



ZACATECAS SILVER CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)

FOR THE THREE AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

NOTICE TO READER

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 interim 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 interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ZACATECAS SILVER CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars - Unaudited)

AS AT

	September 30, 2024	December 31, 2023
ASSETS		
Current		
Cash	\$ 17,514	\$ 12,968
Prepaid expenses and advances	29,816	51,669
Receivables (Note 4)	<u>14,454</u>	<u>16,183</u>
	61,784	80,820
Equipment (Note 5)	33,663	65,858
Mineral property (Note 6)	<u>47,136,749</u>	<u>47,360,538</u>
	<u>\$ 47,232,196</u>	<u>\$ 47,507,216</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 926,101	\$ 1,451,328
Contingent consideration (Note 6)	<u>8,547,078</u>	<u>8,349,429</u>
	<u>9,473,179</u>	<u>9,800,757</u>
Shareholders' equity		
Share capital (Note 8)	47,916,337	45,557,822
Contributed surplus (Note 8)	3,263,941	3,210,282
Accumulated other comprehensive income	384,388	578,411
Deficit	<u>(13,805,649)</u>	<u>(11,640,056)</u>
	<u>37,759,017</u>	<u>37,706,459</u>
	<u>\$ 47,232,196</u>	<u>\$ 47,507,216</u>

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on November 29, 2024

"Bryan Slusarchuk" Director
Bryan Slusarchuk

"John Lewins" Director
John Lewins

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

ZACATECAS SILVER CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

(Expressed in Canadian Dollars - Unaudited)

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
EXPENSES				
Consulting fees	\$ -	\$ -	\$ 132,365	\$ 51,000
Depreciation (Note 5)	8,500	18,196	30,228	45,179
Directors fees (Note 7)	27,000	27,000	81,000	81,000
Exploration expenses (Note 6 and 7)	302,599	568,969	825,653	3,140,690
Foreign exchange	(261,827)	(63,869)	(2,141)	281,895
Management fees (Note 7)	87,717	86,153	262,171	258,188
Marketing and shareholder communications	23,279	21,000	249,649	229,276
Office expense	34,329	46,127	105,708	120,920
Professional fees (Note 7)	67,735	70,927	236,061	360,602
Project investigations	13,500	-	40,376	-
Transfer agent and filing fees	925	11,326	16,674	103,315
Travel	8,677	96	61,744	5,770
	(312,434)	(785,925)	(2,039,488)	(4,677,835)
Interest income	158	657	426	2,869
Recovery on settlement of accounts payable	(2,182)	-	71,118	-
Change in fair value of contingent consideration (Note 6)	88,430	(287,847)	(197,649)	4,418,622
	86,406	(287,190)	(126,105)	4,421,491
Loss for the period	(226,028)	(1,073,115)	(2,165,593)	(256,344)
Other comprehensive income				
Exchange difference on translation of foreign operations	(346,294)	(54,449)	(194,023)	383,459
(Loss) Income and comprehensive (loss) income for the period	\$ (572,322)	\$ (1,127,564)	\$ (2,359,616)	\$ 127,115
Basic and diluted earnings (loss) income per common share	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	115,725,991	90,410,991	111,711,392	86,692,181

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

ZACATECAS SILVER CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,
(Expressed in Canadian Dollars - Unaudited)**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (2,165,593)	\$ (256,344)
Items not affecting cash		
Depreciation	30,228	45,179
Recovery on settlement of accounts payable	(71,118)	-
Change in fair value of contingent consideration	197,649	(4,418,622)
Non-cash working capital item changes:		
Prepaid expenses and advances	21,853	(1,894)
Receivables	1,729	(2,084)
Accounts payable and accrued liabilities	<u>(454,109)</u>	<u>(30,296)</u>
Net cash used in operating activities	<u>(2,439,361)</u>	<u>(4,664,061)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	2,500,000	3,514,276
Share issuance costs	<u>(87,826)</u>	<u>(62,068)</u>
Net cash provided by financing activities	<u>2,412,174</u>	<u>3,452,208</u>
Change in cash for the period	(27,187)	(1,211,853)
Effect of changes in exchange rates on cash	31,733	186,783
Cash, beginning of period	<u>12,968</u>	<u>1,112,343</u>
Cash, end of period	<u>\$ 17,514</u>	<u>\$ 87,273</u>

Supplemental disclosure with respect to cash flows (Note 11).

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

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

(Expressed in Canadian Dollars - Unaudited)

	<u>Share Capital</u>		Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount				
Balance, December 31, 2022	82,601,489	\$ 42,506,184	\$ 2,832,229	\$ 102,051	\$ (19,534,203)	\$ 25,906,261
Shares issued for cash	7,809,502	3,514,276	-	-	-	3,514,276
Share issue costs	-	(94,213)	32,145	-	-	(62,068)
Loss and comprehensive loss for the period	-	-	-	383,459	(256,344)	127,115
Balance, September 30, 2023	90,410,991	\$ 45,926,247	\$ 2,864,374	\$ 485,510	\$ (19,790,547)	\$ 29,485,584
Balance, December 31, 2023	90,410,991	\$ 45,557,822	\$ 3,210,282	\$ 578,411	\$ (11,640,056)	\$ 37,706,459
Private Placement	25,000,000	2,500,000	-	-	-	2,500,000
Share issue costs	315,000	(87,826)	-	-	-	(87,826)
Fair value of warrants issued as finders' fees	-	(53,659)	53,659	-	-	-
Loss and comprehensive loss for the period	-	-	-	(194,023)	(2,165,593)	(2,359,616)
Balance, September 30, 2024	115,725,991	\$ 47,916,337	\$ 3,263,941	\$ 384,388	\$ (13,805,649)	\$ 37,759,017

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

ZACATECAS SILVER CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

(Expressed in Canadian Dollars - Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Zacatecas Silver Corp. (the “Company”) was incorporated in Canada under the British Columbia Corporations Act on July 22, 2020. The Company is principally engaged in the acquisition and exploration and development of mineral properties in Mexico. The Company’s shares are publicly traded on the TSX Venture Exchange (the “TSXV”) under the symbol ZAC. The head office and principal address of the Company is 1507-1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3. The Company is in the process of investing in potential new acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain reserves that are economically recoverable.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

The condensed consolidated interim 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. Continued operations of the Company are dependent on the Company's ability to receive financial support, and necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated 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”).

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its 100% owned subsidiaries, as listed below. All inter-company balances and transactions are eliminated on consolidation.

Company	Place of Incorporation	Principal Activity
Desarrollos Mineros Zacatecas Silver S.A de C.V.	Mexico	Exploration and Evaluation
Esperanza Silver de Mexico S.A de C.V	Mexico	Exploration and Evaluation
Servicios Mineros Te Tlama S.A de C.V	Mexico	Exploration and Evaluation
1260410 B.C Ltd.	Canada	Holding

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The condensed consolidated interim financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

ZACATECAS SILVER CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

(Expressed in Canadian Dollars - Unaudited)

2. BASIS OF PREPARATION (cont'd...)

Basis of Measurement

These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's and 1260410 B.C Ltd.'s functional currency. Desarrollos Mineros Zacatecas Silver S.A de C.V. has a functional currency of the Mexican Peso and Esperanza Silver de Mexico S.A de C.V and Servicios Mineros Te Tlama S.A de C.V have a functional currency of the US dollar.

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

Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The key areas of judgment applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

Functional currency

The functional currency of the Company and its subsidiaries is the currency of their respective primary economic environment. Judgement is necessary in evaluating each entity's functional currency.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise additional funding to cover its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances (Note 1).

Impairment of exploration and evaluation assets

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

Acquisitions

The acquisition of Esperanza, as described in Note 6, required management to make a judgment as to whether the entity constituted a business under the definitions of IFRS 3. The assessment required management to assess the inputs, processes and ability of that entity to produce outputs at the time of acquisition. Pursuant to the assessment, the acquisition was determined to be an asset acquisition.

The significant areas of assumptions and estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

(Expressed in Canadian Dollars - Unaudited)

2. BASIS OF PREPARATION (cont'd...)**Basis of Consolidation (cont'd...)***Acquisition of a subsidiary*

The acquisition of Esperanza required management to make significant estimates with respect to the fair value of consideration transferred, including contingent consideration, and fair value of the assets acquired and liabilities assumed (Note 6).

Contingent consideration

The contingent consideration payable pursuant to the Esperanza acquisition requires management to make significant assumptions and estimates at each reporting period with respect to the likelihood and magnitude of an outflow of resources (Note 6).

Metal stream valuation

The liability representing the Company's obligation to deliver silver metal under the Silver Stream is subject to significant estimate with respect to the likelihood of delivery under the arrangement as well as discount rates and future silver prices (Note 6).

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Company's material accounting policies are the same as those applied in the Company's consolidated financial statements for the year ended December 31, 2023. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2023.

4. RECEIVABLES

	September 30, 2024	December 31, 2023
Goods and service tax ("GST") receivable	\$ 4,122	\$ 5,312
Other	<u>10,332</u>	<u>10,871</u>
Total	<u>\$ 14,454</u>	<u>\$ 16,183</u>

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

(Expressed in Canadian Dollars - Unaudited)

5. EQUIPMENT

	Computer and office equipment		Field equipment		Vehicles		Total	
Cost								
Balance, December 31, 2022	\$	131,310	\$	41,850	\$	33,054	\$	206,214
Additions		-		-		(10,688)		(10,688)
Foreign exchange		1,974		5,234		(1,292)		5,916
Balance, December 31, 2023		133,284		47,084		21,074		201,442
Foreign exchange		(2,156)		(5,716)		435		(7,437)
Balance, September 30, 2024	\$	131,128	\$	41,368	\$	21,509	\$	194,005
Accumulated Depreciation								
Balance, December 31, 2022	\$	57,563	\$	13,479	\$	7,713	\$	78,755
Depreciation		36,027		13,437		10,980		60,444
Disposal		-		-		(6,479)		(6,479)
Foreign exchange		1,011		2,124		(271)		2,864
Balance, December 31, 2023		94,601		29,040		11,943		135,584
Depreciation		16,509		8,300		5,419		30,228
Foreign exchange		(1,244)		(4,430)		204		(5,470)
Balance, September 30, 2024	\$	109,866	\$	32,910	\$	17,566	\$	160,342
Carrying amount at December 31, 2023	\$	38,683	\$	18,044	\$	9,131	\$	65,858
Carrying amount at September 30, 2024	\$	21,262	\$	8,458	\$	3,943	\$	33,663

6. MINERAL PROPERTY**Zacatecas Project, Mexico**

On August 18, 2020, the Company entered into a purchase agreement with Santacruz Silver Mining Ltd. (“Santacruz”), Impulsora Minera Santacruz, S.A. de D.V. (“IMSC”), being a wholly owned subsidiary of Santacruz, and Desarrollos Mineros Zacatecas Silver, S.A. de C.V. (“DMZS”), a wholly owned subsidiary of the Company. Under the terms of the purchase agreement, DMZS acquired a 100% interest in certain claims known as the Zacatecas Project, in Zacatecas, Mexico, subject to certain underlying royalties. The Company acquired a 100% interest in the property by issuing 5,000,000 shares (issued), agreeing to pay outstanding property taxes on the project of MxP3,977,515 (\$278,080 - paid), and agreeing to make total payments of US\$1,500,000 over a period of two years from listing on the TSXV, which was subsequently amended and paid on listing.

The fair value of the deferred payments of \$1,559,046 was determined on the date of the acquisition using a discounted cash flow model with a discount rate of 20%. Subsequently the Company amended the Zacatecas Project purchase agreement between Santacruz, IMSC and DMZS, such that DMZS paid the US\$1,500,000 on the listing date and the 5,000,000 common shares were subject to resale restrictions from 2 to 14 months from the TSXV listing date.

Esperanza Project, Mexico

On April 12, 2022, the Company completed its acquisition of the Esperanza Gold Project, located in Morelos State, Mexico, pursuant to the terms of a Share Purchase Agreement dated February 28, 2022 (the “Share Purchase Agreement”) with Minas De Oro Nacional, S.A. De C.V. (“Minas De Oro”), a subsidiary of Alamos Gold Inc. (“Alamos”).

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)****6. MINERAL PROPERTY (cont'd...)****Esperanza Project, Mexico (cont'd...)**

Under the terms of the Share Purchase Agreement, the Company acquired all the issued and outstanding shares of Esperanza Silver de Mexico S.A de C.V (“Esperanza Mexico”), which holds title to the Esperanza Gold Project. In consideration, the Company

- i. paid Minas de Oro US\$5,000,000 in cash;
- ii. issued 12,140,000 common shares of the Company; and
- iii. Granted a Silver Stream (“Silver Stream Obligation”) under which Alamos is entitled to receive 20% of the silver produced from the Esperanza Gold Project at a cash price of 20% of the prevailing spot silver price, subject to a maximum of 500,000 ounces of silver delivered to Alamos.

The Share Purchase Agreement further provides that the Company will make certain additional payments contingent upon the completion of key milestones on the Esperanza Gold Project (“Milestone Payments”):

- iv. Pay US\$5,000,000 within 60 days after approval of an environmental impact assessment report by the applicable governmental authorities;
- v. Pay US\$14,000,000 within 60 days of the earlier of (i) completion of a feasibility study on the Esperanza Gold Project or (ii) the Company announcing its decision to commence construction of a mine on the Esperanza Gold Project; and
- vi. Pay US\$20,000,000 within 180 days after commencement of commercial production on the Esperanza Gold Project.

The Company may, at its sole election, satisfy up to 50% of the contingent payments by issuing shares at a price equal to the 10-day volume-weighted average price prior to the issuance of such shares provided that such share issuance does not cause Alamos to exceed 19.99% ownership of the issued and outstanding shares of the Company (on a partially diluted basis).

The Company has also agreed to incur US\$7,500,000 in expenditures to advance the Esperanza Gold Project over the three years following the acquisition. If the Company fails to meet the expenditure commitment, an amount equal to the shortfall will be added to the next contingent payment.

The transaction did not meet the definition of a business combination and therefore, was accounted for as an asset purchase of mineral property interests. The fair value of the consideration paid for the acquisition of Esperanza has been allocated to the assets acquired and liabilities assumed, based on management’s best estimate and taking into account all available information at the time of acquisition.

The following table summarizes the fair value of the total consideration paid and the aggregate fair value of the identified assets acquired and liabilities assumed:

Purchase price	
Cash (US\$5,000,000)	\$ 6,305,000
12,140,000 common shares	13,354,000
Fair value of Milestone Payments	19,745,605
Fair value of Silver Stream	3,061,463
Transaction costs and finder’s fee ⁽¹⁾	1,063,277
Fair value of consideration	\$ 43,529,345

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

(Expressed in Canadian Dollars - Unaudited)

6. MINERAL PROPERTY (cont'd...)**Esperanza Project, Mexico (cont'd...)**

Net assets acquired	
Cash	\$ 16,506
Equipment	39,045
Receivables and prepayments	44,199
Mineral properties	44,488,850
Accounts payable and accrued liabilities	(1,059,255)
	\$ 43,529,345

(1) The Company paid a finder's fee of US\$500,000 to a third party.

The fair value of the contingent Milestone Payments of \$19,745,605 was estimated on the date of acquisition based on management assumptions on the probability and timing of such payments using a probability-weighted discounted cash flow model. The Company used a discount rate of 9.75%. The Milestone Payments and Silver Stream are revalued at each reporting period based on the prevailing facts and circumstances of the Esperanza Gold Project. The fair value is determined using discounted cash flows based on significant inputs and assumptions such as a discount rate, an estimate of timelines to advance the project and a success probability factor. The fair value at each reporting period is also impacted by prevailing foreign exchange rates.

As at September 30, 2024 the Company used a discount rate of 14.75% (December 31, 2023 - 14.75%). The changes in the fair value of the Milestone Payments and Silver Stream ("Contingent Consideration") for the period ended September 30, 2024 and for the year ended December 31, 2023 are as follows:

Contingent Consideration	Milestone Payments	Silver Stream	Total
Balance, December 31, 2022	\$ 18,846,235	\$ 2,748,372	\$ 21,594,607
Change in fair value	(11,921,737)	(1,323,441)	(13,245,178)
Balance, December 31, 2023	6,924,498	1,424,931	8,349,429
Change in fair value	168,238	29,411	197,649
Balance, September 30, 2024	\$ 7,092,736	\$ 1,454,342	\$ 8,547,078

The Milestone Payments are considered to be in level 3 of the fair value hierarchy (Note 10).

Significant inputs and assumptions into the model are summarize in the following table:

Inputs and Assumption	September 30, 2024	December 31, 2023
Debt discount rate	14.75%	14.75%
Average silver price	US\$25.84	US\$22.71

Sensitivity Analysis:

The fair value of the Silver Stream Obligation was estimated using Level 3 inputs and is most sensitive to changes in future metal prices, discount rates, foreign exchange rates, and estimated mineral resources.

For the fair value of the Silver Stream Obligation, reasonably possible changes at the reporting date to one of the significant inputs, holding other inputs constant, would have the following effects:

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

(Expressed in Canadian Dollars - Unaudited)

6. MINERAL PROPERTY (cont'd...)**Esperanza Project, Mexico (cont'd...)**

Key Inputs	Inter-relationships between significant inputs and fair value measurement	Estimated Fair Value Increase (decrease)
Key observable inputs		
- Metal prices	- Future silver prices were 10% higher - Future silver prices were 10% lower	99,230 (99,230)
- Discount rates	- Discount rates were 1% higher - Discount rates were 1% lower	120,197 (120,197)
- Foreign exchange rates	- Exchange rate was 10% higher - Exchange rate was 10% lower	99,230 (99,230)
Key unobservable inputs		
- Estimated mineral resources	- Estimated mineral resources were 10% higher - Estimated mineral resources were 10% lower	99,230 (99,230)
- Milestone probability weighting	- Increase in probability weighting by 10% - Decrease in probability weighting by 10%	99,230 (99,230)

Total Acquisition costs

	Esperanza Gold Project	Zacatecas Project	Total
Balance, December 31, 2022	\$44,488,850	\$ 2,666,765	\$47,155,615
Foreign currency translation	-	204,923	204,923
Balance, December 31, 2023	44,488,850	2,871,688	47,360,538
Foreign currency translation	-	(223,789)	(223,789)
Balance, September 30, 2024	\$44,488,850	\$ 2,647,899	\$47,136,749

Exploration Expenditures

During the nine-month periods ended September 30, 2024 and September 30, 2023, the Company incurred exploration costs on the Esperanza Gold and Zacatecas silver projects as follows:

	Esperanza Gold Project	Zacatecas Project	Total
For the nine-month period ended September 30, 2024			
Administrative, permitting and land access	\$ 3,626	\$ -	\$ 3,626
Corporate social responsibility and community relations	34,398	-	34,398
Drilling and assay	-	20,914	20,914
General Exploration	139,492	201,676	341,168
Mining duties	152,108	259,197	411,305
Reporting and technical studies	-	10,684	10,684
Taxes paid (IVA)	1,529	2,029	3,558
	\$ 331,153	\$ 494,500	\$ 825,653

ZACATECAS SILVER CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)

6. MINERAL PROPERTY (cont'd...)**Esperanza Project, Mexico (cont'd...)**

For the nine-month period ended September 30, 2023	Esperanza Gold Project	Zacatecas Project	Total
Administrative, permitting and land access	\$ 444,718	\$ -	\$ 444,718
Corporate social responsibility and community relations	663,568	-	663,568
Drilling and assay	-	6,665	6,665
General Exploration	468,759	672,371	1,141,130
Mining duties	488,144	119,489	607,633
Reporting and technical studies	73,395	21,568	94,963
Taxes paid (IVA)	143,551	38,462	182,013
	<u>\$ 2,282,135</u>	<u>\$ 858,555</u>	<u>\$ 3,140,690</u>

7. RELATED PARTY 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 consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

During the nine-month periods ended September 30, 2024 and 2023, the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed consolidated interim financial statements:

	2024	2023
Professional fees	\$ 124,350	\$ 199,532
Exploration costs	194,401	191,394
Director fees	81,000	81,000
Management fees	262,171	258,188
	<u>\$ 661,922</u>	<u>\$ 730,114</u>

As at September 30, 2024, \$135,239 (December 31, 2023, \$461,606) was included in accounts payable and accrued liabilities owing to officers and directors of the Company in relation to fees and reimbursement of expenses.

8. SHAREHOLDERS' EQUITY**Authorized**

An unlimited number of common shares without par value.

ZACATECAS SILVER CORP.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)**

8. SHAREHOLDERS' EQUITY (cont'd...)

Issued share capital

During the period ended September 30, 2024

On February 13, 2024, the Company closed a non-brokered financing for total gross proceeds of \$2,500,000 pursuant to the issuance of 25,000,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share at an exercise price of \$0.15 for a period of two years from the date of issuance.

The Company paid \$55,038, issued 315,000 common shares and issued 865,375 broker warrants as finders' fees and paid other share issuance costs of \$32,688. Each broker warrant is exercisable into one common share at a price of \$0.10 for a period of 2 years. The broker warrants were valued at \$53,659 using the Black-Scholes pricing methodology. The Company used the following assumptions when valuing the broker warrants: expected volatility of 93.45%, risk free interest rate of 4.35%, life of 2 years, dividend yield of 0% and forfeiture rate of 0%.

During the year ended December 31, 2023

On May 10, 2023, the Company closed a non-brokered financing for total gross proceeds of \$3,514,276 pursuant to the issuance of 7,809,502 units at a price of \$0.45 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase a common share at an exercise price of \$0.55 for a period of three years.

In accordance with the Company's accounting policy, the gross proceeds were allocated to the common shares and the share purchase warrants using the residual method, resulting in the allocation of \$351,428 to the fair value of the warrants.

The Company paid finders' fees of \$61,967, paid other share issuance costs of \$22,618, and issued 137,706 broker warrants as finders' fees. Each broker warrant is exercisable into one common share at a price of \$0.45 for a period of 2 years. The broker warrants were valued at \$26,625 using the Black-Scholes Option Pricing Model. The Company used the following assumptions when valuing the broker warrants: expected volatility of 92.36%, risk free interest rate of 3.54%, life of 2 years, dividend yield of 0% and forfeiture rate of 0%.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years with vesting determined by the board of directors.

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

(Expressed in Canadian Dollars - Unaudited)

8. SHAREHOLDERS' EQUITY (cont'd...)**Stock options (cont'd...)**

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2022	9,613,161	\$ 1.40	5,817,500	\$ 0.59
Granted	<u>7,947,208</u>	0.55	-	-
Outstanding, December 31, 2023	17,560,369	1.05	5,817,500	0.59
Expired	(9,613,161)	1.10	-	-
Granted	<u>13,365,375</u>	0.15	-	-
Outstanding and exercisable, September 30, 2024	21,312,583	\$ 0.30	5,817,500	\$ 0.59

The balance of stock options and warrants outstanding as at September 30, 2024, was as follows:

Expiry Date	Number	Exercise Price - \$	Remaining Life (Years)
Stock Options			
March 2, 2026	4,317,500	0.50	1.42
March 15, 2027	400,000	1.20	2.45
July 18, 2027	1,100,000	0.70	2.80
Warrants			
May 10, 2026	137,706	0.45	0.61
May 10, 2026	7,809,502	0.55	1.61
February 13, 2026	13,365,375	0.15	1.37

During the period ended September 30, 2024 and during the year ended December 31, 2023, the Company did not grant any stock options. Total share-based payments recognized in the statement of loss and comprehensive loss for the period ended September 30, 2024 and for the year ended December 31, 2023, was \$nil.

9. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in Mexico, as described in Note 6.

ZACATECAS SILVER CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

(Expressed in Canadian Dollars - Unaudited)

10. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is classified as fair value through profit or loss. Receivables are classified at amortized cost. Accounts payable and accrued liabilities are classified as amortized cost.

Risk management

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

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 is held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist of goods and services tax receivable from the government of Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.

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.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions. As at September 30, 2024, the Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The majority of purchases are transacted in the Canadian dollar. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

ZACATECAS SILVER CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

(Expressed in Canadian Dollars - Unaudited)

10. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Risk management (cont'd...)

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 acquisition, exploration and evaluation of mineral properties 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 its 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 currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended September 30, 2024, the Company granted 865,375 broker warrants valued at \$53,659, which are recorded in share issuance costs and contributed surplus.

During the nine-month period ended September 30, 2023 the Company Granted 137,706 broker warrants valued at \$32,145, which are recorded in share issuance costs and contributed surplus.

There were no other significant non-cash financing and investing activities and no cash paid for interest or taxes during the periods ended September 30, 2024 and September 30, 2023.