

CAPITAN SILVER CORP.

(formerly Capitan Mining Inc.)

Condensed Interim Consolidated Financial Statements
For the Six Months Ended March 31, 2023

(Unaudited - Expressed in Canadian Dollars)

CAPITAN SILVER CORP.

(formerly Capitan Mining Inc.)

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NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

The attached condensed interim consolidated financial statements for the six months ended March 31, 2023 have not been reviewed by the Company's auditors.

CAPITAN SILVER CORP.

(formerly Capitan Mining Inc.)

Condensed Interim Consolidated Statements of Financial Position as at
(Unaudited - Expressed in Canadian Dollars)

	Notes	March 31, 2023	September 30, 2022
Assets			
Cash		\$ 1,464,425	\$ 78,882
Restricted cash	5	25,000	25,000
Taxes receivable	6	11,474	20,834
Prepaid expenses	7	54,312	25,766
		1,555,211	150,482
Equipment	8	1,922	2,246
VAT receivable	6	785,768	595,677
Exploration and evaluation assets	9	9,523,391	7,832,792
Total Assets		\$ 11,866,292	\$ 8,581,197
Liabilities			
Accounts payable and accrued liabilities	11	\$ 46,822	\$ 264,687
Taxes payable		18,627	13,401
		65,449	278,088
Shareholders' Equity			
Share capital	10	13,827,959	10,438,790
Reserves	10	371,088	360,023
Accumulated other comprehensive loss		722,374	199,963
Deficit		(3,120,578)	(2,695,667)
		11,800,843	8,303,109
Total Liabilities and Shareholders' Equity		\$ 11,866,292	\$ 8,581,197

Nature and continuance of operations (Note 1)

On behalf of the Board on May 29, 2023

John-Mark Staude

Director

Arturo Bonillas

Director

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

CAPITAN SILVER CORP.

(formerly Capitan Mining Inc.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

			Three months ended March 31, 2023	Three months ended March 31, 2022	Six months ended March 31, 2023	Six months ended March 31, 2022
	Notes					
Expenses						
Management and consulting fees	11	\$	74,027	41,000	280,870	86,000
Depreciation	8		270	142	526	216
Filing fees			14,375	10,829	33,663	33,830
Foreign exchange (gain) loss			(395)	(7,182)	13,153	1,238
Investor relations			34,881	47,099	47,631	79,397
General and administration			12,471	8,628	22,445	12,610
Professional fees			22,535	22,215	42,559	39,691
Share-based compensation	10,11		5,533	17,674	11,065	35,347
Travel and meals			233	-	233	-
Interest income			(12,440)	-	(27,234)	-
Net income (loss) for the period			(151,490)	(140,405)	(424,911)	(288,329)
Foreign exchange movements			443,181	19,481	522,411	(110,035)
Comprehensive income (loss) for the period		\$	291,691	(120,924)	97,500	(398,364)
Weighted average number of common shares outstanding						
			70,492,385	53,785,797	67,876,967	53,785,797
Loss per share		\$	(0.00)	(0.00)	(0.01)	(0.01)

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

CAPITAN SILVER CORP.

(formerly Capitan Mining Inc.)

Condensed Interim Consolidated Statements of Cash Flows

For the Six Months ended March 31,

(Unaudited - Expressed in Canadian Dollars)

	2023	2022
OPERATING ACTIVITIES		
Net loss for the period	\$ (424,911)	\$ (288,329)
Items not involving cash:		
Depreciation	526	216
Share-based compensation	11,065	35,347
Foreign exchange	522,209	(543)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(183,199)	(98,067)
Taxes receivable	(162,104)	(119,806)
Prepaid expenses	(28,546)	(846)
	(264,960)	(471,485)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(1,549,497)	(1,050,387)
Acquisition of equipment	-	(2,587)
	(1,549,497)	(1,052,974)
FINANCING ACTIVITIES		
Net proceeds from exercise of options	-	-
Net proceeds from exercise of warrants	-	-
Proceeds from shares issuance, net of issuance costs	3,200,000	-
Share subscription receivable	-	-
	3,200,000	-
Increase (decrease) in cash	1,385,543	(1,525,002)
Cash, beginning of the period	78,882	2,710,583
Cash, end of the period	\$ 1,464,425	\$ 1,185,581

During the period ended March 31, 2023, non-cash transaction for mineral property expenditures included in accounts payable was \$5,937 (September 30, 2022 - \$54,004).

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

CAPITAN SILVER CORP.

(formerly Capitan Mining Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

		<u>Capital Stock</u>				Accumulated Other Comprehensive Loss		Deficit	Total
	Note	Shares	Amount	Reserves					
Balance at September 30, 2021		53,785,797	\$ 10,438,790	\$ 293,727	\$	(109,487)	\$	(2,035,237)	\$ 8,587,793
Share-based payments	10	-	-	35,347		-		-	35,347
Foreign exchange movement		-	-	-		(548)		-	(548)
Loss for the period		-	-	-		-		(288,329)	(288,329)
Balance at March 31, 2022		53,785,797	\$ 10,438,790	\$ 329,074	\$	(110,035)	\$	(2,323,566)	\$ 8,334,263
Balance at September 30, 2022		53,785,797	\$ 10,438,790	\$ 360,023	\$	199,963	\$	(2,695,667)	\$ 8,303,109
Private placement	10	16,000,000	3,200,000	-		-		-	3,200,000
Shares issued for property acquisition	9	804,974	189,169	-		-		-	189,169
Share-based payments	10	-	-	11,065		-		-	11,065
Foreign exchange movement		-	-	-		522,411		-	522,411
Loss for the period		-	-	-		-		(424,911)	(424,911)
Balance at March 31, 2023		70,590,771	\$ 13,827,959	\$ 371,088	\$	722,374	\$	(3,120,578)	\$ 11,800,843

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

CAPITAN SILVER CORP.

(formerly Capitan Mining Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months ended March 31, 2023

(Unaudited - Expressed in Canadian Dollars)

1. Nature and continuance of operations

Capitan Silver Corp. (“Capitan” or the “Company”), formerly Capitan Mining Inc. was incorporated on October 30, 2019, under the laws of the Business Corporation Act (British Columbia) as part of a plan of arrangement (the “Plan of Arrangement”) to reorganize Riverside Resources Inc. (“Riverside”). The Company’s head office address is 550 – 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6. On August 21, 2020, the Company listed on the TSX Venture Exchange (the “Exchange”) with symbol CAPT.

On March 23, 2023, the Company changed its name from Capitan Mining Inc. to Capitan Silver Corp. (“Capitan”). The Company’s shares will continue to trade under the same symbol “CAPT” on the TSX Venture Exchange and the number of shares outstanding will not change.

The Company’s business activity is the acquisition and exploration of mineral properties in Mexico.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

The Company’s ability to continue operations is uncertain and is dependent upon the ability of the Company to obtain necessary financing to meet the Company’s liabilities and commitments as they become payable, acquiring assets or a business, and the ability to generate future profitable production or operations or sufficient proceeds from the disposition thereof. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company has sufficient working capital to maintain its operations and activities for the next fiscal year.

2. Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, which are stated at their fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS 34”), “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, these interim financial statements comply with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”.

4. Significant accounting policies

These condensed interim consolidated financial statements as at March 31, 2023 have been prepared following the same accounting policies as the annual consolidated financial statements as at September 30, 2022.

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For the Six Months ended March 31, 2023

(Unaudited - Expressed in Canadian Dollars)

5. Restricted cash

Restricted cash represents collateral in respect of the corporate credit card facility with a financial institution.

6. Taxes receivables

Taxes receivables mainly consist of tax refunds from the Federal Government of Canada and Mexico.

	March 31, 2023	September 30, 2022
GST recoverable amounts in Canada	\$ 11,474	\$ 20,834
VAT recoverable amounts in Mexico	785,768	595,677
	<u>\$ 797,242</u>	<u>\$ 616,511</u>

7. Prepaid expenses

The breakdown of prepaid expenses is as follows:

	March 31, 2023	September 30, 2022
Expense advances	\$ 7,674	\$ 4,548
Insurance	41,638	16,217
Prepaid deposit	5,000	5,001
	<u>\$ 54,312</u>	<u>\$ 25,766</u>

8. Equipment

	Computer hardware
Cost	
Balance at September 30, 2022	\$ 2,800
Additions	-
Foreign exchange movement	292
Balance at March 31, 2023	\$ 3,092
Accumulated depreciation	
Balance at September 30, 2022	\$ (554)
Depreciation	(526)
Foreign exchange movement	(90)
Balance at March 31, 2023	\$ (1,170)
Net book value	
Balance at September 30, 2022	\$ 2,246
Balance at March 31, 2023	\$ 1,922

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(Unaudited - Expressed in Canadian Dollars)

9. Exploration and evaluation assets

The exploration and evaluation assets in which the Company has an interest are located in Mexico. Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests is in good standing.

Cruz de Plata, Durango, Mexico

On August 14, 2020, the Company completed the acquisition of 100% interest in the Cruz de Plata Property (previously known as the Peñoles Property) for \$3,500,000 by issuing 17,500,000 common shares to Riverside in connection with the Plan of Arrangement.

On January 10, 2022 and as amended on March 1, 2022, the Company entered into a purchase agreement to acquire all outstanding net smelter royalties (“NSR’s”) on mining claims in the Cruz de Plata Property from Exploraciones del Altiplano (“Altiplano”), a private Mexican exploration company (the “Royalty Purchase”). This included a 2% NSR on the Capitan Hill claims, 0.75% on claims covering the Jesús María, San Rafael, Pinchazo and Capitan 2 claims and 0.5% on third-party claims. The total consideration for the Royalty Purchase is US\$1,000,000, of which US\$550,000 will be paid in cash and US\$450,000 in the Company’s common shares to be issued over 2 years. The Company will also retain a right of first refusal on any shares distributed to Altiplano as consideration.

The transaction details as below:

Due date	Cash	Common shares in value
Upon the closing date (January 11, 2022)	US\$100,000 (paid)	-
On or before the first anniversary of the closing date (January 11, 2023)	US\$150,000 (paid)	US\$150,000 (issued)
On or before the second anniversary of the closing date (January 11, 2024)	US\$300,000	US\$300,000

In addition to the NSR’s held by Altiplano, the Cruz de Plata Property has a 1% NSR owned by Riverside which was created as part of the Plan of Arrangement. The Company has the option to purchase and retire the Riverside royalty for \$250,000 at any time.

On November 28, 2022, the Company executed an option agreement with Minera Fresnillo S. A. de C. V. (a wholly owned subsidiary of Fresnillo plc) (“Minera”), to acquire a 100% interest for certain mineral concessions at the Cruz de Plata Project.

The terms of the option agreement include the right to explore and an option to acquire 100% interest in the mineral concessions for total payable amount of US\$1,000,000 over the three-year period. In the event the Company acquires 100% interest, Minera will maintain a 1% NSR which the Company can buy-back for US\$1,000,000.

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9. Exploration and evaluation assets (continued)

The transaction details as below:

Due date	Cash
Upon the closing date (November 28, 2022)	US\$50,000 (Paid)
On or before the first anniversary of the closing date (November 28, 2023)	US\$150,000
On or before the second anniversary of the closing date (November 28, 2024)	US\$150,000
30 months from the date of signing (May 28, 2025)	US\$150,000
On or before the third anniversary of the closing date (November 28, 2025)	US\$500,000

The breakdown of exploration and evaluation assets is as follows:

	March 31, 2022	September 30, 2022
Acquisition costs	\$ 478,501	\$ 160,832
Exploration costs:		
Assaying	65,880	322,902
Data acquisition	24,245	18,744
Field & camp costs	14,478	47,352
Geological consulting	340,148	641,395
Drilling	124,046	503,774
Transport & support	65,648	88,603
Total current exploration costs	634,445	1,622,770
Professional fees:		
Legal fees	50,344	24,232
Business development	19,763	-
Total current professional & other fees	70,107	24,232
Total costs incurred during the year	1,183,053	1,807,834
Balance, Opening	7,832,792	5,655,126
Foreign exchange movements	507,546	369,832
Balance, End of the period	\$ 9,523,391	\$ 7,832,792
Cumulative costs:		
Acquisition	\$ 4,190,751	\$ 3,712,250
Exploration	4,370,108	3,735,663
Professional & other fees	112,930	42,823
Foreign exchange movements	849,602	342,056
	\$ 9,523,391	\$ 7,832,792

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Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

10. Share capital and reserves

The common shares have no par value and the number of authorized shares is unlimited.

As of March 31, 2023, 59,182 (September 30, 2022 – 118,367) of the Company's issued common shares were held in escrow.

Shares issued for the period ended March 31, 2023

As of November 2, 2022, the Company completed a non-brokered private placement, issuing 16,000,000 common shares at \$0.20 each raising gross proceeds of \$3,200,000. There was no finder's fee paid on this private placement.

On January 11, 2023, the Company issued 804,974 common shares at a fair market value of US\$150,000 to Altiplano per net smelter royalties ("NSR's") purchase agreement.

Shares issued for the year ended September 30, 2022

There were no common shares issued during the year.

Share purchase and finders' warrants

	Number of warrants	Weighted average exercise price
Outstanding warrants, September 30, 2020	350,000	\$ 0.25
Expired	(350,000)	0.25
Outstanding warrants, September 30, 2021 and 2022 and March 31, 2023	-	\$ -

Stock options

The Company has established a rolling stock option plan ("Option Plan") enabling the directors to grant options to employees, officers, directors, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Option Plan, provided that the total number of shares reserved for issuance by the Board shall not exceed 10% of the issued and outstanding listed shares (on a non-diluted basis). Options are non-assignable and may be granted for a term not exceeding that permitted by the Exchange, currently ten years. All stock options issued are subject to vesting terms. Options issued to directors will vest as follows: 33% vest on the grant date and 33% vest on the anniversary of each year for the next two years. Also, options issued to officers and/or consultants vest as follows: 25% options vest on the grant date and 25% options vest on the anniversary of each year for the next three years. The exercise price of each option equals the market price, minimum price, or discounted market price of the Company's shares as calculated on the date of grant.

Share-based payments relating to options vested during the period ended March 31, 2023, using the Black-Scholes option pricing model was \$11,065 (September 30, 2022 - \$66,296) which was recorded as reserves on the statements of financial position and as share-based compensation expense on the statements of loss and comprehensive loss. There were no stock options granted for the year ended September 30, 2022 and the six months ended March 31, 2023.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months ended March 31, 2023

(Unaudited - Expressed in Canadian Dollars)

10. Share capital and reserves (continued)**Stock options (continued)**

The number and weighted average exercise prices of the stock options are as follows:

	Number of options	Weighted average exercise price
Outstanding options, September 30, 2021	2,483,893	0.25
Expired	(90,790)	0.39
Outstanding options, September 30, 2022	2,393,103	\$ 0.25
Cancelled	(44,643)	0.19
Expired	(66,147)	0.27
Outstanding options, March 31, 2023	2,282,313	\$ 0.25

On July 16, 2021, the Company granted 50,000 incentive stock options (the "Options") to a consultant of the Company. The Options are exercisable at \$0.27 per share for a period of five years from the date of grant. Options granted to individuals in their capacity as a consultant vest over 36 months with $\frac{1}{4}$ available upon issuance and $\frac{1}{4}$ each 12 months thereafter.

During the period ended March 31, 2023, consultants from the Company resigned and 44,643 options were cancelled, 66,147 options expired unexercised.

As at March 31, 2023, the Company has outstanding stock options exercisable as follows:

Expiry date (mm/dd/yyyy)	Number of options outstanding	Weighted average remaining life in years	Exercise price	Number of options exercisable
01/08/2024	50,583	0.78	\$ 0.155	50,583
11/15/2024	116,730	1.63	\$ 0.100	116,730
09/08/2025	2,065,000	2.44	\$ 0.250	1,690,000
07/16/2026	50,000	3.30	\$ 0.260	25,000
	2,393,103	2.38		1,882,313

11. Related party transactions

(a) Transactions:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the period ended March 31, 2023 is as follows:

	March 31, 2023	September 30, 2022
Management and consulting fees (i)	\$ 111,000	\$ 360,904
Share-based compensation	10,188	55,363
	\$ 121,188	\$ 416,267

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months ended March 31, 2023

(Unaudited - Expressed in Canadian Dollars)

11. Related party transactions (continued)

(i) Management and consulting fees of the key management personnel for the period were allocated as follows: \$36,000 (2022 - \$56,000) expensed to consulting fees and \$75,000 (2022- \$92,508) capitalized to exploration and evaluation assets.

(b) Due to related parties:

	March 31, 2023	September 30, 2022
Consulting and management fees	\$ -	\$ 12,600
Mineral Property - exploration and evaluation assets	-	45,414
	\$ -	\$ 58,014

Amounts due to related parties are included in accounts payable and accrued liabilities and are unsecured, have no fixed repayments, and are non-interest bearing.

12. Financial instruments

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 for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash, restricted cash and accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the statements of financial position.

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2023, the Company had cash of \$1,464,425 (September 30, 2022 - \$78,882) to settle current liabilities of \$65,449 (September 30, 2022 - \$278,088). The Company believes it has sufficient funds to meet its current liabilities as they become due.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, silver and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to accounts payable and accrued liabilities that are denominated in Mexican pesos.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months ended March 31, 2023

(Unaudited - Expressed in Canadian Dollars)

12. Financial instruments (continued)

Sensitivity analysis

The Company operates in Mexico and is exposed to risk from changes in the Mexican peso. A 10% fluctuation in the Mexico peso against the Canadian dollar would affect loss for the period by \$72,285 (September 30, 2022- \$52,590).

13. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. In the management of capital, the Company includes components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company is not currently subject to externally imposed capital requirements. There were no change in the Company's approval to capital management.

14. Segmented information

The Company operates in one reportable segment, being the acquisition and exploration of mineral property interests in Mexico.