock options were valued at $424,327 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 4.25%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 5.

(Expressed in Canadian dollars)

Details of stock options outstanding and exercisable as at September 30, 2023 are as follows:

Number		Exercise price	Expiry Date
1,400,000	$	0.07	July 15, 2027
4,100,000	$	0.25	April 26, 2027
2,190,000	$	0.30	January 16, 2028
7,690,000			

The weighted average remaining contractual life of stock options outstanding at September 30, 2023 was 3.80 years (December 31, 2022 – 4.38 years).

6. NOTE PAYABLE

On February 28, 2023, the Company entered into a promissory note with an arm's length party for a $100,000 loan. This loan was repaid during the period.

On June 23, 2023, the Company entered into a promissory note with an arm's length party for a $100,000 loan with interest of $10,000. The principal amount plus interest is due by June 23, 2024.

7. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's senior management, who are considered to be key management personnel by the Company. Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities.

Key management personnel include the members of the Board of Directors and officers of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company. Amount paid and accrued to directors and officers are as follows:

	For the nine months ended			
		September 30, 2023		September 30, 2022
Management and director compensation:				
Management fees	$	216,000	$	226,000
Consulting fees		115,500		69,500
Share-based payments		230,892		340,213
Total management compensation	$	562,392	$	635,713

Included in consulting fees above is $90,000 (2022 - $Nil) that was capitalized to exploration and evaluation assets.

Included in accounts payable and accrued liabilities is $Nil (December 31, 2022 - $86,183) owed to the directors and officers of the Company. These amounts are non-interest bearing with no specific terms of repayment.

8. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its cash and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

9. RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality financial institutions as determined by rating agencies. Receivables are due from a government agency.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to exchange risk as its mineral property interests are located in Mexico and Peru and certain transactions are conducted in the Mexican Peso and US dollar respectively. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in Mexican Peso ("MXN"):

	September 30, 2023	December 31, 2022
Balance in MXN:	$	$
Cash	4,333,281	2,660
Amounts receivable	2,651,398	1,620,735
Accounts payable	(6,207,176)	(120,192)
Net exposure	777,502	1,503,203
Balance in Canadian dollars:	59,090	104,458

A 10% change in the Mexican Peso to the Canadian dollar exchange rate would impact the Company's net loss by approximately $6,000 for the nine months ended September 30, 2023 (December 31, 2022 – $10,446). A 10% change in the US dollar and Peruvian Soles would not have a significant impact on the Company's balance sheet accounts and net loss for the nine months ended September 30, 2023 and December 31, 2022.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages this risk by careful management of its working capital. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There is no assurance of continued access to significant equity funding. The Company requires additional funding to continue with its ongoing operations and exploration commitments and accordingly is exposed to liquidity risks.

Fair value measurement

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

(Expressed in Canadian dollars)

The carrying values of cash and accounts payable approximate their fair values due to their short-term to maturity. The Company records its cash at FVTPL and accounts payable and note payable at amortized cost. Cash is measured using level 1 inputs.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

	September 30, 2023		December 31, 2022	
	Fair Value $	Carrying Value $	Fair Value $	Carrying Value $
FVTPL assets (i)	396,545	396,545	1,110,463	1,110,463
Amortized cost liabilities (ii)	663,739	663,739	375,881	375,881

(i) Cash
(ii) Accounts payable and note payable

The Company's financial assets measured at fair value on a recurring basis are presented on the Company's condensed consolidated interim statement of financial position as of September 30, 2023 as follows:

Financial Assets	Balance as at September 30, 2023 $	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	396,545	396,545	-	-
Total	396,545	396,545	-	-

10. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment being the exploration and evaluation of exploration and evaluation assets. As at September 30, 2023 and December 31, 2022, the full exploration and evaluation asset balance relates to expenditures incurred in Mexico.

11. LOSS ON SETTLEMENT

The Company and one of its directors were named as defendants in a legal proceeding commenced in the Supreme Court of British Columbia. The legal proceeding claimed damages against the director and the Company for a breach of an agreement. During the year, the Company settled the claim by making a payment of $125,000 to the claimant and agreeing to pay $97,500 on or before June 15, 2023. During the period, the Company paid $48,750. The remaining balance of $48,750 is outstanding.

12. COMMITMENTS

On June 1, 2020, the Company entered into a management consulting agreement with the Executive Chairman of the Company whereby the Executive Chairman agreed to provide management services to the Company. The agreement provides for the payment of $10,000 per month commencing June 1, 2020, for services provided. In the event of termination of the agreement without cause or a change of control of the Company, the Company must pay severance equal to 12 months of management fees.

On July 1, 2020, the Company entered into a management consulting agreement with the Chief Executive Officer ("CEO") and President of the Company whereby the CEO and President agreed to provide management services to the Company. The agreement provides for the payment of $10,000 per month commencing July 1, 2020, for services provided. In the event of termination of the agreement without cause or a change of control of the Company, the Company must pay severance equal to 12 months of management fees.

On July 27, 2020, the Company entered into an independent consultant agreement with the Chief Financial Officer ("CFO") of the Company for the provision of financial consulting services to the Company. The agreement provides for the payment of $3,000 per month plus the goods and services tax for the months of August and September 2020. Commencing May 1, 2022, the fees have been $4,000 per month. The CFO will be entitled to a severance payment of 4 months of consulting fees in the event of early termination of the agreement without cause.