COLIBRI RESOURCE CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

(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 condensed consolidated interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

COLIBRI RESOURCE CORPORATION
Condensed Consolidated Interim Statements of Comprehensive (Loss) Income
(Expressed in Canadian Dollars - Unaudited)

	For the three months ended September 30, 2023	For the three months ended September 30, 2022	**For the nine months ended September 30, 2023**	For the nine months ended September 30, 2022
	$	$	**$**	$
ADMINISTATION AND GENERAL				
Accounting and audit fees	**26,391**	25,121	**62,848**	49,446
Advertising and promotion	**12,281**	15,167	**30,800**	95,783
Amortization and depreciation	**30,827**	22,959	**89,349**	63,737
Consulting fees (Note 13)	**60,092**	17,419	**123,360**	120,427
Foreign exchange (gain) loss	**3,055**	25,998	**(9,904)**	15,506
Interest and accretion expense (Note 10, 11, 12 & 13)	**84,615**	53,210	**223,131**	156,467
Legal	**29,925**	49,485	**46,547**	54,002
Management fees (Note 13)	**24,000**	36,500	**72,000**	109,500
Office and miscellaneous	**34,752**	(19,233)	**111,441**	116,907
Telephone	**1,448**	1,801	**3,871**	4,496
Transfer agent and filing fees	**7,867**	16,243	**21,152**	26,001
Travel and related costs	**2,141**	5,362	**22,426**	23,108
Wages and benefits	**39,394**	60,920	**119,119**	107,806
Total expenses	**(356,788)**	(310,952)	**(916,140)**	(943,186)
Other income (loss)				
Drilling revenue	**-**	34,974	**-**	34,974
Expenses recovered	**3,715**	-	**11,149**	-
Mineral property option proceeds in excess of capitalized costs	**75,000**	685,000	**92,000**	685,000
Fair value adjustments on investments (Note 6)	**760**	4,360	**63,560**	(15,000)
Realized gain (loss) on sale of investments (Note 6)	**4,360**	(61,050)	**36,152**	(122,518)
Total other income	**83,835**	663,284	**202,861**	582,456
NET (LOSS) INCOME FOR THE PERIODS	**(272,953)**	352,332	**(713,279)**	(360,730)
COMPREHENSIVE (LOSS) INCOME				
Cumulative translation adjustment	**17,350**	231,590	**529,487**	339,069
COMPREHENSIVE (LOSS) INCOME FOR THE PERIODS	**(255,603)**	583,922	**(183,792)**	(21,661)
Net (loss) income per share - basic and diluted	**(0.00)**	0.00	**(0.01)**	(0.00)
Weighted average number of shares outstanding - basic and diluted	**96,726,625**	96,726,625	**96,726,625**	96,726,625

See accompanying notes to the condensed consolidated interim financial statements

COLIBRI RESOURCE CORPORATION
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

	As at September 30, 2023	As at December 31, 2022
	$	$
ASSETS		
Current assets		
Cash (Note 3)	**338,725**	84,095
Receivables (Note 4)	**54,062**	89,596
Investment (Note 6)	**10,260**	570,000
Prepaid expenses (Note 5)	**198,600**	178,929
	601,647	922,620
Capital assets (Note 7)	**559,062**	548,277
Right-of-use asset (Note 8)	**124,010**	139,378
Exploration and evaluation assets (Note 9)	**4,806,109**	4,302,623
	6,090,828	5,912,898
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**333,129**	123,072
Accounts payable to related parties (Note 13)	**24,148**	58,140
Loans payable (Note 12)	**40,000**	310,880
Current portion of lease liability (Note 8)	**21,472**	21,381
	418,749	513,473
Promissory note Payable (Note 10)	**-**	548,627
Convertible debenture (Note 11)	**1,630,347**	855,049
Lease Liability (Note 8)	**111,290**	127,933
	2,160,386	2,045,082
Shareholders' Equity		
Share capital (Note 14)	**17,561,923**	17,561,923
Warrants (Note 14)	**62,316**	-
Contributed surplus (Note 14)	**603,360**	603,360
Equity component of convertible debentures (Note 11)	**476,855**	292,753
Accumulated other comprehensive income (Note 19)	**776,216**	246,729
Accumulated deficit	**(15,550,228)**	(14,836,949)
Total shareholders' equity	**3,930,442**	3,867,816
Total liabilities and shareholders' equity	**6,090,828**	5,912,898

Nature of operations and going concern (Note 1)
Subsequent events (Note 20)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by William MacDonald, Director

Original signed by Ronald Goguen, Director

The accompanying notes are an intergral part of these consolidated financial statements

COLIBRI RESOURCE CORPORATION

Condensed Consolidated Interim Statements of Change in Shareholders' Equity

(Expressed in Canadian Dollars - Unaudited)

	Number of shares	Share capital $	Warrants $	Equity component of convertible debenture $	Accumulated other comprehensive income $	Contributed surplus	Accumulated deficit $	Total equity $
Balance December 31, 2021	**96,726,625**	**17,561,923**	**-**	**292,753**	**(237,631)**	**603,360**	**(14,169,349)**	**4,051,056**
Net loss for the period	-	-	-	-	-	-	(360,730)	(360,730)
Other comprehensive income	-	-	-	-	339,069	-	-	339,069
Balance September 30, 2022	**96,726,625**	**17,561,923**	**-**	**292,753**	**101,438**	**603,360**	**(14,530,079)**	**4,029,395**
Net loss for the period	-	-	-	-	-	-	(306,870)	(306,870)
Other comprehensive income	-	-	-	-	145,291	-	-	145,291
Balance December 31, 2022	**96,726,625**	**17,561,923**	**-**	**292,753**	**246,729**	**603,360**	**(14,836,949)**	**3,867,816**
Net loss for the period	-	-	-	-	-	-	(713,279)	(713,279)
Value of warrants issued under private placement (Note 11 & 14)	-	-	62,316	-	-	-	-	62,316
Value of equity component of convertible debentures (Note 11)	-	-	-	184,102	-	-	-	184,102
Other comprehensive income	-	-	-	-	529,487	-	-	529,487
Balance September 30, 2023	**96,726,625**	**17,561,923**	**62,316**	**476,855**	**776,216**	**603,360**	**(15,550,228)**	**3,930,442**

See accompanying notes to the condensed consolidated interim financial statements

COLIBRI RESOURCE CORPORATION
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
	$	$
CASH FLOW USED IN OPERATING ACTIVITIES		
Net loss for the periods	**(713,279)**	(360,730)
Items not involving cash:		
Amortization	**89,349**	63,737
Fair value adjustments on investments	**(63,560)**	15,000
Realized (gain) loss on sale of investment	**(36,152)**	122,518
Mineral property proceeds in excess of capitalized costs	**(17,000)**	(610,000)
Accretion	**157,442**	156,467
Unrealized foreign exchange loss	**-**	15,506
Changes in non-cash working capital		
Decrease (increase) in receivables	**35,534**	(163,459)
Increase in prepaid expenses	**(19,671)**	(36,076)
Increase in trade payables and accrued liabilities	**210,057**	126,766
Net cash flows used in operating activities	**(357,280)**	(670,271)
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	**(709,129)**	(815,843)
Acquisition of capital assets	**(17,628)**	(188,540)
Proceeds from sale of mineral property	**667,000**	-
Acquisition of investments	**-**	(75,000)
Proceeds from sale of investments	**659,452**	828,273
Net cash flows provided by (used in) investment activities	**599,695**	(251,110)
CASH FLOW USED IN FINANCING ACTIVITIES		
Net proceeds from convertible debentures	**865,524**	-
Repayment of related party payables	**(41,398)**	(15,508)
Repayment of loan payable	**(270,880)**	-
Repayment of promissory note payable	**(540,362)**	-
Repayment of lease obligations	**(18,575)**	(24,676)
Net cash flows used in financing activities	**(5,691)**	(40,184)
Effect of change in foreign exchange rates	**17,906**	53,901
INCREASE (DECREASE) IN CASH	**254,630**	(907,664)
CASH, beginning of periods	**84,095**	1,309,475
CASH, end of periods	**338,725**	401,811

Supplemental cash flow information (Note 15)

See accompanying notes to the condensed consolidated interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Colibri Resource Corporation ("the Company") was incorporated on February 20, 2004 in the Province of British Columbia. The Company's registered office and principal place of business is 105 Englehart St., Suite 700, Dieppe, NB, Canada.

The Company is pursuing opportunities in the exploration of mineral and natural resource properties in Mexico and is considered to be in the exploration stage.

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition of the properties.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and liabilities in the normal course of business. The following material uncertainties cast significant doubt on the validity of this assumption. During the nine months ended September 30, 2023, the Company had a net loss of $713,279 (2022 - $360,730) and as at September 30, 2023, the Company has working capital of $182,898 (December 31, 2022 – $409,147), a cumulative deficit of $15,550,228 (December 31, 2022 – $14,836,949), no source of operating cash flow, and no assurances that sufficient funding will be available to conduct further exploration and development of its resource property projects. During the quarter, the Company closed a non-brokered private placement of convertible debentures raising gross proceeds of USD $687,000.

The only source of future funds presently available to the Company is through the issuance of share capital, or by the sale of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing or sale of an interest in the future will depend in part upon the prevailing market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised through the issuance of shares, control of the Company may change and shareholders may suffer dilution. Although these condensed consolidated interim financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations, and financial condition.

The amounts shown as exploration and evaluation assets represent acquisition costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral property interests is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS as issued by the IASB. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2022.

The Board of Directors approved these condensed consolidated interim financial statements for issue on November 27, 2023.

(b) Basis of Measurement

These condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, with the exception of certain financial instruments classified as available-for-sale which are measured at fair value as described in Note 3. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

(c) Subsidiaries and Principles of Consolidation

These condensed consolidated interim financial statements include the accounts of Colibri Resource Corporation and its wholly owned subsidiaries 7985240 Canada Ltd. (formerly Canadian Gold Resources Ltd), Great Panther Coboro Holdings Ltd., Minera Bestep S.A. de C.V.("Minera Bestep"), Yaque Minerales S.A. de C.V ("Yaque") and Coboro Minerales S.A. de C.V.("Coboro"). Yaque, Minera Bestep and Coboro are incorporated in Mexico for the purposes of developing mineral properties. All intercompany transactions and balances have been eliminated upon consolidation. All amounts are reported and measured in Canadian dollars.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the condensed consolidated interim financial report from the date control commences to the date control ceases.

(d) Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the condensed consolidated interim statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and

2. BASIS OF PRESENTATION *(Continued)*

(d) Significant Accounting Judgments and Estimates *(Continued)*

liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The assumption of going concern basis of accounting;
- The carrying value and recoverable amount of exploration and evaluation assets (note 9);
- The inputs used in accounting for share-based compensation expense in the condensed consolidated interim statements of operations and comprehensive loss (note 14(d));
- The inputs used in the valuation of the convertible debentures, the conversion feature and the attached warrants (notes 11 & 14 (c));
- The valuation of shares issued in non-cash transactions (note 3);
- The valuation allowance applied against deferred income tax assets;
- The determination of functional currency (note 3); and
- The determination that the foreign exchange differences on loans to the Mexican subsidiaries are recorded to other comprehensive income because the loans are part of the net investment in a foreign operation and repayment is not expected in the foreseeable future (note 3).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The remaining maturities at point of purchase are at three months or less, with no penalties on early retirement.

(b) Exploration and evaluation assets

Exploration and evaluation assets are recorded at cost less accumulated impairment losses, if any. All direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the technical feasibility and commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. Technical feasibility and commercial viability is defined as (1) the determination of mineral reserves and (2) a decision to proceed with development has been recommended by management and approved by the Company's board of directors. To the extent that the expenditures are made to establish mineral reserves within the rights to explore, the Company will consider those costs as capital in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the exploration and evaluation asset.

Management reviews the facts and circumstances to determine whether there is an indication that the carrying amount of the exploration and evaluation assets exceeds their carrying value on a regular basis. Indication includes but is not limited to, the expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned and if the entity has decided to discontinue exploration activity in the specific area. If the facts and circumstances suggest the carrying value exceeds the recovery value, the Company will write down the carrying value of the property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Capital assets

Capital assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of capital assets consists of the purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for its intended use.

Capital assets are depreciated on a straight-line basis over their useful lives at the following rates:

Building – 20 years
Drilling equipment – 10 years
Transportation equipment – 4 years
Computer equipment – 3 years
Furniture and fixtures – 3 years

(d) Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash- generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(e) Revenue recognition

Interest income from financial instruments (mainly cash and equivalents), is recognized using the effective interest method. Dividend income is recognized when the rights to receive payment is established.

The Company has no ongoing revenue other than nominal interest and dividend income on cash balances, however, from time to time the Company sells or options Exploration or Evaluation assets (E&E assets) for cash and or shares of other exploration companies (or a combination of both). Any shares received are valued when received at fair market value. The cash and or shares received are offset against the carrying value of the E&E assets being sold to the extent that there is any carrying value. Should the amount received be in excess of the carrying value of the E&E assets, the amount is recognized in the income statement as mineral property option proceeds in excess of capitalized costs. Similarly, should the proceeds be less than the carrying value of the E&E assets being sold or optioned, the balance is recognized in the income statement as loss on the sale or option of exploration and evaluation assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The right-of-use ("ROU") asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the earlier of the end of the useful life or the lease term using either the straight-line or units-of-production method, depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments. Future lease payments can arise from a change in an index or rate, if there is a change in the Company's estimate of the expected payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded to the statement of loss if the carrying amount of the ROU asset has been reduced to zero.

(g) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency for Colibri and 7985240 Canada Ltd. The functional currency of Yaque, Minera Bestep and Coboro, is the Mexican Peso.

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the date of the transaction. The foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year–end exchange rates of monetary assets and liabilities denominated in currencies other than an operation’s functional currency are recognized in the statement of income.

The assets and liabilities of the Company’s foreign operations that have a functional currency different from Colibri are translated into Canadian dollars using the exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transaction are used. Exchange differences arising, if any, are recognized in other comprehensive income as cumulative translation adjustments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Foreign Currency Translation *(Continued)*

The long-term receivables from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future is considered a part of the Company's net investment in the foreign operation. Exchange differences arising on these monetary items are recognized in the other comprehensive income.

(h) Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated interim financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are derecognized to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(i) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive. The treasury stock method is used to arrive at the diluted outstanding shares that may add to the total number of loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options of common shares. Diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

(j) Share Capital

The Company records its share capital proceeds from share issuances net of related issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of the agreement to issue shares or other fair value equivalent amount as determined by the Board of Directors. Agent's warrants, stock options and other equity instruments issued as purchase consideration in nonmonetary transactions other than as consideration for mineral properties are recorded at fair value determined by management using the Black-Scholes option pricing model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Share-based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the condensed consolidated interim financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

(l) Financial Instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

The Company has made the following classifications:

Cash	FVTPL
Marketable securities	FVTPL
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans Payable	Amortized cost
Convertible debentures	Amortized cost
Promissory note	Amortized cost
Lease liability	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial Instruments *(Continued)*

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVTPL are measured at fair value with changes in fair value recognized in the statements of comprehensive loss.

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the statements of operations. The election is available on an investment-by-investment basis. As at September 30, 2023, the Company did not have any financial assets at FVOCI.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net loss when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

De-recognition of financial assets and liabilities

A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate. A financial liability is derecognized when the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial Instruments *(Continued)*

De-recognition of financial assets and liabilities *(Continued)*

associated obligation is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net loss.

Impairment of financial assets:

A loss allowance for expected credit losses is recognized in net loss for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to FVTPL instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Financial instruments recorded at fair value:

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

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.

As at September 30, 2023, the carrying value of the investment is recorded at fair value on the condensed consolidated interim statement of financial position. Investments in public company shares are carried at fair value using the quoted trading share price and would be considered Level 1.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Accounting standards issued but not yet applied

As of the date of authorization of the financial statements, several new, but not yet effective Standards and amendments to existing Standards, and Interpretations have been published by the International Accounting Standards Board (IASB). None of the Standards or amendments to existing Standards have been adopted by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current period have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

4. RECEIVABLES

	September 30, 2023	December 31, 2022
	$	$
Sales tax recovery	**28,994**	16,210
Recovery of expenses	**12,015**	52,769
Other	**13,053**	20,617
	54,062	89,596

5. PREPAID EXPENSES

	September 30, 2023	December 31, 2022
	$	$
Prepaid insurance	**139**	1,204
Prepaid Supplies	**195,964**	175,325
Other	**2,497**	2,400
	198,600	178,929

(Expressed in Canadian Dollars)

6. INVESTMENT

The Company acquired 2,000,000 common shares of Tocvan Ventures Corp. during fiscal 2019 as partial consideration for the option of a mineral property as described in Note 9. During fiscal 2020 the Company acquired an additional 1,000,000 shares and sold 1,650,000 shares and realized a gain of $50,484. During fiscal 2021, the Company acquired an additional 1,000,000 shares and sold 1,329,900 shares and realized a gain of $115,414. During the year ended December 31, 2022, the Company acquired another 1,000,000 shares, sold 1,020,100 shares and realized a loss of $112,333. During the nine months ended September 30, 2023, the Company sold 981,000 shares and realized a gain of $36,991. The fair value of the shares has been adjusted to reflect market value resulting in a cumulative gain of $63,560 (December 31, 2022 – loss of $100,000).

The Company acquired 1,000,000 common shares of Silver Spruce Resources Inc. during fiscal 2021 as partial consideration for an option agreement of mineral properties. During fiscal 2021, the Company sold 500,000 shares and realized a gain of $6,446. During the year ended December 31, 2022, the Company sold 500,000 shares and realized of loss of $10,185. During the year ended December 31, 2022, the Company acquired another 3,000,000 shares. During the quarter ended March 31, 2023, the Company sold 3,000,000 shares and realized a loss of $839.

Tocvan Ventures Corp. and Silver Spruce Resources Inc. are reporting issuers whose shares are listed on the Canadian Securities Exchange and the TSX Venture Exchange respectively.

	December 31, 2022	**Additions**	**Proceeds from sales**	**Realized gain (loss)**	**Unrealized gain (loss)**	**September 30, 2023**
	$	**$**	**$**	**$**	**$**	**$**
Tocvan Ventures Corp.	**510,000**	**-**	**(600,291)**	**36,991**	**63,560**	**10,260**
Silver Spruce Resources Inc.	**60,000**	**-**	**(59,161)**	**(839)**	**-**	**-**
	570,000	**-**	**(659,452)**	**36,152**	**63,560**	**10,260**

	December 31, 2021	Additions	Proceeds from sales	Realized gain (loss)	Unrealized gain (loss)	December 31, 2022
	$	$	$	$	$	$
Tocvan Ventures Corp.	928,291	610,000	(815,958)	(112,333)	(100,000)	510,000
Silver Spruce Resources Inc.	22,500	75,000	(12,315)	(10,185)	(15,000)	60,000
	950,791	685,000	(828,273)	(122,518)	(115,000)	570,000

(Expressed in Canadian Dollars)

7. CAPITAL ASSETS

	Land and building	Office equipment	Computer equipment	Transportation equipment	Drilling equipment	Total
	$	$	$	$	$	$
Cost:						
Balance December 31, 2021	6,209	15,393	12,547	75,257	450,370	559,776
Addition	76,096	1,173	1,188	-	95,435	173,892
Reclassification	-	-	-	-	(95,662)	(95,662)
Effect of exchange rate change	6,883	1,525	346	8,969	51,888	69,611
Balance December 31, 2022	89,188	18,091	14,081	84,226	502,031	707,617
Addition	**-**	**-**	**-**	**17,628**	**-**	**17,628**
Effect of exchange rate change	**10,499**	**1,816**	**424**	**11,316**	**59,097**	**83,152**
Balance September 30, 2023	**99,687**	**19,907**	**14,505**	**113,170**	**561,128**	**808,397**
Accumulated amortization:						
Balance December 31, 2021	-	4,970	10,185	18,814	45,037	79,006
Amortization	3,830	5,128	1,934	19,611	45,758	76,261
Disposal	-	-	-	-	(8,566)	(8,566)
Effect of exchange rate change	282	829	224	3,688	7,616	12,639
Balance December 31, 2022	4,112	10,927	12,343	42,113	89,845	159,340
Amortization	**3,346**	**4,388**	**1,252**	**20,599**	**40,855**	**70,440**
Effect of exchange rate change	**585**	**1,259**	**327**	**5,578**	**11,806**	**19,555**
Balance September 30, 2023	**8,043**	**16,574**	**13,922**	**68,290**	**142,506**	**249,335**
Carrying amounts:						
December 31, 2022	85,076	7,164	1,738	42,113	412,186	548,277
September 30, 2023	**91,644**	**3,333**	**583**	**44,880**	**418,622**	**559,062**

(Expressed in Canadian Dollars)

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for its head office space in Dieppe, New Brunswick and a lease agreement for its office in Sonora, Mexico.

The continuity of the ROU asset and lease liability is as follows:

Right-of-use asset	**September 30, 2023**	December 31, 2022
	$	$
Balance Beginning of periods	**139,378**	159,085
Depreciation	**(18,919)**	(23,509)
Effect of foreign exchange	**3,551**	3,802
Balance end of periods	**124,010**	139,378
Lease liability		
Balance Beginning of periods	**149,314**	154,514
Lease payments	**(28,156)**	(33,711)
Lease interest	**8,510**	24,992
Effect of foreign exchange	**3,094**	3,519
Balance end of periods	**132,762**	149,314
Current portion	**21,472**	21,381
Long-term portion	**111,290**	127,933

9. EXPLORATION AND EVALUATION ASSETS

Title to Mineral Properties

Title to mineral properties 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 conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Colibri Property ("Pitaya Property")

The Company sold the Pitaya property during the second quarter of fiscal 2023.

Evelyn/Plomo Property

The Company holds a 100% interest in the Evelyn/Plomo property (EP).

During the 2019 year, the Company carried out preparatory work for a drilling program to be completed during fiscal 2020. Consequently, exploration and evaluation costs of $70,220 were capitalized.

During fiscal 2020, the Company incurred exploration and evaluation expenditures in the amount of $437,575 related to the Evelyn property.

9. EXPLORATION AND EVALUATION ASSETS *(Continued*

Evelyn/Plomo Property *(Continued)*

During fiscal 2021, the Company incurred exploration and evaluation expenditures in the amount of $832,829 related to the Evelyn property.

During fiscal 2022, the Company incurred exploration and evaluation expenditures in the amount of $1,303,134 related to the Evelyn property.

During the first quarter of 2023, the Company purchased all the shares of Coboro Minerales S.A. de C.V., ("Coboro") for $100,000. Coboro holds the Plomo gold project which is contiguous with the Evelyn project. For the nine months ended September 30, 2023, the Company incurred exploration and evaluation expenditures in the amount of $849,943 related to the Evelyn/Plomo property.

Pilar Property

In August 2017 the Company, through its wholly owned subsidiary, Minera Bestep, acquired a 100% interest in the Pilar property. The Pilar property is located in the State of Sonora, Mexico.

During the 2019 year, the Company optioned the Pilar property to Tocvan Ventures Corp. ("Tocvan") whose shares are listed on the Canadian Securities Exchange, and received as consideration 2,000,000 common shares of Tocvan valued at $260,000 and cash of $125,000. Tocvan can earn a 51% interest in the Pilar property by issuing another 3,000,000 common shares, making additional cash payments of $300,000 to the Company, and carrying out exploration and evaluation expenditures of $2,000,000, over a 60-month period.

During the 2020 fiscal year, the Company received an additional 1,000,000 common shares of Tocvan valued at $465,000 and cash of $125,000 as partial consideration in connection with the option agreement.

During fiscal 2021, the Company received an additional 1,000,000 common shares of Tocvan valued at $910,000 and cash of $25,000 as partial consideration in connection with the option agreement.

During fiscal 2022, the Company received an additional 1,000,000 common shares of Tocvan valued at $610,000 and cash of $75,000 as partial consideration in connection with the option agreement.

During fiscal 2023, the Company received the final cash payment of $75,000. On September 19, 2023, Tocvan submitted the exercise notice to the Company for the majority ownership (51%) of the Pilar Property. Tocvan has a six-month option period, till March 19, 2024, to purchase the remaining 49% for $2,000,000 cash payment and 2% NSR on the property.

Sun Property

In August 2017, the Company through its wholly owned subsidiary, Minera Bestep S.A. de C.V., acquired a 100% interest in the Sun concession.

During the 2018 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $8,565.

During the 2019 fiscal year, the Company determined that the Sun property was no longer an integral part of its property portfolio and allowed the concession to lapse.

During fiscal 2021, the Company re-acquired the Sun property by paying tax arrears in the amount of $4,054.

9. EXPLORATION AND EVALUATION ASSETS *(Continued)*

El Mezquite Property

In November 2019, the Company through its recently acquired wholly owned subsidiary, Yaque Minerales S.A. de C.V., acquired a 65% interest in the El Mezquite property. The El Mezquite property is located in the State of Sonora, Mexico.

During the 2020 fiscal year, the Company entered into an agreement with Silver Spruce Resources Inc. ("Silver Spruce") whereby Silver Spruce acquired a four-year option to purchase a 50% interest in Yaque Minerales S.A. de C.V., a wholly owned subsidiary of the Company which owns a 65% interest in the El Mezquite property in Mexico.

Consideration for the option includes payment of an amount to acquire the remaining 35% interest in the El Mezquite property, payments required to maintain surface rights for the El Mezquite property, payment of 50% of the property taxes on the El Mezquite property, payment of 50% of the interest on an existing convertible debenture related to the purchase of Yaque Minerales, and payment of $500,000 prior to October 2023.

Silver Spruce must also incur USD $600,000 in exploration and evaluation expenditures on the El Mezquite property during the period of the option, with no minimum annual amount.

During the 2020 fiscal year, Silver Spruce paid USD $82,500 (CAD $109,000) as partial payment to acquire the 35% interest in the property.

During fiscal 2021, Silver Spruce paid USD $27,500 (CAD $35,500) as partial payment to acquire the 35% interest in the property.

During the 2021 fiscal year, the Company paid USD $50,000 as partial payment to acquire the 35% interest in the El Mezquite property and another USD $50,000 in January 2022 resulting in the Company owning a 100% interest in the El Mezquite property.

During the third quarter of 2022, Silver Spruce informed Colibri that it was withdrawing from its agreement to purchase 50% of the El Mezquite project.

Jackie Property

In November 2019, the Company through its recently acquired wholly owned subsidiary, Yaque Minerales S.A. de C.V., acquired a 100% interest in the Jackie property. The Jackie property is located in the State of Sonora, Mexico.

During the 2020 fiscal year, the Company entered into an option agreement with Silver Spruce Resources Inc. ("Silver Spruce") whereby Silver Spruce can earn a 50% interest in the Jackie property by cash payments of USD $50,000 and CAD $50,000 of Silver Spruce shares to the Company over a two-year issuance period. In addition, Silver Spruce is required to carry out USD $100,000 of exploration and evaluation expenditures of which USD $50,000 of expenditures must be incurred during the first year of the option.

During fiscal 2021, the Company received 1,000,000 common shares of Silver Spruce valued at $47,500 and cash of USD $50,000 (CAD $64,000) in connection with the option agreement.

On April 19, 2022, Silver Spruce having earned its 50% interest in the Jackie property, signed a joint venture agreement with the Company for the continued operation of the Jackie property.

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS *(Continued)*

El Diamante Property

During fiscal 2021, the Company entered into an earn-in agreement whereby the Company can initially earn a 50% interest in the El Diamante property by making cash payment of USD $100,000, paying one-half of the property tax and security costs and incurring the cost of 2,000 meters of drilling and related costs over a two-year period. Upon completion of its earn-in, the Company can either continue exploration and evaluation activities under a joint venture agreement with current owner of the property or acquire the remaining 50% of the property by payment of USD $2.1 million or payment of USD $1.4 million and granting of a 2% NSR. The El Diamante property is located in the State of Sonora, Mexico.

During fiscal 2021, the Company entered into an agreement with Silver Spruce Resources Inc. ("Silver Spruce") whereby Silver Spruce can earn a 50% interest in the Company's interest in the El Diamante property by making a cash payment of USD $75,000 and incurring 75% of the Company's costs with respect to the 2,000 metres of drilling and 50% of any other costs incurred by the Company with respect to the El Diamante property.

During fiscal 2021, the Company received cash in the amount of USD $75,000 (CAD $93,675) and received $26,354 as reimbursement of operating costs from Silver Spruce.

During the third quarter of 2022, Colibri, along with its partner Silver Spruce completed 2005 meters of drilling and on January 31, 2023 earned the initial 50% of the El Diamante property.

	Colibri Property	Pilar Property	Evelyn/Plomo Properties	El Mezquite Property	Jackie Property	Sun Property	El Diamante Property	Total
	$	$	$	$	$	$	$	$
Balance, December 31, 2021	650,000	-	1,340,624	703,036	10,804	4,054	25,780	2,734,298
Acquisition	-	-	-	64,337	-	-	-	64,337
Field expenses and personnel	-	-	232,993	-	-	-	47,750	280,743
Drilling	-	-	784,397	-	-	-	124,747	909,144
Miscellaneous	-	-	54,562	5,772	32,825	2,619	130,034	225,812
Recovery of expenses	-	-	-	(2,205)	(6,952)	-	(240,988)	(250,145)
Effect of foreign exchange	-	-	231,182	94,138	3,818	747	8,549	338,434
Balance, December 31, 2022	650,000	-	2,643,758	865,078	40,495	7,420	95,872	4,302,623
Proceeds from sale	**(667,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**(667,000)**
Gain on sale	**17,000**	**-**	**-**	**-**	**-**	**-**	**-**	**17,000**
Acquisition	**-**	**-**	**100,000**	**-**	**-**	**-**	**-**	**100,000**
Field expenses and personnel	**-**	**-**	**361,902**	**3,839**	**-**	**-**	**21,688**	**387,429**
Drilling	**-**	**-**	**119,675**	**-**	**-**	**-**	**-**	**119,675**
Miscellaneous	**-**	**-**	**48,858**	**25,743**	**34,121**	**1,609**	**21,213**	**131,544**
Recovery of expenses	**-**	**-**	**-**	**-**	**(17,813)**	**-**	**(11,706)**	**(29,519)**
Effect of foreign exchange	**-**	**-**	**319,508**	**105,769**	**6,063**	**1,001**	**12,016**	**444,357**
Balance, September 30, 2023	**-**	**-**	**3,593,701**	**1,000,429**	**62,866**	**10,030**	**139,083**	**4,806,109**

10. PROMISSORY NOTE PAYABLE

The promissory note payable to Agnico-Eagle Mines Ltd., was repaid during the second quarter with the proceeds from the sale of the Colibri property.

11. CONVERTIBLE DEBENTURE

	June 30, 2023	December 31, 2022
	$	$
Convertible debenture	**939,594**	855,049

(1) Convertible debenture

On November 5, 2019, the Company issued a convertible debenture as consideration for the acquisition of all of the outstanding shares of Yaque Minerales S.A de C.V. (note 9). The unsecured convertible debenture with a principal amount of $1,000,000 was due in October 2023 and is convertible to common shares of the Company at $0.20 per share at any time prior to maturity. The debenture bears interest at 2.5% per annum payable in advance. The debenture is not redeemable by the Company.

The convertible debenture agreement was amended on December 1, 2022 to defer the repayment of the debenture from October 27, 2023 to April 27, 2024, and was reamended on June 1, 2023, to defer the repayment of the debenture from April 27, 2024 to October 27, 2024.

The valuation approach for the debenture involved determining the fair value of the debenture in the absence of a conversion feature. The Black-Scholes option pricing model was used to determine the fair value of the conversion feature. The Company determined an interest rate of 21% was fair value for a debenture without additional features attached. The present value of the interest and principal payments of the debenture at this fair value resulted in an allocation of $571,412 for the debenture and $292,753 to the conversion feature. The difference between the fair value and face value of the debenture is being accreted over the term to maturity using the effective interest method. During the nine months ended September 30, 2023, interest and accretion expense of $130,655 was recognized (2022 - $111,250).

(2) Convertible debentures

In August 2023, the Company completed a debenture financing USD $687,000, consisting of 687 units. Each unit is comprised of: (i) USD $1,000 principal amount of convertible debentures with a maturity date of two years from the date of issuance. The debentures bear interest at 10% per annum, calculated in US dollars and payable quarterly in arrears and has a conversion price of CAD $0.08 during the first twelve-month term and CAD $0.10 during the second twelve-month term. The debentures carry a fixed foreign exchange rate of CAD $1.30 of principal for conversion purpose only; and (ii) 5,416 common share purchase warrants, with each warrant exercisable at a price of CAD $0.12 per share for a period of twenty-four months from the date of issuance. Officers and directors of the Company subscribed for 25 units for gross proceeds of USD $25,000.

(Expressed in Canadian Dollars)

11. CONVERTIBLE DEBENTURE *(Continued)*

The private placement closed in two tranches with 487 units closing on August 1, 2023 and 200 units closing on August 31, 2023. On the issuance date, the fair value of the liability component was calculated using a discounted cash flow approach while the warrants (Note 14 (c)) and conversion components were valued under the Geometric Brownian Motion Model with the following assumptions: expected volatility based on historical volatility of 123.87% to 124.21%, a risk free interest rate of 4.68% to 4.78%, share price on issuance date of $0.05 and an expected life of 2 years. The present value of the interest and principal payments of the debenture at this fair value resulted in an allocation of $656,564 for the debenture and $195,241 to the conversion feature. The Company also paid transaction fees of $52,368 of which $37,459 were allocated to the convertible debentures, $11,139 to the conversion feature and $3,770 to the warrants. The difference between the fair value and face value of the debenture is being accreted over the term to maturity using the effective interest method. During the nine months ended September 30, 2023, interest and accretion expense of $29,112 was recognized (2022 - $nil).

12. LOANS PAYABLE

	September 30, 2023	December 31 2022
,	**$**	$
Canada Emergency Business loan, non-interest bearing, maturing in December 2023. If repaid by December 31, 2023, an amount of $20,000 will be forgiven. The Company believes that it will repay the loan by December 31, 2023 and has recorded $20,000 as government assistance in 2020. If the loan cannot be repaid by December 31, 2023, it can be converted into a three-year term loan bearing interest at the rate of 5%.	**40,000**	40,000
Loan payable was repaid on June 12, 2023	**-**	270,880
	40,000	310,880

13. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Accounts payable and accrued liabilities to related parties as at September 30, 2023 of $24,148 (December 31, 2022 – $58,140) is comprised of management fees, consulting fees and accounting expenses due to officers and directors of the Company or to companies controlled by officers and directors of the Company. Amounts payable to related parties are non-interest bearing, are due on demand, and are unsecured.

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

The Company entered into the following transactions with related parties during the nine months ended September 30, 2023:

a) Paid or accrued $72,000 (2022 – $109,500) in management fees to companies controlled by directors and officers of the Company.

b) Paid or accrued $21,150 (2022 – $21,675) in accounting fees to an officer and a director of the Company.

c) Paid or accrued $114,360 (2022 – $113,284) in consulting fees to directors and officers of the Company.

d) Paid or accrued $15,000 (2022 – $nil) in interest expense to a company controlled by an officer and director of the Company.

e) Issued convertible debentures for gross proceeds of USD $25,000 to directors and officers of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized
Unlimited number of common shares without par value

(b) Issued
Common shares

	Number of shares	Amount
		$
Balance -September 30, 2023, December 31, 2022	96,726,625	17,691,923

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

(c) Warrants

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
		$
Balance - December 31, 2021	47,744,619	0.13
Exercised during the year	(11,742,500)	0.10
Balance - December 31, 2022	36,002,119	0.14
Expired during the period	(36,002,119)	0.15
Issued during the period	3,720,792	0.12
Balance September 30, 2023	3,720,792	0.12

The following warrants are outstanding at September 30, 2023:

Warrants	Exercise price	Grant date fair value of warrants	Expiry date
#	$	$	
2,637,592	0.12	44,087	August 1, 2025
1,083,200	0.12	18,229	August 31, 2025
3,720,792		62,316	

In addition, there are 11,049 broker warrants outstanding of which 8,666 are exercisable at $0.12 per share and expire on August 1, 2025 and 2,383 are exercisable at $0.12 per share and expire August 31, 2025.

i) In connection with tranche 1 of the August 2023 private placement of convertible debentures disclosed in Note 11, the Company issued 2,637,592 warrants. The grant date fair value of $46,755 assigned to the warrants was estimated using a customized Geometric Brownian Motion Model with the following assumptions: expected volatility based on historical volatility of 123.87%, a risk free interest rate of 4.78%, share price on issuance date of $0.05 and an expected life of 2 years. Finders' fee of $2,668 was also assigned to the warrants.

ii) In connection with tranche 2 of the August 2023 private placement of convertible debentures disclosed in Note 11, the Company issued 1,083,200 warrants. The grant date fair value of $19,332 assigned to the warrants was estimated using a customized Geometric Brownian Motion Model with the following assumptions: expected volatility based on historical volatility of 124.21%, a risk free interest rate of 4.68%, share price on issuance date of $0.05 and an expected life of 2 years. Finders' fee of $1,103 was also assigned to the warrants.

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

(d) Stock Options

The Company has in place a rolling stock option plan whereby the Company may grant stock options to eligible persons to acquire a total of up to 10% of the then existing number of shares outstanding. Awarded stock options generally vest at the discretion of the directors and are exercisable over a period not exceeding ten years at exercise prices determined by the directors. The exercise price of each option is subject to a minimum price of $0.10 and cannot be less than the discounted market price of the Company's stock as calculated pursuant to the policies of the TSX Venture Exchange.

The number of stock options outstanding at September 30, 2023 is summarized as follows:

	Number of options	Weighted average exercise price
		$
Balance, December 31, 2021	6,525,000	0.09
Expired during the year	(375,000)	0.09
Balance, December 31, 2022	6,150,000	0.09
Expired during the period	(2,525,000)	0.09
Balance, September 30, 2023	**3,625,000**	**0.09**

At September 30, 2023, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date	Weighted average remaining contractual life of outstanding options (years)	Exercisable
900,000	$0.10	16-Apr-28	4.55	900,000
900,000	$0.05	28-May-25	1.66	900,000
1,575,000	$0.10	21-Apr-26	2.56	1,575,000
250,000	$0.10	28-Jul-26	2.83	250,000
3,625,000				3,625,000

(Expressed in Canadian Dollars)

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	September 30, 2023	December 31, 2022
	$	$
Cash paid for:		
Income taxes	**-**	-
Interest	**-**	-

16. SEGMENTED INFORMATION

The Company primarily operates in one reportable business segment, being the acquisition and exploration of mineral properties located in Mexico. The net loss and assets identifiable with these geographic areas are as follows:

September 30, 2023	**Canada**	**Mexico**	**Total**
	$	**$**	**$**
Net loss for the 9 month period	**541,686**	**171,593**	**713,279**
Net loss for the 6 month period	**266,651**	**6,302**	**272,953**
Current assets	**341,306**	**260,341**	**601,647**
Mineral properties	**-**	**4,806,109**	**4,806,109**
Capital assets	**1,541**	**557,521**	**559,062**
Right-of-use assets	**96,925**	**27,085**	**124,010**
Total assets	**439,772**	**5,651,056**	**6,090,828**
Total liabilities	**2,128,278**	**32,108**	**2,160,386**

September 30, 2022	Canada	Mexico	Total
Net loss (income) for the 9 month period	874,352	(513,622)	360,730
Net loss (income) for the 3 month period	322,112	(674,444)	(352,332)

December 31, 2022	Canada	Mexico	Total
Current assets	668,991	253,629	922,620
Mineral properties	-	4,302,623	4,302,623
Capital assets	2,020	546,257	548,277
Right-of-use-asset	107,069	32,309	139,378
Total assets	778,080	5,134,818	5,912,898
Total liabilities	1,988,892	56,190	2,045,082

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities is exposed to various risks. The following analysis provides a measurement of risks as at the balance sheet date, September 30, 2023.

1. Fair Value

Financial instruments included in the condensed consolidated interim statements of financial position are measured either at fair value or amortized cost. Estimated fair values for financial instruments are designed to approximate amounts for which the instruments could be exchanged in an arm's-length transaction between knowledgeable and willing parties.

The carrying values of cash, accounts receivable, accounts payable to related parties, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments. Marketable securities in the form of common shares of listed companies are valued based on quoted market prices for identical assets in an active market.

Debt instruments are valued at the approximate carrying value as discount rate on these instruments approximate the Company's credit risk.

2. 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 has cash balances primarily in large Canadian chartered banks, and its convertible debenture and loans payable have fixed rates of interest. The Company's current policy is to invest cash in Canadian bank savings accounts with interest that varies at prime.

3. Credit Risk

The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable financial institutions, primarily in Canada, and is kept in highly liquid accounts that are closely monitored by management. Credit risk with respect to its accounts receivable is minimal due to the insignificant balances that are primarily due from government agencies.

The Company's maximum exposure to credit risk is as follows:

September 30, 2023	**Canada**	**Mexico**	**Total**
	$	**$**	**$**
Cash	**282,969**	**55,756**	**338,725**
Receivables	**47,938**	**6,124**	**54,062**
	330,907	**61,880**	**392,787**

December 31, 2022	Canada	Mexico	Total
Cash	78,944	5,151	84,095
Receivables	18,843	70,753	89,596
	97,787	75,904	173,691

17. FINANCIAL INSTRUMENTS *(Continued)*

4. Derivatives – Mineral Properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties ("NSR"), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

5. Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar. The Company, through its subsidiaries, has operations in Mexico and therefore is exposed to foreign currency gains and losses due to fluctuations in the exchange rate between the Mexican peso and the Canadian dollar. To reduce the risk, the Company maintains pesos denominated bank accounts in Mexico, and when possible, negotiates its Mexican operations in US dollars. Foreign currency gains and losses on loans from the Company to the Mexican subsidiaries are recorded in other comprehensive income because the loans are part of a net investment in a foreign operation and repayment of the loans is not expected in the foreseeable future.

The significant balances in foreign currencies at September 30, 2023 are as follows:

	US Dollars	Mexican Pesos
Cash	96,721	717,863
Accounts receivable	-	78,846
Accounts payable and accrued liabilities	(8,111)	(140,994)
Lease liability	-	(320,762)
Convertible debentures	(476,808)	-
	(388,198)	334,953
Canadian dollar equivalent	(524,844)	26,016

Based on the aforementioned net exposure as at September 30, 2023 and assuming that all other variables remain constant, a 10% rise or fall in the Canadian dollar against the other foreign currencies would have resulted in approximately the following increase (decrease) in the income (loss) before taxes or the other comprehensive income (loss) for the year:

	Canadian Dollar Appreciates 10% $	Canadian Dollar Depreciates 10% $
Against US Dollar	52,484	(52,484)
Against Mexican Pesos	(2,602)	2,602

17. FINANCIAL INSTRUMENTS *(Continued)*

6. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined below. At September 30, 2023, the Company had a cash balance of $338,725 and short term investments of $10,260 to settle its current liabilities of $418,749. Of the Company's current liabilities, $188,390 have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company has a working capital of $182,898 at September 30, 2023. During the quarter, the Company received the final cash payment of $75,000 from Tocvan on the option of the Pilar Property. On September 19, 2023, Tocvan submitted the exercise notice to the Company for the majority ownership (51%) of the Pilar Property. Tocvan has a six-month option period, till March 19, 2024, to purchase the remaining 49% for $2,000,000 cash payment and 2% NSR on the property.

The Company is continuing to review expenditure in order to ensure adequate liquidity and flexibility to support its exploration and development strategies.

18. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. As at September 30, 2023, total managed capital was $3,930,442 (December 31,2022 – $3,867,816)

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

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. These budgets are approved by the Company's Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in interest-bearing accounts with Canadian chartered banks.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2023. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

19. CUMULATIVE TRANSLATION ACCOUNT

The cumulative translation account is a component of Accumulated Other Comprehensive Income (Loss) and in the Company's case represents the accumulated net foreign currency gains and losses from converting its Mexican subsidiaries from their functional currency, the Mexican Peso, to the Company's reporting currency of Canadian dollars. During the nine month period ended September 30, 2023, the Mexican Peso gained strength over the Canadian dollar, therefore causing a gain on the translation of the intercompany loans due from the Mexican subsidiaries to the Canadian Company. The balance is made up as follows:

	September 30, 2023 $	December 31, 2022 $
Balance beginning of periods	**246,729**	(237,631)
Current income from conversion of Mexican subsidiaries to $ CDN	**529,487**	484,360
Balance end of periods	**776,216**	246,729

20. SUBSEQUENT EVENTS

Subsequent to the quarter end, on November 5th, 2023, directors of the Company converted 25 convertible debentures into 406,250 common shares of the Company at $0.08 per common shares.