

DEFIANCE SILVER CORP.

(an exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED

DECEMBER 31, 2024 AND 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

DEFIANCE SILVER CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Notes	December 31, 2024	June 30, 2024
ASSETS			
Current assets			
Cash and cash equivalents		\$ 117,605	\$ 265,834
Receivables	4	51,116	50,029
Prepaid expenses	5	34,438	33,360
Total current assets		203,159	349,223
Value added tax	4	3,448,851	3,659,057
Other assets	6	42,109	41,274
Property and equipment		186,087	204,767
Exploration and evaluation assets	7	40,391,431	38,020,212
Total assets		\$ 44,271,637	\$ 42,274,533
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 706,432	\$ 829,712
Total current liabilities		706,432	829,712
Non-current liabilities			
Deferred income tax liabilities		36,000	36,000
Total non-current liabilities		36,000	36,000
Total liabilities		742,432	865,712
Shareholders' equity			
Share capital	9	59,592,804	56,817,608
Share-based payment reserve	9	7,748,118	6,790,570
Deficit		(23,811,717)	(22,199,357)
Total shareholders' equity		43,529,205	41,408,821
Total liabilities and shareholders' equity		\$ 44,271,637	\$ 42,274,533

Nature and continuance of operations (Note 1)
Contingencies (Note 13)
Subsequent events (Note 14)

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

DEFIANCE SILVER CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

		Three months ended December 31,		Six months ended December 31,	
	Notes	2024	2023	2024	2023
EXPENSES					
Marketing and investor relations		\$ 39,285	\$ 23,938	\$ 252,613	\$ 138,561
Legal and audit		88,744	413,952	110,440	461,167
Management and consulting fees	10	132,707	28,568	253,986	251,779
Office and administration		18,771	38,681	190,768	119,279
Share-based compensation	9, 10	131,261	109,278	262,522	218,556
Transfer agent and filing fees		66,258	78,365	72,525	83,500
Travel		52,207	50,898	63,530	75,970
Total expenses		(529,233)	(743,680)	(1,206,384)	(1,348,812)
Interest income		4,763	36,295	7,115	83,037
Gain (loss) on foreign exchange		(106,747)	(115,673)	(413,091)	205,324
		(101,984)	(79,378)	(405,976)	288,361
Loss before income tax		(631,217)	(823,058)	(1,612,360)	(1,060,451)
Deferred income tax		-	-	-	-
Loss and comprehensive loss for the year		\$ (631,217)	\$ (823,058)	\$ (1,612,360)	\$ (1,060,451)
Basic and diluted loss per common share		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding - Basic and diluted					
		273,731,383	229,310,562	271,948,094	229,156,390

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

DEFIANCE SILVER CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Six months ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (1,612,360)	\$ (1,060,451)
Items not affecting cash:		
Share-based compensation	262,522	218,556
Foreign exchange loss on non-monetary items	(835)	-
Changes in non-cash working capital items:		
Receivables	(1,087)	(49,028)
Value added tax	210,206	(295,075)
Prepaid expenses	(1,078)	113,782
Restricted cash	-	388,560
Accounts payable and accrued liabilities	121,073	177,945
Net cash used in operating activities	(1,021,559)	(505,711)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	(2,588,912)	(3,353,414)
Net cash used in investing activities	(2,588,912)	(3,353,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital, net of issuance costs	3,056,321	-
Proceeds from warrants exercised	405,921	-
Net cash provided by financing activities	3,462,242	-
Change in cash during the year	(148,229)	(3,859,125)
Cash and cash equivalents, beginning of the year	265,834	4,564,187
Cash and cash equivalents, end of the year	\$ 117,605	\$ 705,062
Cash and cash equivalents comprise:		
Cash	117,605	705,062
Cash equivalents	-	-
Cash and cash equivalents, end of the year	\$ 117,605	\$ 705,062

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

DEFIANCE SILVER CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-based Payment Reserves	Deficit	Total
Balance at June 30, 2023	229,002,219	\$ 54,272,993	\$ 6,176,340	\$ (19,849,777)	\$ 40,599,556
Share issuance – private placement	26,443,500	2,589,650	54,700	-	2,644,350
Issuance costs		(102,880)			(102,880)
Issuance costs - broker warrants		(17,515)	17,515		
Share issuance – for debt	692,143	75,360	-	-	75,360
Share-based compensation	-	-	542,015	-	542,015
Net loss for the year	-	-	-	(2,349,580)	(2,349,580)
Balance at June 30, 2024	256,137,862	56,817,608	6,790,570	(22,199,357)	41,408,821
Share issuance – private placement	16,113,075	2,739,223	483,392	-	3,222,615
Issuance costs	-	(166,294)	-	-	(166,294)
Issuance costs - broker warrants	-	(211,634)	211,634	-	-
Share issuance – warrants exercise	2,065,970	405,921	-	-	405,921
Share issuance – for debt	52,375	7,980	-	-	7,980
Share-based compensation	-	-	262,522	-	262,522
Net loss	-	-	-	(1,612,360)	(1,612,360)
Balance at December 31, 2024	274,369,282	59,592,804	7,748,118	(23,811,717)	43,529,205

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

DEFIANCE SILVER CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Defiance Silver Corp (“the Company” or “Defiance”) was incorporated on July 19, 2007, under the Business Corporations Act of the Province of British Columbia. The Company’s principal business is the acquisition and exploration of exploration and evaluation assets. The Company’s registered and records office is at Suite 2900 - 550 Burrard Street, Vancouver, BC, V6C 0A3. The Company is listed on the TSX Venture Exchange under the symbol “DEF”.

The Company’s consolidated financial statements are presented in Canadian dollars which is the functional currency.

At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on these exploration and evaluation assets is dependent upon the Company being able to identify a commercial ore body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation asset. To date, the Company has not earned revenues and is considered to be in the exploration stage.

Going Concern of Operations

These consolidated financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. At December 31, 2024, the Company had cash and cash equivalents of \$117,605 (June 30, 2024 - \$265,834) and a working capital deficit of \$503,273 (June 30, 2024 - \$480,489). The Company’s continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include but are not limited to political conflict in other regions. 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.

DEFIANCE SILVER CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidate interim financial statements, including comparatives have been prepared using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on February 27, 2025.

The condensed consolidate interim financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments 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 period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. *Recoverability of receivables and value added tax:* which are included in the consolidated statements of financial position. Management has determined that receivables are recoverable given management's experience in realizing receivables and refunds of value added tax.
2. *Estimating useful life of equipment:* Depreciation of equipment is charged so as to write down the value of those assets to their residual value over their respective estimated useful lives. Management is required to assess the useful economic lives and residual values of the assets such that depreciation is charged on a systematic basis to the current carrying amount. The useful lives are estimated having regard to such factors such as asset maintenance, rate of technical and commercial obsolescence, and asset usage. The useful lives of key assets are reviewed annually.
3. *Carrying value and the recoverability of exploration and evaluation assets:* Management has determined that exploration, evaluation and related costs incurred which have been capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and prefeasibility studies, accessibility of facilities and existing permits.
4. *Valuation of share-based compensation and brokers' warrants:* Management uses the Black-Scholes Pricing Model for valuation of share-based compensation and brokers' warrants, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

(Unaudited)

2. BASIS OF PREPARATION (Cont'd)

Critical Accounting Estimates (Cont'd)

5. *Income Taxes:* In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

Critical Accounting Judgements

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

1. *Going concern of operations:* The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).
2. *Determination of functional currency:* The Company determines the functional currency through the analysis of several indicators such as expenses and cash flow, financing activities, and frequency of transactions with the reporting entity.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The condensed consolidate interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended June 30, 2024.

DEFIANCE SILVER CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

(Unaudited)

4. RECEIVABLES

The Company's receivables primarily arise from refundable sales tax receivable from government taxation authorities in Canada and Mexico.

	December 31, 2024		June 30, 2024	
VAT receivable	\$	3,448,851	\$	3,659,057
GST receivable		51,116		50,029
Advances receivable		-		-
Accounts receivable		-		-
	\$	51,116	\$	50,029

5. PREPAID EXPENSES

The prepaid expenses for the Company are summarized as follows:

	December 31, 2024		June 30, 2024	
Security deposits	\$	16,000	\$	16,000
Vendor prepayments		18,438		17,360
	\$	34,438	\$	33,360

6. OTHER ASSETS

	December 31, 2024		June 30, 2024	
Investments	\$	25,000	\$	16,000
Reclamation bond		17,109		17,360
	\$	42,109	\$	33,360

Investments

These represent guaranteed investment certificates held with the bank as collateral for the Company's credit cards issued to key personnel.

Reclamation bond

The Company has a deposit in place with a United States bank as security for a reclamation bond on former exploration and evaluation assets located in the United States. The reclamation bond is required by local jurisdictions at the time exploration activities commenced on the properties and do not represent a rehabilitation provision. Interest on the certificates of deposit with the United States bank is paid on a periodic basis to the Company.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

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7. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets 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 assets, and, to the best of its knowledge, all of its interests are in good standing (see Tepal project below).

	San Acacio	Lagartos	Lucita	Minerva	Tepal	Other properties	Total
Balance at Jun 30, 2023	\$ 21,086,054	\$ 1,835,233	\$ 3,075,362	\$ 23,248	\$ 6,937,463	\$ 210,411	\$ 33,167,771
Acquisition costs							
Property Acquisition costs	767,516	-	1,079,295	-	-	-	1,846,811
Exploration costs							
Claim Fees	62,406	26,078	87,560	-	129,549	38,314	343,907
Consulting Fees	1,569,850	3,369	241,669	-	219,468	7,136	2,041,492
Camp	137,099	15,338	2,432	-	31,267	189	186,325
Drilling	-	-	-	-	-	-	-
Equipment	164,483	40	4,085	-	243	3,146	171,997
Geology and mapping	214,025	-	28,368	-	37,839	-	280,232
Professional fees	1,991	-	-	-	-	-	1,991
Travel	208,314	24	20,371	-	10,173	3,293	242,175
Impairment						(262,489)	(262,489)
	2,358,168	44,849	384,485	-	428,539	(210,411)	3,005,630
Balance at Jun 30, 2024	24,211,738	1,880,082	4,539,142	23,248	7,366,002	-	38,020,212
Acquisition costs							
Property Acquisition costs	-	-	-	-	783,804	-	783,804
Exploration costs							
Claim Fees	43,310	11,993	40,268	-	67,152	-	162,723
Consulting Fees	621,082	-	63,481	-	214,881	-	899,444
Camp	89,735	6,880	-	-	24,519	-	121,134
Drilling	-	-	-	-	-	-	-
Equipment	25,116	-	-	-	232	-	25,348
Geology and mapping	147,950	-	-	-	83,064	-	231,014
Professional fees	1,957	-	-	-	-	-	1,957
Travel	132,955	-	-	-	12,840	-	145,795
	1,062,105	18,873	103,749	-	402,688	-	1,587,415
Balance at Dec 31, 2024	25,273,843	1,898,955	4,642,891	23,248	8,552,494	-	40,391,431

DEFIANCE SILVER CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

(Unaudited)

7. EXPLORATION AND EVALUATION ASSETS (Cont'd)

San Acacio Project

The Company entered into an option agreement on October 24, 2011, subsequently the subject of several amendments, with the Mexican owners ("the Vendors") for an option to purchase a 100% interest in the San Acacio property consisting of 10 mining concessions and associated surface rights and tailings. The San Acacio property is located near the city of Zacatecas, Mexico.

During the year ended June 30, 2020, the Company renegotiated and extended the terms of its San Acacio Silver Project option agreement by three years from September 27, 2020, to September 27, 2023. In addition, 80% of the option payments due before March 27 and June 27, 2020, were deferred as a part of this extension.

During the year ended June 30, 2024, the Company has restructured the option to acquire 100% of the San Acacio property in the Zacatecas district. The project vendor has agreed to extend the option agreement terms by one year from September 27, 2023, to September 27, 2024. The Company will now be making quarterly payments, over the year, to the property vendor totalling US\$539,722, with the final option payment of US\$2,300,000 due September 27, 2024. In accordance with the original agreement, the vendor retains a 2.5% NSR which may be purchased for US\$2,500,000.

In December 2024, the Company and the Vendors mutually agreed and extended the term of its San Acacio Silver Project option agreement. As a result of this amendment, the scheduled payment due by September 27, 2024, was moved to March 31, 2025.

Below is the schedule of payments as at December 31, 2024:

	Letter Of Intent		Option		Lease		Interest	Total
	Payment		Payment		Payment		Payment	
By September 27, 2012	USD 25,000	USD	-	USD	-	USD	-	USD 25,000 (paid)
By September 27, 2013	-		250,000					250,000 (paid)
By September 27, 2014	-		-		150,000			150,000 (paid)
By September 27, 2015	-		-		225,000			225,000 (paid)
By September 27, 2016	-		100,000		150,000			250,000 (paid)
By September 27, 2017	-		200,000		150,000			350,000 (paid)
By September 27, 2018	-		600,000		150,000			750,000 (paid)
By September 27, 2019	-		600,000		200,000		107,600	907,600 (paid)
By September 27, 2020	-		500,000		100,000		-	600,000 (paid)
By September 27, 2021	-		400,000		283,334		86,063	769,397 (paid)
By September 27, 2022	-		400,000		283,333		76,063	759,396 (paid)
By September 27, 2023	-		400,000		283,333		66,063	749,396 (paid)
By December 27, 2023	-		-		137,500		185,661	323,161 (paid)
By March 27, 2024	-		-		68,750		39,530	108,280 (paid)
By June 27, 2024	-		-		68,750		39,530	108,280 (paid)
On March 31, 2025	-		2,300,000		-			2,300,000
Total	USD 25,000		USD 5,750,000		USD 2,250,000		USD 600,510	USD 8,625,510

DEFIANCE SILVER CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

(Unaudited)

7. EXPLORATION AND EVALUATION ASSETS (Cont'd)

The property is subject to a 2.5% NSR payable to the vendors on production from the property. The Company will have the right to purchase the NSR at any time for US\$2,500,000 which will escalate with the official Mexican Inflation Index after a five-year period.

Following the first anniversary of the purchase of the San Acacio Project, the Company must make minimum annual royalty payments of US\$125,000. The minimum royalty commitment terminates in the event that the production royalty paid is equal to or higher than the equivalent to the minimum that would have been due during six consecutive months.

Lagartos Project

In June 2018, the Company completed its acquisition of a group of assets from MAG Silver Corp ("MAG") by issuing 5,000,000 common shares (valued at \$1,600,000) of the Company. The Company received a 100% interest in MAG's Lagartos project along with a regional exploration database and cash of \$10,000.

Lucita Project

In November 2020, the Company entered into a definitive option agreement with Pan American Silver Corp. ("Pan American") to acquire a 100% interest in Pan American's Lucita property consisting of 28 mining concessions, located adjacent to the Company's San Acacio project. The property is subject to a 2% NSR payable to the vendors on production from the property. The payment terms are as follows:

		Payment	
November 30, 2020	USD	100,000	(paid)
November 30, 2021		100,000	(paid)
November 30, 2022		500,000	(paid)
November 30, 2023		800,000	(paid)
Total		USD	1,500,000

During the year ended June 30, 2024, the Company acquired 100% ownership of the Lucita Property from Pan American Silver Corp. ("Pan American"), while Pan American retains a 2% NSR.

Minerva property

During the year ended June 30, 2012, the Company applied for a mining claim located in Coahuila State, Mexico, known as the Minerva property. As of June 30, 2024, the application was still pending approval by the Mexican mining authorities.

Other properties

During the year ended June 30, 2024, the Company incurred \$52,078 (2023 - \$83,703) on the exploration and investigative expenditures related to the prospective mineral properties that could potentially be part of the future option agreements. During the year ended June 30, 2024, the Company decided not to proceed with these prospective mineral properties and wrote off all costs associated with the prospective mineral properties.

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(Expressed in Canadian Dollars)

(Unaudited)

7. EXPLORATION AND EVALUATION ASSETS (Cont'd)

Surface rights agreements

In August 2014, the Company obtained authorization to temporarily occupy and explore certain land holdings on the San Acacio property. In order to keep the agreement in good standing, the Company is required to make semi-annual payments during the exploration phase and the development phase. The agreement will be valid for twenty years with the option to extend in the future. During the year ended June 30, 2022, the Company entered into a land purchase agreement to purchase the certain land holdings on the San Acacio property. The Company acquired the land for \$385,057 (6,183,000 Mexican peso).

On February 27, 2015, the Company entered into a Surface Rights Agreement with the Ejido called "Sauceda de la Borda", Municipality of Vetagrande, State of Zacatecas, for the right to occupy and perform exploration work on common use lands of such Ejido. The Company had the authorization to explore the surface of the property for a term of three years which could be extended for an additional three years at the Company's choice, by making annual advance payments and by paying a one-time fee on the execution of the agreement.

On February 26, 2018, the Company exercised its right to extend the term of the agreement above mentioned for an additional three years by making a one-time payment and was required to make semi-annual payments. All required payments have been made.

On March 30, 2021, the Company entered into an Agreement to extend the Surface Rights Agreement with the Ejido called "Sauceda de la Borda", Municipality of Vetagrande, State of Zacatecas, where it was agreed that the Company could continue with its exploration works exclusively in the Ejido's lands for three additional years, being the Surface Rights Agreement valid until March 12, 2024. During the year ended June 30, 2024, the Company extended the Surface Rights Agreement for a term of three additional years.

On August 13, 2021, the Company entered into a Temporary Occupancy and Right of Way Agreement in common use lands for exploration with the Rural Fractioning (Fraccionamiento) "Fraccionamiento Sauced de la Borda", Municipality of Vetagrande, State of Zacatecas, in which the Company is authorized to temporarily use a certain part of its land, exclusively for mining exploration works. This agreement is valid until August 13, 2026.

On March 31, 2023, the Company entered into a Surface Rights Agreement with the Ejido called "Panuco", Municipality of Panuco, State of Zacatecas, for the right to occupy and perform exploration work on common use lands of such Ejido. The Company had the authorization to explore the surface of the property for a term of five years which could be extended for an additional five years at the Company's choice, by making annual advance payments and by paying a one-time fee on the execution of the agreement.

Tepal Project

As a result of the acquisition of Valoro Resources Inc. ("Valoro") in fiscal 2019, the Company acquired a 100% right, title and interest in mining claims located in the state of Michoacán, Mexico (the "Tepal Project")

In 2009, Valoro and Arian Silver Corp. ("Arian") entered into an agreement whereby Valoro was granted the exclusive rights to purchase Arian's 100% interest in the Tepal Gold-Copper Project. Under the terms of the agreement, Valoro completed the purchase of 100% of the property, by delivering to Arian US\$3.0 million in staged payments. Valoro also assumed the balance of Arian's obligations under the terms of an underlying property option agreement with Minera Tepal SA de CV ("Minera Tepal") subject to a 2.5% Net Smelter Return royalty ("NSR") and has completed staged payments to the underlying property vendor of US\$3,200,000.

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7. EXPLORATION AND EVALUATION ASSETS (Cont'd)

During the year ended June 30, 2021, the Company entered into an option agreement to repurchase the existing 2.5% NSR on the Tepal Project from Minera Tepal, S.A. de C.V. ("Minera Tepal") over four years for total consideration of US\$4.85 million. During the year ended June 30, 2023, the Company renegotiated and extended the terms of its Tepal NSR repurchase option agreement by a year and a half from December 16, 2024, to June 30, 2026, and an additional option payment of US\$100,000 was paid on January 15, 2023, bringing the total consideration over the term of the agreement to US\$4.95 million. As a result of the amending agreement, the payment terms are as follows:

	Option Payment		
January 10, 2021	USD	150,000	(paid)
June 16, 2021		150,000	(paid)
December 16, 2021		300,000	(paid)
June 16, 2022		300,000	(paid)
January 15, 2023		100,000	(paid)
June 30, 2024		550,000	(paid)
March 31, 2025		550,000	
June 30, 2025		600,000	
December 31, 2025		600,000	
June 30, 2026		1,650,000	
Total		USD	4,950,000

During the year ended June 30, 2021, the Company entered into an option agreement with Minera Tepal to acquire certain claims surrounding the Tepal Gold-Copper Project in Michoacán, Mexico. The Company will pay the annual concession fees on these claims until a production decision has been made, upon which time the Company will pay the vendor US\$2 million for 100% ownership of the mining concessions. The Company has not made any payments to the vendor under this option agreement to date. During the year ended June 30, 2024, the Company decided not to pursue such claims, and the agreement lapsed.

During the year ended June 30, 2022, the Company became aware that certain mineral concessions from its Tepal Project had been transferred to a third-party individual without the Company's knowledge or consent. On February 13, 2024, the Company received the favourable ruling of the Mexican Court to restore its rightful ownership to the mining concessions forming part of the Tepal Project. In its judgement, the Court confirmed the nullity of the transfer of the concessions, ordered the cancellation of such transfer title and recognized Geologix Explorations Mexico, S.V de C.A, a subsidiary of the Company, as legitimate and the rightful owner of the concessions.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables and accrued liabilities for the Company are comprised as follows:

	December 31, 2024		June 30, 2024	
Trade payables	\$	677,518	\$	759,712
Accrued liabilities		28,914		70,000
	\$	706,432	\$	829,712

All payables and accrued liabilities for the Company fall due within the next 12 months.

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9. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value. All issued shares are fully paid.

During the six months ended December 31, 2024, the Company:

- i) the Company completed a non-brokered private placement by issuing 16,113,075 units at a price of \$0.20 per unit for gross proceeds of \$3,222,615. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of \$0.35 per share for a period of two years following the date of issuance of the warrants. The Company paid finder's fees of \$110,868 and other issue costs of \$163,565 and recognized \$114,597 for share issuance costs related to the issuance of 748,453 non-transferable finders warrants, each finder warrant entitles the holder thereof to purchase common shares of the Company at a price of \$0.20 per common share for a period of two years following the date of issuance of the finder warrants.
- ii) issued 2,065,970 common shares pursuant to exercise of warrants for gross proceeds of \$405,921.
- iii) issued 52,375 common shares to settle debt of \$7,980.

During the year ended June 30, 2024, the Company:

- iv) closed a non-brokered private placement by issuing 26,443,500 units at a price of \$0.10 per unit for gross proceeds of \$2,644,350. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of \$0.20 per share for a period of two years following the date of issuance of the warrants. The Company paid finder's fees of \$29,193 and other issue costs of \$73,687 and recognized \$17,515 for share issuance costs related to the issuance of 291,930 non-transferable finders warrants, each finder warrant entitles the holder thereof to purchase common shares of the Company at a price of \$0.10 per common share for a period of two years following the date of issuance of the finder warrants.

Omnibus Equity Incentive Plan

On December 8, 2021, and amended on November 3, 2022 ("Effective date"), the Company adopted an Omnibus Equity Incentive Plan ("Omnibus Plan") to amend and restate the Company's stock option plan ("Predecessor Plan"). Under the terms of the plan the Company may grant share-based compensation to employees, consultants, persons performing investor relations activities and directors.

The maximum aggregate number of Shares issuable under this plan in respect of stock options shall not exceed ten (10%) percent of the Company's issued and outstanding Shares at any point in time. The number of common shares reserved for issuance to consultant or persons performing Investor Relations activities will not exceed two (2%) of the issued and outstanding common shares in any twelve (12) month period. All outstanding stock options granted under the predecessor plan shall continue to be outstanding as stock options granted under and subject to the terms of this Omnibus Plan.

The maximum aggregate number of shares issuable under this plan in respect of deferred share units (DSUs), restricted share units (RSUs) and performance share units (PSUs) shall not exceed 22,775,243 at any point in time, representing 10% of the issued and outstanding shares of the Company at the effective date. The total number of DSUs, RSUs, and PSUs issuable to any participant under this plan shall not exceed one (1%) percent of the issued and outstanding Shares at the time of the award.

The maximum term of an option, DSU, RSU or PSU is 10 years after the date of grant. Vesting terms are under the discretion of the Board of Directors at each grant.

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9. SHARE CAPITAL (Cont'd)**Stock options**

A summary of the Company's outstanding share purchase options at December 31, 2024 and the changes during the period are presented below:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2023	10,762,400	\$0.44
Granted	3,188,750	0.18
Expired / Cancelled	(79,000)	0.66
Balance, June 30 and December 31, 2024	13,872,150	0.38

The following weighted average assumptions were used for the Black-Scholes valuation of the stock options:

	December 31, 2024	June 30, 2024
Annualized volatility	0.00%	98.54%
Risk-free interest rate	0.00%	3.74%
Dividend rate	0%	0%
Expected life of options	-	9.01 years
Forfeiture rate	0%	0%
Fair value per stock option	\$ -	\$ 0.18

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9. SHARE CAPITAL (Cont'd)

Stock options (Cont'd)

The following incentive stock options were outstanding to directors, officers and employees at December 31, 2024:

Number of Options Outstanding	Expiry Date	Number of Options Exercisable	Exercise Price (\$)
833,400	November 5, 2025	833,400	0.59
1,035,000	June 30, 2026	1,035,000	0.66
1,202,500	January 31, 2027	1,202,500	0.41
983,750	January 31, 2028	655,833	0.16
550,000	May 29, 2029	550,000	0.20
200,000	July 23, 2029	200,000	0.31
605,000	May 29, 2030	605,000	0.23
1,012,500	November 5, 2030	1,012,500	0.59
1,175,000	June 30, 2031	1,175,000	0.90
1,513,750	January 31, 2032	1,513,750	0.41
1,572,500	January 31, 2033	1,048,333	0.16
2,555,000	April 12, 2034	851,667	0.18
633,750	April 12, 2029	211,250	0.18
13,872,150		10,894,233	0.38

Deferred share units (DSUs)

A summary of the Company's outstanding DSUs at December 31, 2024 and the changes during the year are presented below:

	Number of DSUs	Weighted Average Grant Date Fair Value per DSU
Balance, June 30, 2023	-	\$0.00
Granted	715,000	0.18
Balance, June 30 and December 31, 2024	715,000	\$0.18

The DSUs granted during the year ended June 30, 2024, will vest on April 12, 2025.

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9. SHARE CAPITAL (Cont'd)

Performance share units (PSU)

A summary of the Company's outstanding PSUs as at December 31, 2024 and the changes during the year are presented below:

	Number of PSUs	Weighted Average Grant Date Fair Value per PSU
Balance, June 30, 2023	-	\$0.00
Granted	45,000	0.18
Balance, June 30 and December 31, 2024	45,000	\$0.18

The PSUs granted during the year ended June 30, 2024, will vest on April 12, 2025.

Restricted share units (RSU)

A summary of the Company's outstanding RSUs as at December 31, 2024 and the changes during the year are presented below:

	Number of RSUs	Weighted Average Grant Date Fair Value per RSU
Balance, June 30, 2023	406,252	\$0.24
Granted	538,750	0.18
Settled	-	0.00
Balance, June 30 and December 31, 2024	945,002	\$0.21

At December 31, 2024, the following RSUs were outstanding:

Number of RSUs Outstanding	Number of RSUs Available for Settlement	Expiry Date
45,000	-	April 12, 2029
135,418	135,418	January 31, 2032
270,834	180,556	January 31, 2033
493,750	-	April 12, 2034
945,002	315,974	

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9. SHARE CAPITAL (Cont'd)

Share-based compensation

The Company recognizes compensation for all omnibus awards granted using the fair value-based method of accounting. During the six months ended December 31, 2024, the Company recognized \$262,522 (December 31, 2023- \$218,556) in share-based compensation expense for omnibus awards.

Warrants

A summary of the Company's outstanding warrants at December 31, 2024 and the changes during the year are presented below:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2023	14,003,849	\$ 0.48
Granted	13,513,680	0.20
Expired	(14,003,849)	0.48
Balance, June 30, 2024	13,513,680	0.20
Granted	8,804,991	0.35
Exercised	(2,065,970)	0.20
Balance, December 31, 2024	20,252,701	\$ 0.25

At December 31, 2024, the following warrants and finder warrants were outstanding:

Number of Warrants	Exercise Price (\$)	Expiry Date
143,400	0.10	February 27, 2026
75,810	0.10	March 14, 2026
5,933,500	0.20	March 14, 2026
5,295,000	0.20	February 27, 2026
8,056,538	0.35	July 26, 2026
748,453	0.20	July 26, 2026
20,252,701	0.25	

During the six months ended December 31, 2024, the Company recognized compensation for finders warrants granted using the Black-Scholes option pricing model, resulting in \$114,597 (December 31, 2023 - \$nil) being included in share issuance costs.

The following weighted average assumptions were used for the Black-Scholes valuation of the warrants:

	December 31, 2024	June 30, 2024
Annualized volatility	96.86%	102.40%
Risk-free interest rate	3.92%	4.14%
Dividend rate	0%	0%
Expected life of options	2 years	2 years
Forfeiture rate	0%	0%
Fair value per stock option	\$ 0.153	\$ 0.060

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10. RELATED PARTY TRANSACTIONS

Related party personnel are those who have the authority and responsibility for planning, directing, and controlling activities of the Company directly or indirectly. Related parties include the board of directors, officers, close family members and entities that are controlled by these individuals.

At December 31, 2024, accounts payable and accrued liabilities included \$317,214 (June 30, 2024 - \$396,696) payable to directors, officers and companies controlled or related to directors and/or officers. Amounts payable to related parties have no specific terms of repayment, are unsecured and do not bear interest.

During the six months ended December 31, 2024, related party transactions include the following payments:

	2024	2023
Management and consulting fees ⁽¹⁾	\$ 647,185	\$ 555,280
Share-based payments ⁽²⁾	201,990	204,215
	\$ 849,175	\$ 759,495

(1) Included in management and consulting fees was \$447,185 (December 31, 2024 - \$355,280) capitalized as exploration and evaluation assets.

(2) Share-based compensation expense is the fair value of options, RSUs, DSUs, and PSUs granted which have been calculated as disclosed in Note 9.

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets in Mexico. All of the long-lived assets at December 31, 2024 and 2023 were for exploration and evaluation assets in Mexico.

12. FINANCIAL AND CAPITAL RISK MANAGEMENT

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 and cash equivalents, receivables, accounts payable and accrued liabilities, approximates carrying value, due to their short-term nature. Fair value of other assets approximates the carrying value as they are recorded at market interest rate. The Company is exposed to varying degrees to a variety of financial instrument related risks:

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12. FINANCIAL AND CAPITAL RISK MANAGEMENT (Cont'd)

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large Canadian financial institutions in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of GST/VAT due from the governments of Canada and Mexico. As such, the Company does not believe it is subject to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2024, the Company had cash and cash equivalents of \$117,605 (June 30, 2024 - \$265,834) to settle current liabilities of \$706,432 (June 30, 2024 - \$829,712). The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

Foreign currency risk

The Company's operations are in Canada, the United States and Mexico. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Based on the Company's net exposures at December 31, 2024 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a decrease/increase of approximately \$1,900 in the Company's net earnings. Likewise, a 10% depreciation or appreciation of the Canadian dollar against the Mexican peso would result in a decrease/increase of approximately \$310,000 in the Company's net earnings.

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 earnings and economic value due to commodity price movements and volatility. The Company closely monitors the commodity prices of precious metals, and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, currency risk and credit risk.

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12. FINANCIAL AND CAPITAL RISK MANAGEMENT (Cont'd)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

The Company has cash and cash equivalents balances and has no debt instruments that bear variable interest rates. The interest earned on the cash and cash equivalents approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash and cash equivalents in investment-grade short-term deposit certificates issued by its financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Capital management

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 exploration of its exploration and evaluation assets, acquire additional exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity. 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 attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management.

13. CONTINGENCIES

The Company was named in a lawsuit filed in October 2020 (the "Action") by Avalos y Abogados, S.C. ("Avalos"), former legal counsel for Minera Santa Remy S.A. de C.V. ("Santa Remy"), which resigned as legal counsel in January 2020. Avalos seeks to recover an alleged debt owing under invoices issued to Santa Remy. In conjunction with the lawsuit, a prejudgment garnish order was served on the Company which resulted in \$388,560 being held by the BC Supreme Court pending the outcome of the lawsuit. The total claim made by Avalos is \$388,480. This amount has been recorded in the records of the Company. During the year ended June 30, 2024, the Company settled the lawsuit and recovered funds held by court in the amount of \$79,238.

During the year ended June 30, 2022, the Company became aware that certain mineral concessions from its Tepal Project had been transferred to a third-party individual without the Company's knowledge or consent. On February 13, 2024, the Company received the favourable ruling of the Mexican Court to restore its rightful ownership to the mining concessions forming part of the Tepal Project. In its judgement, the Court confirmed the nullity of the transfer of the concessions, ordered the cancellation of such transfer title and recognized Geologix Explorations Mexico, S.V de C.A, a subsidiary of the Company, as legitimate and the rightful owner of the concessions.

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14. SUBSEQUENT EVENTS

Subsequent to December 31, 2024, the following events occurred:

- i. The Company completed a non-brokered private placement by issuing 16,339,000 units at a price of \$0.20 per unit for gross proceeds of \$3,267,800. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of \$0.35 per share for a period of two years following the date of issuance of the warrants. The Company paid finder's fees comprised of a cash commission of \$166,368 and of 831,840 finder warrants. Each finder warrant is exercisable to purchase one common share at a price of \$0.20 per share for a period of two years following the date of issuance of the warrants.