



Consolidated Financial Statements
For the Year Ended September 30, 2025

(Expressed in Canadian Dollars)

CAPITAN SILVER CORP.
Index to Consolidated Financial Statements

	Page
INDEPENDENT AUDITOR'S REPORT	3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	6
Consolidated Statements of Loss and Comprehensive Loss	7
Consolidated Statements of Cash Flows	8
Consolidated Statements of Changes in Shareholders' Equity	9
Notes to the Consolidated Financial Statements	10-23

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Capitan Silver Corp.

Opinion

We have audited the accompanying consolidated financial statements of Capitan Silver Corp. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2025 and 2024 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters ("KAMs") are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 7 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$20,777,435 as of September 30, 2025. As more fully described in Note 4 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

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



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

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Assessing compliance with agreements including reviewing option agreements and vouching cash payments and share issuances.
- Assessing the Company's rights to explore E&E Assets including sending confirmation requests to optionors to ensure good standing of agreements.
- Obtaining from legal counsel, confirmation of title, and vouching concession payments made to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

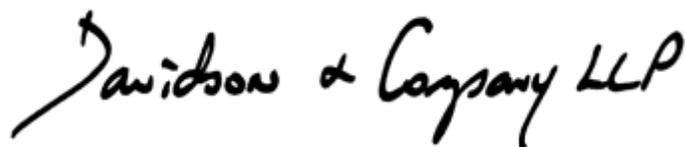
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Carmen Newnham.

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

Vancouver, Canada

Chartered Professional Accountants

January 23, 2026

CAPITAN SILVER CORP.

Consolidated Statements of Financial Position as at
(Expressed in Canadian Dollars)

	Notes	September 30, 2025	September 30, 2024
Assets			
Cash		\$ 4,897,245	\$ 568,421
Restricted cash	5	25,000	25,000
Taxes receivable		19,280	6,395
Accounts receivable		170,711	-
Share subscription receivable	8	43,000	-
Prepaid expenses	6	155,275	61,026
		5,310,511	660,842
Equipment		2,942	2,554
VAT receivable		2,013,026	747,756
Exploration and evaluation assets	7	20,777,435	10,538,248
Total Assets		\$ 28,103,914	\$ 11,949,400
Liabilities			
Accounts payable and accrued liabilities		\$ 298,643	\$ 40,201
Taxes payable		9,448	7,258
		308,091	47,459
Other payable	7	3,231,763	-
		3,539,854	47,459
Shareholders' Equity			
Share capital	8	29,209,553	15,847,959
Reserves	8	726,860	920,719
Accumulated other comprehensive loss		880,993	(111,103)
Deficit		(6,253,346)	(4,755,634)
		24,564,060	11,901,941
Total Liabilities and Shareholders' Equity		\$ 28,103,914	\$ 11,949,400

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

On behalf of the Board on January 23, 2026

John-Mark Staude Director

Arturo Bonillas Director

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

CAPITAN SILVER CORP.

Consolidated Statements of Loss and Comprehensive Loss
For the Years ended September 30,
(Expressed in Canadian Dollars)

	Notes	2025	2024
Expenses			
Management and consulting fees	9	\$ 804,726	\$ 346,930
Depreciation		851	745
Director fees	9	28,500	-
Filing fees		61,577	87,084
Foreign exchange (gain) loss		(102,091)	(4,546)
Investor relations and marketing		353,768	151,111
General and administration		54,470	43,487
Professional fees	9	228,079	136,857
Share-based compensation	8,9	151,828	540,527
Travel and meals		50,145	31,365
Interest income		(134,141)	(20,004)
Net loss for the year		(1,497,712)	(1,313,556)
Foreign exchange movements		992,096	(1,043,049)
Comprehensive loss for the year		\$ (505,616)	\$ (2,356,605)
Weighted average number of common shares outstanding – basic and diluted		96,121,860	76,432,144
Loss per share - basic and diluted		\$ (0.02)	\$ (0.02)

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

CAPITAN SILVER CORP.

Consolidated Statements of Cash Flows
For the Years ended September 30,
(Expressed in Canadian Dollars)

	2025	2024
OPERATING ACTIVITIES		
Net loss for the year	\$ (1,497,712)	\$ (1,313,556)
Items not involving cash:		
Depreciation	851	745
Share-based compensation	151,828	540,527
Foreign exchange	119,065	(283,194)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	126,751	36
VAT receivable	(1,431,203)	222,876
Accounts receivable	(170,711)	-
Prepaid expenses	(94,249)	(975)
	(2,795,380)	(833,541)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(5,294,954)	(1,137,326)
Acquisition of equipment	(958)	(2,326)
	(5,295,912)	(1,139,652)
FINANCING ACTIVITIES		
Proceeds from shares issuance, net of issuance costs	5,300,000	2,020,000
Net proceeds from warrants exercised	6,625,000	-
Net proceeds from options exercised	495,116	-
	12,420,116	2,020,000
Increase in cash	4,328,824	46,807
Cash, beginning of the year	568,421	521,614
Cash, end of the year	\$ 4,897,245	\$ 568,421

	2025	2024
Non-Cash Investing and Financing Activities:		
Share subscription receivable	43,000	-
Shares issued for royalty acquisition	552,791	-
Accounts payable included in exploration and evaluation assets	138,358	4,477
Equity reserve transferred to share capital on exercise of stock options	345,687	-

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

CAPITAN SILVER CORP.Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

		<u>Share Capital</u>				Accumulated			
	Note	Shares	Amount	Reserves		Other Comprehensive (Income)/Loss	Deficit		Total
Balance at September 30, 2023		70,590,771	\$ 13,827,959	\$ 380,192		\$ 931,946	\$ (3,442,078)		\$ 11,698,019
Private placement	8	13,466,667	2,020,000	-		-	-		2,020,000
Share-based compensation	8	-	-	540,527		-	-		540,527
Foreign exchange movement		-	-	-		(1,043,049)	-		(1,043,049)
Loss for the year		-	-	-		-	(1,313,556)		(1,313,556)
Balance at September 30, 2024		84,057,438	\$ 15,847,959	\$ 920,719		\$ (111,103)	\$ (4,755,634)		\$ 11,901,941
Private placement	8	13,250,000	5,300,000	-		-	-		5,300,000
Shares issued for royalty acquisition	7, 8	1,422,002	552,791	-		-	-		552,791
Shares issued for warrants exercised	8	13,250,000	6,625,000	-		-	-		6,625,000
Shares issued for options exercised	8	2,256,166	883,803	(345,687)		-	-		538,116
Share-based compensation	8	-	-	151,828		-	-		151,828
Foreign exchange movement		-	-	-		992,096	-		992,096
Loss for the year		-	-	-		-	(1,497,712)		(1,497,712)
Balance at September 30, 2025		114,235,606	\$ 29,209,553	\$ 726,860		\$ 880,993	\$ (6,253,346)		\$ 24,564,060

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

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

1. Nature and continuance of operations

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

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

The Company’s ability to continue operations is uncertain and is dependent upon the ability of the Company to obtain necessary financing to meet the Company’s liabilities and commitments as they become payable, acquiring assets or a business, and the ability to generate future profitable production or operations or sufficient proceeds from the disposition thereof. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The Company incurred a net loss of \$1,497,712 for the year ended September 30, 2025 and accumulated losses of \$6,253,346 as of September 30, 2025. Management believes that the Company has sufficient working capital to maintain its operations for the following 12 months.

2. Basis of presentation

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

3. Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

4. Material accounting policy information

a. Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All inter-company transactions and balances have been eliminated upon consolidation.

Name of subsidiary	Country of incorporation	Proportion of ownership	Principal activity
Rios de Suerte S.A. de C.V. (“Rios”)	Mexico	100%	Mineral exploration

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

4. Material accounting policy information (continued)

b. Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar and the Mexican Pesos for Rios. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the functional currency for an entity are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

The subsidiary with a Mexican Peso functional currency has been translated into Canadian dollars as follows:

Assets and liabilities are translated at period end exchange rates, while revenues and expenses are translated using average rates over the period. Translation gains and losses relating to the foreign operations are included in accumulated other comprehensive loss as a separate component of shareholders' equity.

c. Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. The Company records exploration and evaluation asset interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of exploration and evaluation asset interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these exploration and evaluation asset interests are capitalized on the basis of specific claim blocks until the exploration and evaluation asset interests to which they relate are placed into production, disposed of through sale, or where management has determined there to be an impairment. If an exploration and evaluation asset interest is abandoned, the exploration and evaluation asset interests and deferred exploration costs will be written off to operations in the period of abandonment.

On an on-going basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The recorded cost of exploration and evaluation asset interests is based on cash paid and the assigned value of share consideration issued (where shares are issued) for exploration and evaluation asset interest acquisitions and exploration costs incurred. The recorded amount may not reflect the recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

d. Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

4. Material accounting policy information (continued)

d. Provision for environmental rehabilitation (continued)

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditure. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as an interest expense. The Company currently does not have any significant provisions for environmental rehabilitation.

e. 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 an 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 profit or loss for the period. For an asset that does not generate largely independent cash flows, 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.

f. Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit or loss.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

4. Material accounting policy information (continued)

f. Financial instruments (continued)

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current asset based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

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

The following table shows the classification of the Company's financial assets and liabilities under IFRS 9:

Financial instrument	Classification
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Subscription receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Other payable	Amortized cost

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Amortized cost - This category comprises liabilities initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

g. Loss per share

Basic loss per common share is calculated by dividing net loss available to common shareholders by the weighted-average number of shares outstanding during the year. The effect of dilutive stock options warrants and similar instruments on loss per share is recognized on the use of the proceeds that could be obtained upon these and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Diluted loss per share value excludes all dilutive potential common shares if their effect is anti-dilutive.

h. Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with regards to previous years.

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

4. Material accounting policy information (continued)

h. Income taxes (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they revert, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

i. Critical accounting estimates, judgments, and assumptions

The preparation of these consolidated 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 amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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. Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are noted below with further details of the assumptions contained in the relevant note.

Critical accounting judgments

- *Recoverability and classification of value added tax ("VAT")*: which are included in the consolidated statements of financial position. Management has determined that the timing of collection is uncertain as the recovery of VAT receivable involves a complex application process, accordingly VAT is recorded as a non-current asset.
- Management's determination of the functional currency of the Company and each of its subsidiaries requires judgment based on the factors outline in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Critical accounting estimates

- *Exploration and evaluation assets*: Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

4. Material accounting policy information (continued)

j. Capital stock

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issuance of common shares and stock options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

k. Share-based payments

The stock option plan allows the Company's employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to capital stock.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

l. New standards issued and not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended September 30, 2025.

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18"). IFRS 18 introduces new standards for financial performance reporting, focusing on the profit or loss statement structure, disclosures of management-defined performance measures, and principles of aggregation and disaggregation. It replaces IAS 1 while retaining many existing principles, aiming for greater comparability and transparency in financial reporting. IFRS 18 will be effective beginning January 1, 2027. IFRS 18 mandates disclosures for non-GAAP measures and specifies the categorization of operating, investing, and financing activities in the statements of loss and comprehensive loss. The Company is assessing the impact of this standard.

5. Restricted cash

As at September 30, 2025 and 2024, the Company's restricted cash of \$25,000 related to a Guaranteed Investment Certificate ("GIC") earning a variable rate of 2.70% (2024 – 2.95%) interest per annum held as collateral in respect to the corporate credit card facility with a financial institution.

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

6. Prepaid expenses

The breakdown of prepaid expenses is as follows:

	September 30, 2025	September 30, 2024
Expense advances	\$ 120,557	\$ 40,153
Insurance	19,058	14,877
Rent	660	996
Prepaid deposit	15,000	5,000
	<u>\$ 155,275</u>	<u>\$ 61,026</u>

7. Exploration and evaluation assets

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

Cruz de Plata, Durango, Mexico

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

The transaction details as below:

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

*As of April 1, 2024, an amendment agreement was executed with Altiplano. This agreement replaces the third payment of US\$300,000 and the share issuance of US\$300,000 with the following:

Due date	Cash	Common shares in value
Within five business days of the execution and delivery of the agreement	US\$87,500 (paid)	-
On or before 6 months following the effective date (October 1, 2024)*	US\$100,000 (paid)*	US\$100,000 (issued)
On or before 12 months following the effective date (April 1, 2025)	US\$150,000 (paid)	US\$150,000 (issued)

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

*On November 4, 2024, an amendment was made to the agreement with Altiplano, wherein the second payment is replaced by the following:

Due date	Cash
As of November 4, 2024	US\$34,000 (paid)
On or before December 2, 2024	US\$33,000 (paid)
On or before January 2, 2025 (extended to February 1, 2025)	US\$33,000 (paid)

On June 11, 2025, the Company announced that it had completed the acquisition and elimination of the NSR's held by Altiplano on the Cruz de Plata Project. Total consideration paid was US\$1,000,000 in a combination of cash and shares (Note 8).

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

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

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

The transaction details as below:

Due date	Cash
Upon the closing date (November 28, 2022)	US\$50,000 (paid)
18 months from the date of signing (May 28, 2024)*	US\$156,300 (paid)
On or before the second anniversary of the closing date (November 28, 2024)	US\$150,000 (paid)
30 months from the date of signing (May 28, 2025)	US\$150,000 (paid)
On or before the third anniversary of the closing date (November 28, 2025)	US\$500,000 (paid subsequent to September 30, 2025)

*On November 29, 2023, an amendment was made to the agreement with Minera, extending the second payment date from November 28, 2023, to May 28, 2024, with a total payment due of US\$156,300.

On August 21, 2025, the Company executed a definitive agreement with Minera to acquire a strategic property package at its Cruz de Plata project. The price of the transaction is US\$4,000,000, payable in two installments: US\$2,000,000, which was due and paid upon execution of the definitive agreement ("Closing"), and US\$2,000,000, payable on or before the second anniversary of Closing. There are no royalties or share payments for this transaction.

The transaction details as below:

Due date	Cash
Upon the closing date (August 21, 2025)	US\$2,000,000 (paid)
On or before the second anniversary of the closing date (August 21, 2027)	US\$2,000,000

At the closing date, Minera issued an invoice for the full option payment of US\$4,000,000 plus applicable VAT under the land option agreement, of which US\$2,000,000 plus VAT relates to the second anniversary payment not yet due as at the reporting date. Accordingly, the portion of \$3,231,763 relating to the second anniversary payment has been recorded as other payable as of September 30, 2025.

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

The breakdown of exploration and evaluation assets is as follows:

	September 30, 2025	September 30, 2024
Acquisition costs	\$ 6,949,730	\$ 387,095
Exploration costs:		
Assaying	316,143	15,855
Data acquisition	63,049	-
Field & camp costs	72,218	15,956
Geological consulting	674,960	537,512
Drilling	875,898	-
Transport & support	185,146	103,111
Total current exploration costs	2,187,414	672,434
Professional fees:		
Legal fees	55,156	29,173
Community relations	21,089	46,178
Total current professional & other fees	76,245	75,351
Total costs incurred during the year	9,213,389	1,134,880
Balance, opening	10,538,248	10,260,774
Foreign exchange movements	1,025,798	(857,406)
Balance, end of the year	\$ 20,777,435	\$ 10,538,248
Cumulative costs:		
Acquisition	\$ 11,577,329	\$ 4,627,599
Exploration	7,680,984	5,493,570
Professional & other fees	298,891	222,646
Foreign exchange movements	1,220,231	194,433
	\$ 20,777,435	\$ 10,538,248

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

8. Share capital and reserves

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

Share subscription receivable

During the year ended September 30, 2025, the Company recorded \$43,000 in share subscriptions receivable, related to the Company's options exercised on September 8, 2025. The full amount was collected subsequent to year-end.

Shares issued for the year ended September 30, 2025

During the year ended September 30, 2025, the Company issued 2,256,166 common shares pursuant to the exercise of stock options for gross proceeds of \$538,116, with an additional \$345,687 reclassified from equity reserve to share capital.

On November 4, 2024, the Company issued 934,280 common shares valued at \$294,298 to Altiplano pursuant to an option agreement to repurchase NSRs (Note 7).

On February 24, 2025, the Company closed a private placement, issuing 13,250,000 units at a price of \$0.40 per unit for gross proceeds of \$5,300,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable for a period of 12 months from the closing date at an exercise price of \$0.50 per share. No finder's fees were disbursed in relation to this private placement.

On May 29, 2025, the Company issued 487,722 common shares valued at \$258,493 to Altiplano pursuant to an option agreement to repurchase NSRs (Note 7).

On July 14, 2025, the Company issued 13,250,000 common shares pursuant to the exercise of warrants at an exercise price of \$0.50 per share for gross proceeds of \$6,625,000.

Shares issued for the year ended September 30, 2024

On April 19, 2024, the Company completed a private placement, issuing 13,466,667 shares at a price of \$0.15 per share for gross proceeds of \$2,020,000. No finder's fees were disbursed in relation to this private placement.

Share purchase and finders' warrants

	Number of warrants	Weighted average exercise price
Outstanding warrants, September 30, 2024 and 2023	-	-
Granted	13,250,000	\$ 0.50
Exercised	(13,250,000)	0.50
Outstanding warrants, September 30, 2025	-	-

On June 13, 2025, the Company's closing share price exceeded \$0.50, at which time management issued a written acceleration notice to warrant holders to accelerate the expiry date to July 13, 2025.

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

Stock options

The Company has established a rolling stock option plan (“Option Plan”) enabling the directors to grant options to employees, officers, directors, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Option Plan, provided that the total number of shares reserved for issuance by the Board shall not exceed 10% of the issued and outstanding listed shares (on a non-diluted basis). Options are non-assignable and may be granted for a term not exceeding that permitted by the Exchange, currently ten years.

On October 31, 2024, the Company granted a total of 400,000 stock options to a new director of the Company. The options are exercisable at \$0.30 per share and expire on October 31, 2029. The options vest over 24 months with 1/3 available upon issuance and 1/3 every 12 months thereafter.

On September 5, 2025, the Company granted a total of 1,800,000 stock options to certain directors, officers and consultants of the Company. The options are exercisable at \$1.54 per share and expire on September 5, 2030. The stock options vest over a period of 36 months, with 1/3 of the options vesting on each of the 12-month, 24-month, and 36-month anniversaries of the grant date.

Share-based compensation relating to options vested during the year ended September 30, 2025, using the Black-Scholes option pricing model was \$151,828 (2024 - \$540,527) which was recorded as reserves on the statements of financial position and as share-based compensation expense on the statements of loss and comprehensive loss. The share-based compensation expense for the options granted during the year was calculated based on the following weighted average assumptions:

	September 30, 2025	September 30, 2024
Risk-free interest rate	2.47%	2.05%
Expected life of options	5 years	5 years
Expected annualized volatility	99.46%	97.93%
Expected dividend rate	-	-
Fair value per option	\$0.98	\$0.14

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

	Number of options	Weighted average exercise price
Outstanding options, September 30, 2023	2,282,313	\$ 0.24
Granted	3,940,000	0.20
Expired	(50,583)	0.16
Outstanding options, September 30, 2024	6,171,730	\$ 0.22
Granted	2,200,000	1.31
Exercised	(2,256,166)	0.24
Cancelled	(50,000)	0.25
Expired	(90,564)	0.22
Outstanding options, September 30, 2025	5,975,000	\$ 0.61

As at September 30, 2025, the Company has outstanding stock options exercisable as follows:

Expiry date	Number of options outstanding	Weighted average remaining life in years	Exercise price	Number of options exercisable
July 16, 2026	50,000	0.79	\$ 0.27	50,000
June 11, 2029	3,725,000	3.70	\$ 0.20	3,725,000
October 31, 2029	400,000	4.09	\$ 0.30	133,333
September 5, 2030	1,800,000	4.93	\$ 1.54	-
	5,975,000	4.07		3,908,333

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

9. Related party transactions

(a) Transactions:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the year ended September 30, 2025 and 2024 is as follows:

	September 30, 2025	September 30, 2024
Management and consulting fees (i)	\$ 640,500	\$ 282,000
Director fees	28,500	-
Professional fees	19,891	-
Share-based compensation	101,215	356,400
	<u>\$ 790,106</u>	<u>\$ 638,400</u>

- (i) Management and consulting fees of the key management personnel for the year ended September 30, 2025 were allocated as follows: \$433,500 (2024 - \$132,000) expensed to management and consulting fees and \$207,000 (2024 - \$150,000) capitalized to exploration and evaluation assets.

(b) Due to related parties:

As at September 30, 2025, the Company has a payable of \$61,315 (September 30, 2024 - \$nil) owing to certain key management.

10. Income tax

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2025	2024
Loss for the year	\$ (1,497,712)	\$ (1,313,556)
Expected income tax (recovery)	\$ (404,000)	\$ (355,000)
Change in unrecognized deductible temporary differences	(5,000)	(5,000)
Permanent differences	65,000	143,000
Change in unrecognized deductible temporary	344,000	217,000
Total income tax expense (recovery)	\$ -	\$ -

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

The significant components of the Company's temporary differences, unused tax credits and unused losses that have not been recognized on the consolidated statement of financial position are as follows:

	2025	Expiry Date Range	2024	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ -	No expiry date	\$ -	No expiry date
Share issue costs	-	-	-	-
Non-capital losses available for future periods	5,421,000	2040-2045	4,142,000	2040-2044
Canada	5,091,000	2040-2045	3,727,000	2040-2044
Mexico	329,000	No expiry date	415,000	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. Financial instruments

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

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

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

The fair value of the Company's cash, restricted cash, accounts receivable, share subscription receivable, and accounts payable and accrued liabilities approximate carrying value, due to their short-term nature.

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2025, the Company had cash of \$4,897,245 (2024 - \$568,421) to settle current liabilities of \$308,091 (2024 - \$47,459). The Company believes it has sufficient funds to meet its current liabilities as they become due.

Price risk

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

Foreign currency risk

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

Sensitivity analysis

The Company operates in Mexico and is exposed to risk from changes in the Mexican peso. A 10% fluctuation in the Mexico peso against the Canadian dollar would affect loss for the year by \$187,750 (2024 - \$88,007).

CAPITAN SILVER CORP.

Notes to the Consolidated Financial Statements
For the Year ended September 30, 2025 and 2024
(Expressed in Canadian Dollars)

12. Capital management

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

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

13. Segmented information

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

14. Subsequent Events

On December 17, 2025, the Company closed a private placement of 11,333,250 common shares at a price of \$2.03 per share, for gross proceeds of \$23,006,497. As part of the offering, the Company paid the underwriters a cash commission of \$1,372,473.

On January 6, 2026, the Company closed a private placement of 2,955,665 common shares at a price of \$2.03 per share, for gross proceeds of \$6,000,000.